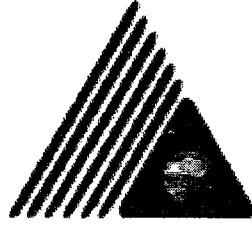


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YEDİTEPE UNIVERSITY

GRADUATE INSTITUTE OF SOCIAL SCIENCES

THE IMAGE OF TURKISH INDUSTRIAL PRODUCTS

FOR EXPORT

by

MURAT DÜZGÜN

Supervisor

Prof. Dr. Ahmet SERPİL

Submitted to the Graduate Institute of Social Sciences
In partial fulfillment of the requirements for the degree of
Master of Business Administration

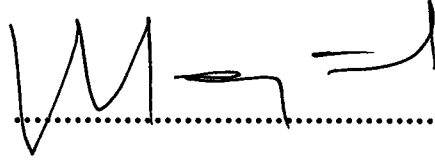
ISTANBUL, 2005

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13 / 12 / 2005

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LIST OF ABBREVIATIONS

T.C.	:	Republic of Turkey.
TOBB	:	Turkish Union of Chambers and Stock Exchanges.
E.U.	:	European Union.
ASALA	:	Armenian Terror Organization.
PKK	:	Kurdish Terror Organization.
ISO	:	Istanbul Chamber of Commerce.
GTİP	:	Customs Tariff Statistical Position.
TBMM	:	Turkish Grand National Assembly.
OECD	:	Organization for Economic Cooperation and Development.
CIS	:	Commonwealths of Independent States.
GNP	:	Gross National Product.
GDP	:	Gross Domestic Product.
TİM	:	Turkish Exporters Assembly.
KOBİ	:	Small and Medium Scale Companies.
DİE	:	State Statistics Institute.
STA	:	Free Trade Agreements.
DTM	:	Undersecretariat of Foreign Trade.
SDŞ	:	Free Foreign Trade Company.
TİKB	:	Turkey Export Credit Bank.
İKB	:	Islamic Development Bank.
TTGV	:	Turkish Technology Development Foundation.
ÜD	:	Producer Associations.
TSE	:	Turkish Standards Institute.
UN	:	United Nations.
EFTA	:	European Free Trade Association.
ISO	:	International Standardization Organization.
CAD	:	Compliance Assessment Directives.
TUBITAK	:	Turkish Scientific Technical Research Council.
TQM	:	Total Quality Management.
TSEK	:	Turkish Standards Institute Agency.
KİT	:	Public Economic Enterprises.

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September, 2005

ABSTRACT

Beginning from the year 1980, Turkey changed its economic development policy from “Import substituting Industrialization” to “Export Led Growth” strategy. Economy opened up to the world trade, expo promoting incentives were initiated (including tax exemptions, rebates and favorable credit terms), direct import controls have been eliminated, and quantity restrictions have been dismantled. State intervention in the Economy was reduced to minimum level. As a result of these efforts, Turkey has increased her share from the World Markets, from 0,15% in 1980 to 0,6% in the year 2004. Between 1980 and 2004 exports of Turkey has increased from 2,9 billion dollars to 63 billion dollars. Structure of exported goods has also changed mainly agricultural products and raw materials to higher value added industrial products. That’s why, Turkey became a more and more open economy as time passed.

Turkey’s foreign trade gained momentum especially in 1990s. This period was affected by changes a developments in the world economy and political structure.

Record rate of export growth in the year 2004 is due to influence of many factors. First of all, Turkish industrial production gained some competitiveness, despite appreciation of TL, as a result of low real wages and stagnant energy. Secondly, low real interest rates in comparison to previous years lowered borrowing cost to producers and exporters. Thirdly, technological improvements has increased either by transfers because of joint venture (esp. in Automotive industry) or imports of technology. Finally, productivity accelerated in recent years was stagnant until mid 2003, creating excess supply, which were in turn directed towards exports. In Turkish exports of intermediate and capital goods are important in production. So, due to the depreciation of \$ against EURO, Turkey benefited from importing cheaper intermediate goods from countries where prices are set according to US Dollar (like East Asian countries – especially China-) and exporting final products mainly to EU countries.

Briefly, Turkey’s foreign trade has developed much in terms of quantity and quality since 1980s. Export Performance is spectacular especially in the last two years, thanks to both domestic developments and international developments. Turkey has been implementing new strategies to make this development sustainable and to diversify that has exports more on the regional and sectoral basis. Turkey aims to go beyond 500 billion of exports by the year 2023.

This Thesis tried to explain one of the main disadvantage of that Turkey has, “IMAGE” on International base by presenting of problems, reasons, development of International Trade of Turkey, tools and finally solutions could also must be taken place as suggestion.

SUMMARY

Studies of Turkey Promotion Council created with the attempts of non-governmental organizations were introduced through a press meeting. Rifat Hisarcıkıođlu, Chairman of the Council's Board of Incorporators, and Chairman of TOBB, said that many a project had been developed for Turkey's promotion in the past, and yet the target was not achieved as those projects were carried out independent of each other. Hisarcıkıođlu said, "This time we have to succeed. In a world where the old habits change and competitiveness increase, we can no longer endure the chains caused by our old image and obsolete methods that prevent our businessmen. This impacts our credit and Foreign Trade adversely." Hisarcıkıođlu stated that the budget spent for Turkey's promotion reached 500 million dollars including the public expense of 200 million dollars, the private expense of 100 million dollars and other indirect promotions.

How is Turkey's National Image which has neither been calculated nor measured, but affected its Foreign Trade negatively to a great extent, in the International Arena now at a time when Turkey is planning to increase its Foreign Trade, in particular its export by increasing momentum?

Quality product and timely marketing activities are, I think, the most important resources of Textile, Handcrafts, Tourism and Agriculture industries which have a justified reputation and image, in winning such values. Low quality products and unfavorable actions of industrial companies, including in particular some heavy metal industries, have affected all industrial companies country-wide adversely in export for years. It is time Turkey that has undergone an Industrialization and Development process in a short period of time should start the studies to recover and correct her International Image (especially in goods and services). This thesis has been prepared to attract attention to this subject and activities which may be carried out in this respect.

When the thesis is examined in terms of its sections, it is based on activities that will facilitate and strengthen the solution, including principal definitions, our problems with respect to Foreign Trade and their development in time, elements that constitute our Foreign Trade and lack of image (promotional activities) in particular. Interviews were held with the firms that are suffering or had suffered from these problems, views obtained and an analysis created. In the last section, appendixes, materials which I guess will help throw light on these issues have been listed.

1.1 INTRODUCTION - DEFINITION OF THE PROBLEM

IMAGE : A designation for all thoughts and facts which are accumulated in the mind about a person or an object.

1.1. DEFINITIONS OF IMAGE

1. image, mental image

(an iconic mental representation; "her imagination forced images upon her too awful to contemplate")

2. picture, image, icon, ikon

(a visual representation (of an object or scene or person or abstraction) produced on a surface; "they showed us the pictures of their wedding"; "a movie is a series of images projected so rapidly that the eye integrates them")

3. persona, image (Jungian psychology)

a personal facade that one presents to the world; "a public image is as fragile as Humpty Dumpty")

4. prototype, paradigm, epitome, image

a standard or typical example; "he is the prototype of good breeding"; "he provided America with an image of the good father")

5. trope, figure of speech, figure, image

language used in a figurative or nonliteral sense)

6. double, image, look-alike

someone who closely resembles a famous person (especially an actor); "he could be Gingrich's double"; "she's the very image of her mother")

7. effigy, image, simulacrum

a representation of a person (especially in the form of sculpture); "the coin bears an effigy of Lincoln"; "the emperor's tomb had his image carved in stone")

Image of Turkey and Turkish Products

The Ministry of Industry gave start to a study in April 2000 regarding the use of domestic products. The second meeting of the campaign which started with a meeting held at Ankara Chamber of Industry was held in İzmir in Ege Region Chamber of Commerce and the third in Istanbul in September. The subject of the panel organized by the Undersecretariat of Foreign Trade on October 16, 2000 in Ankara within the framework of Foreign Trade Week was "Image of Turkish Goods and Quality". Ahmet Kenan Tanrıku, Secretary of Industry attended the meetings held in 3 cities in person, and made speeches. He listened to the panelists and took down notes. Kürşat Tüzmen, Undersecretary of Foreign Trade managed the panel. What we can figure out from these is that the Ministry of Industry is using their best efforts to improve the image of Turkish Goods at home, and the Undersecretariat of Foreign Trade abroad.

Image abroad reduces the value of our goods

Hüsamettin Kavi, Chairman, Istanbul Chamber of Commerce had been wanting the launch of a campaign with respect to the use of domestic products long before. Kavi even was using his best endeavors for steps to be taken to increase the trademark image of our country besides the use of domestic products and improvement of the image of Turkish goods.

The trademark value of a country very rarely matches the trademark value of the products manufactured at that country. It is said that in general the trademark value of a country is higher than the trademark value of her product, or vice versa. Tamer Meral – Milliyet Gazetesi 16 Ekim 2003

For example, the trademark value of Turkey during the first years of the Republic was at least 10 times the product value. As years passed, the trademark value of our country decreased due to factors such as the terrorists acts of ASALA and PKK, the avoidance of foreign capital from Turkey, high inflation, etc. Today the quality of domestic products increased in general. Yet the European Quality Award which got used to win is an evidence of this development. But since the trademark value of our country is low, it is said that Turkish goods could not find the prices they deserved abroad. Kavi, Chairman of Istanbul Chamber of Industry complained that Turkish goods with equivalent quality with that of English or German Goods were sold at lower prices; "Since Turkey's trademark value is low, we have to pay 20% out of our pocket for every product we export. First you should promote your country. If the price of your country is low, your products will be cheap, and your companies,

too...". In the meantime, it was reminded that with US President Bill Clinton's visit to Turkey and Turkey's admission to the European Union, the trademark value of Turkey increased a little.

Image of Turkish goods is neither favorable at home

When we consider the above mentioned views of Hüsamettin Kavi, Chairman of Istanbul Chamber of Industry we should ask ourselves the question, "Is it only the Turkish goods sold abroad that fail to find the value they deserve?" Apparently, Turkish goods that have caught a certain level of quality fail to find the value they deserve in the eyes of the Turkish consumer. Many companies tidied up to stand in the market with the influence of Customs Union and globalization. They increased their efficiencies, and increased quality. However, the bad image of the past still occupies space in our memories. We have not yet forgotten Anadolu cars whose bonnets were eaten by cows, washing machines that walked, refrigerators that got moldy. Even if it is of the same quality and price, we are inclined to prefer import products. In the meantime, people and institutions, including the Turkish Grand National Assembly, who could serve as role models give harm to the image of Turkish goods with their behaviors, whether intentionally or unintentionally. While the highest representative of our nation, TBMM, uses seats of Italian leather, floor coverings from import marble, how can we make the man in the street believe that Turkish goods are of higher quality? Or if a bank such as İş Bankası that was established by Atatürk to lead the Turkish Industry imports (part of) its furniture from America, will not other institutions take İş Bankası as a role model? What about the tv commercials for the promotional tv sets given by newspapers that almost brainwashed the people that import goods were preferable than the Turkish goods by telling almost every night that the tv sets they gave were made in France, Germany or Italy. We are increasingly purchasing more import products. Our car, tables and chairs in our houses (Italian), even the red and green peppers, and green apples we find at supermarkets are imported! However, we could eat the domestic breed of the pepper and the apple as well. I can drive the home-made car. I wonder how these products we import attract demand in the foreign countries where we sell them. I think they do not attract demand so much as we are interested in import goods.

European diplomats point out that, if Turkey is to disprove the popular talk of a "clash of civilisations", it should start to treat its own non-Muslim minorities better. Government bumbling has prompted Turkey's main industrialist lobby, Tusiad, to mount its own campaign to burnish Turkey's image, stressing the country's recent economic progress.

1.2. REASON OF HANDLING OF TURKIYE IMAGE PROBLEM

In the International platform the country image and company image are of utmost importance particularly for those who want to penetrate into foreign markets.

Issues such as attitudes of countries against foreign capital, political stability, social peace, union movements are important factors for the country image. On the other hand, company image can represent an important opportunity or an obstacle in penetration into foreign markets subject to the country image. Sensitivity to the environment, respect for human rights and social responsibility are also important for the company image and country image.

If other companies have entered the markets (acting in different areas or the same area) that we want to enter, and a negative image has been created against the country or company, then this will affect the entry into that market negatively.

Image problem of Turkey show that flags have been out all over town in the last few Republic Days and the seventy-fourth anniversary of the proclamation of the modern Turkish state by its founding father Mustafa Kemal Ataturk. Amongst the flags, giant billboards of Ataturk were draped from tall buildings around the centre of Ankara. Under bright sunshine, I stood with a crowd of people watching tanks rumble by in a military parade. The crowd were shouting slogans: "Turkey will always be great"; "Our army is victorious". Ataturk would have approved.

It doesn't take long for a recent arrival here to soak up the enormous and often complex feelings of national pride and identity which are so central to Turkey's image of itself. A powerful weapon, nationalism, which can be used to both good and bad effect. It brought this country together seventy-four years ago out of the tired remnants of the Ottoman Empire. But Ataturk's legacy and the way it's interpreted by those who've followed in his footsteps have also produced a demand for conformity which has proved terribly damaging to the notion of free speech. Turkey is a country which has so much to offer in terms of culture, history and entrepreneurial flair. Its people want the outside world to know about these achievements. And yet the one thing which caught my eye more than any other in the first few days I was here was the almost casual way in which extraordinary punishments were handed out to people who simply spoke up for what they believe.

Turks love to talk and theirs is an emotional language. It's just that some subjects are forbidden - at least in public. And the Kurdish question is one of them. Only China rivals Turkey for the number of writers and journalists put in prison for what they have said or written. Here, the subject which is

usually the target of official wrath is the war against Kurdish militants in the south-east - a conflict which is draining so much of Turkey's time and energy.

Turkish image could be explained in other words like Turkiye is a continuously growing ominous and dark threat in the east. In contrast; democratic, peace loving, civilised. Turkiye enjoys an important geostrategic location. Otherwise the West is well aware that is right on all accounts.

On the other hand, Turkish entry into the EU means Turkiye will establish closer ties with the West. This way, the only enforcement method will be severely damaged. What's worse, if EU becomes a political-military power in due course, Turkiye might get the chance to impose.

All of them collaborated to select Islam as the new target. The guest workers and refugees who happen to be the extension of Islam in Europe, became the new scape goats to replace the murdered Jews and their internal old enemies. Emotional investments poured into the maintenance of national borders over the centuries suddenly became irrelevant, contributing to the emergence of racism. The "progressive" circles in EU advocated a united Europe based on ethnic and historical separation by quoting human rights and democracy. Conservatives saw this as a mortal blow to national identities. Therefore the abolition of national borders contributed to the massive increase in image projections towards the target groups.

Powers in Europe started emphasising that Muslim foreigners are unable to integrate into the society because of their religious and cultural differences, not because of the racism in the West. The Center in Virginia indicates this cultural integration excuse is generally used to camouflage the underlying racism.

Multiculturalism policies based on human rights, therefore, fail to succeed because it clashes with the racial projection needs of societies. Eventually, all problems are blamed on the country of origin of the Muslim minorities. These countries are accused of not being fair to the ethnic groups in their own countries. For example, Europeans claim that they are not racist against the Turks in Europe but the Turks themselves are racist against the Kurds. Therefore Europeans are acting as the advocates of Kurds to protect their multicultural rights. Using the projection mechanism in a passive way, the Turkish image is being eroded.

History has shown that sometimes highly distorted image projections are helped by the victims themselves. Let me give two examples:

Catholic Christians start a massive image projection campaign by blaming their own defects on Jews in Spain after the conquest of the lands from Muslim Moors in 1200s. Jews try to resist these pressures for a while but give in after a few hundred years. Some decide to accept Catholicism and convert in an effort to avoid persecution. The number of these Jews called 'Conversos' increase rapidly but all of a sudden something unexpected happens. Christians set up the Inquisition and start burning these people, blaming them of following their own faith while pretending to be Christians. The Spanish then deport all the rest in 1492 without giving them a chance to convert.

If this image is nurtured to such a malignant stage, then it will not go away even though we attempt to make radical reforms. Because those who project these images onto you, do not expect you to rectify these faults. They expect you to cure them of these tumours so that they won't have to project these faults onto you.

1.3. CURRENT STATE OF IMAGE OF TURKEY AND OF TURKISH PRODUCTS

We are always surprised when we look at the image map of Turkey. For the last 25 years Turkey's image in the West travels between the extremes. Once the image is excellent. You say it is great, and you feel comfortable. Then you see that everything is destroyed after an event. You think you have to start all over again. It is not possible to see any other example of a country whose image is so fragile and weak among the contemporary and modern countries of the world.

A country that has protected its nations starting from the Ottomans, that has adopted an understanding of government which rejects racism, an example of which you cannot find in the West, unfortunately encounters accusations of "genocide" by countries that do not have a clean racism background within the framework of Armenian Problem which has been put onto stage after 60 years. A movie like the racist "Midnight Express" was able to destroy the image of a country, which has not been restored even after 25 years. While hundreds of people died and got injured with the bombings in Milan and Barcelona in 1993 and no negative campaign was started against these countries, light injuries of some tourists in Antalya due to a bomb attack by PKK caused a big touristic boycott against our country. Foreign Ministries of western countries could make the call "Do not go to Turkey". Though being one of the few countries where many ethnic communities live together and in peace, you could face a Kurdish – Turkish separation, and be blamed as a country lack of democracy, violating human rights.

The nature of political regime in T.R., its operation, the structure of instruments which make the regime in the country a "democracy" specific to her indicate that the State/Government structure in

Turkey is not bright. This causes a great destruction in the way the country's image is perceived abroad. For a healthier approach to the country's Image, first we have to make an analysis of the state and political regime in Turkey. Though unfairly and intentionally, Turkey's political image at the continental Europe has undergone an erosion. When we think about Turkey's image in Europe, we should first consider France. Being the ideological center of Europe and a country where all thoughts originate and spread, France has a special position. Therefore, views and communication should be handled in Europe, positioning France in the center. According to a research carried out by SORFES in France, an important public opinion survey company, Turkey is among the five the most unpleasant countries with Syria, Iran, Iraq and Libya. On the other hand, Turkey is within the same group with Algeria and Cuba that lack democracy. Turkey's name is mentioned with Chile, South Africa and Russia which are in the democratic transition process. This is undoubtedly an unjust treatment to this country. The fact that a country which is changing over from a totalitarian regime to a mafia regime is deemed to be in democratization process while Turkey which has somehow a democracy experience is not listed in that category creates an unbalanced situation. However, representation crisis, oligarchic structure, the pressure of the State on the individual, etc. impact the country's image negatively. There is only one country in the Western world in the eyes of which Turkey's image is excellent, which is Israel.

On the other hand, further to the crisis of the system, there is a series of problems regarding Turkey's image, its construction, and applications. When we think of Turkey's image, the only organized structure is the one established under the direction of the Ministry of Tourism. For about 10 years, the Ministry of Tourism carries out the touristic communication of Turkey in the world with specific focus on Europe through private companies. However, there are 4 major problems with respect to the said Ministry:

- 1/ The present Ministry of Tourism has not sufficient knowledge about tourism, does not know about the West much, and its politician side is predominant.
- 2/ Since the Ministry is behind the sector, it is far from its past dynamism, fails to be sufficient, and its mission has been over.
- 3/ In terms of organizational chart, financial organization, and promotional activity, the Ministry's man power and quality are insufficient, and financial resources are scarce.
- 4/ It is known as the ministry with the weakest bureaucratic structure among the executive ministries. There are irregularity rumors about many of its bureaucrats, and most of them have been dismissed recently.

Is it possible to carry out Turkey's communication with such a ministry? Now, carrying out Turkey's communication requires political foreign promotional activity. Almost all parties to the subject declare loudly that touristic promotion is alone insufficient without a long term political promotional project which is based on a strong and sound strategy. It is essential that political foreign promotion should be carried out by Turkish communicators who know both Turkey and the West very well, placing the Ministry of the Exterior in the center.

While the uncertainties in terms of organization, application and financial model in Turkey's touristic and political foreign promotion still prevail - even there is no single day to lose despite all problems - the most important communication problem of our country after the earthquake problem is the execution of Abdullah Öcalan. An important Israeli authority who has great contributions to the Turkey's foreign image by working on site said, "Enforcing the execution decree is at Turkey's discretion. We will respect to it, and we may not take any action in that matter. However, if execution is takes place, it will be impossible for us to carry out communicative activities in the West in favor of Turkey." These are very important words, because there is only one nation who works in favor of our image in the west (including USA) which is Israel and Jewish lobbies.

If Turkey that has missed two very important opportunities to build a general image in the west (500th anniversary of the Jewish immigration and 75th year of the Republic) enforces the execution without making any communicative preparation, studying her lesson, perfecting communicative instruments, creating a convenient atmosphere, and ensuring a communicative coordination will find herself in a dangerous adventure, lose the communication war with the West, and will not able to compensate it again. Since Turkey will not be able to win succeed in such communicative activity in a short period of time, this execution should not be enforced for the interests of the country. No execution has been enforced in Turkey for the last 15 years.

It is time to be rational. It is time to operate the malignant tumors of the system described above and to make Turkey ready for the 21st century as a contemporary and modern country by treating her communicative defect.

Ass. Prof. Dr. BEDÜK Ayduk Selçuk University Karaman Eco. Faculty.

1.3. TRADEMARK IMAGE AND ITS EFFECTS ON EXPORT

While the image of a product manufactured is subject to various factors such as quality, customer satisfaction, advertising, competition, all the efforts we use in this respect are collected under one single word in the eyes of the consumer, which is "*trademark*". Trademark involves advertising and

promotion. It is impossible to think of advertising without trademark. Also a trademark with a high recognition rate is an important means of advertising and gaining customers for a company.

Trademark image is a concept with strategic importance both for the consumer and the company. Creating an identity for the products is increasingly gaining importance in promoting, positioning and retaining the products of a company in the market. In this paper, trademark image and the effects of trademark on the improvement of export shall be handled.

I. Place and Importance of Trademark in Daily Life

Trademark is a name, term, symbol, sign or a combination thereof, describing the goods of a producer or a seller, helping distinguish it from the goods of others ((Mucuk, 1990; p. 151). Trademark is any letter, logo, or sign which helps distinguish the goods and services of a company from the goods and services of another (İşgör, 2001; p. 15).

When a trademark is recorded in a register, in other words, registered, it becomes legal and obtains legal protection. For a company, using a trademark has other benefits than legal protection (Mucuk, 1990; p. 151)

Helps retaining and is effective in creating demand.

Creates consumer loyalty to the company

Prevents loss of sales due to substituted products

Use of a trademark enforces the goods to the marketing channels, and a recognized trademark is sought at intermediary entities.

Affects price stability positively. The trademark helps the owner in preventing intermediary entities from making frequent price changes, and other intermediary entities from selling the product at different prices. Intermediaries prefer goods with a trademark.

When looking for an answer to the question 'Why is trademark so important?', it will be useful to inquire the degree of importance what the owner attaches to the trademark he decided to create in addition to what targets the owner sets for himself and who and what segment he aims. First, the owner should analyze well the perception by and effects of the trademark he owns or uses on the target segments when determining his corporate strategies and targets. In addition, he should announce the activities and studies he undertakes to protect the trademark image to the segment he plans to address with his trademark. This announcement can be by means of advertising, or as

sponsorship for useful organizations addressing consumer segments if he wants the promotion to be effective and permanent (Gedik, 2001; p.5)

Trademarks started to gain importance with industrialization, and as a result of the increase in product diversification due to the dominance of globalization and free market economy and the steps taken by consumers to become conscious consumers, this importance has increased much further (İşgör, 2001; p. 15).

Today trademark qualities play an important role in preferring some products and services. A great part of consumers perceive trademark as a symbol or image and feel loyalty towards that trademark. When needs arise or a recommendation is to be made, he or she recommends the trademark which he or she sees as a symbol which has unconsciously become important for him or her. Besides the behaviors, efforts and labor spent by trademark owner to increase the trademark image and recognition bear great importance in addition to the trust he provides to consumers (Gedik, 2001; s. 5).

II. Terms of Success for a Trademark and Effective Trademark Strategies

When we think of the terms necessary for a trademark to be successful, it is essential that the trademark should first be clearly positioned in the mind of the consumer. This is a technical process. In fact, each trademark is a contract signed between the producer and the consumer. The producer makes certain promises and requires a price, and if the consumer finds that the price required meets the benefit, shopping takes place. There can be no trademark without promise. The method of presenting these promises is a technical subject that requires specialization, where feelings, emotional benefits, target segment selection, price strategy, trademark personality, etc. are involved. (Borça, 2001; p. 4)

There are no magic formulas to guarantee consumer loyalty to your trademark. However, we can mention certain rules which will provide great benefits:

Market and competition analyses,

Consumer surveys,

Market positioning study,

Target segment definition,

Distribution and promotion strategy,

Marketing plan.

You can even succeed without knowing them. As a matter of fact, major trademarks of the world and of Turkey have grown with general intuitions. However, in today's world it is very difficult to create a trademark incidentally. Neither the market allows it nor the competitors!

It has become compulsory to create trademark loyalty in the consumer in order to benefit from the advantages of the trademark. This loyalty requires leveraging profit margin by controlling the price. Creating trademark loyalty is the first target of trademark managers. Activities such as infrastructure investments, investments towards quality, advertising expenses, public relations, and promotions are means of serving to the said purpose (Ermiş, 1998; p. 55).

When determining the trademark strategy for the marketing mix, managers should basically take two decisions, in which category the trademark is going to be established and which marketing strategy is going to be applied (Aaker and Keller, 1990; p. 27). Further to these decisions, one of the most important elements in trademark management is consistency. Trademark strategy and physical characteristics of the product should be consistent with each other. Otherwise, the image created may combine with a wrong strategy, and destroy the trust in the trademark.

Companies that want to use trademark as an active marketing variable should settle various policy problems. Firstly, will the company carry out the distribution with a producer trademark (in other words a national trademark) or with a distributor trademark (private trademark), or with mixed trademarks? Secondly, will the company follow a multi-trademark policy? And thirdly, will the company use a family trademark?

III. Trademark Image and Its Importance in Improving Import

Trademark image can be defined as the meaning with which the consumers identify the product with, or the sum of what the consumer understand from the product. A trademark is created as a result of impressions the consumers gets from various resources related to the trademark. These resources include many factors such as trying the trademark product, the fame of the producer, product package, trademark name, format and content of the ad used, the media through which the ad is presented, etc. (Akkaya, 1999; s. 101).

Advertisers and market surveyors deem trademark image as the basic of a company's success. A properly communicated trademark image will help the consumer understand better the requirements met by the trademark and distinguish the trademark from the competitors. When creating advertising

campaigns and positioning strategies which play an important part in creating trademark image, importance should be attached to product characteristics which determine the trademark image, characteristics involving user and intended use, trademark name, company's name, and country origin. Strategies and campaigns should be emphasized in such variables where the product is strong, and efforts should be used to strengthen weak sides or to change the thoughts of the consumer. Since trademark image is related to the consumer's likelihood of purchasing, degree of satisfaction and certainty, creating a trademark image which is which is different from that of competitors, consistent and suiting the consumer will affect sales positively. (Akkaya, 1999; pp. 102-108).

In order for companies to be strong and permanent in the domestic and international market, it is essential that they should be viewed with their trademarks, which is one of the important requirements of winning a position in the economic market. To this end, the first step which is trademark registration can be counted as the beginning of a process which is positioned on a strong foundation, but targeting sustainable development (Certeler, 2001; s. 5).

Unregistered products are either false or counterfeit. In the eyes of the consumer, trademark means quality and trust. For this reason, products to be exported should be registered products. Having the trademark registered in the target market is not alone sufficient to win a position or ensure dominance in the relevant market. Existence of competitor firms and trademarks requires innovations and continuous development of the trademark owned. Especially in a globalizing world, companies should always use their best efforts to become a leader and remain a leader further to the maintenance of the the trademark they have caused to be registered. (Certeler, 2001; s. 5)

If image profile of Turkish products is obtained in Germany, USA, Russian Federation, England, France where mostly garments are exported, and Italy, England, Germany and France where mostly textile products are exported, Turkish producers will be able to get important information about their target markets. (Varinli and Babayiğit, 2000; p.463) Producers who will know whether Turkey's image is positive or not in these countries will be able to decide to emphasize the country of origin or not. Nevertheless, it will be in their favor if Turkish producers create and maintain strong marketing images in the target export markets. Information to be obtained through an image monitoring and management system will provide important data to the companies about their target markets.

Developing a positive country image on the consumers will affect the producers' sales positively. It has been determined that consumers are inclined to purchase the products of those countries they like and admire (Johanson, 1989; s. 48).

IV. Conclusion

Under the increasing competitive conditions in the national and international market, producers should know the consumer, understand his attitudes and behaviors in order to be preferred against their competitors. Although each element of the marketing mix has special importance in the preference of the product by consumers

In creating an image towards the products of a country, the degree of closeness of the consumers to that country is an important factor. If the consumer lives in that country, visits that country, or speaks the same language, and he or she watches broadcasts about that country from his or her media, he or she can feel close to that country.

Under the prevailing conditions, it seems very difficult for Turkey to create a world trademark. Before everything, it is very difficult to become a trademark in our country, because the cost of it is very high. According to the surveys, the budget necessary for creating a trademark in USA is 200 million dollars. We estimate that the same figure for our country would be 2.5 – 3 million dollars. It is not possible for a company to undertake such a cost alone under the prevailing economic conditions of our country. Turkey should create a sound image abroad for creating a trademark.

It is doubtless that the supporting of the export campaign with a "Turkish Trademark" image will lead Turkish trademarks to be positioned in international markets. For this reason, the ongoing incentives of the Undersecretariat of Foreign Capital to create trademarks abroad and the settlement of problems related to the payment times of these incentives will improve trademark creation and number of trademarks as well.

Ass. Prof. Dr. Özlem İPEKGİL Dokuz Eylül Uni. Social Sci. Ens. Magazine Edi. 2, 2002,

1.4. WHAT ARE PRINCIPAL PRODUCTION SECTORS ?

- 1- Agriculture and Foodstuff,
- 2- Mining and Energy,
- 3- Petrochemistry Products,
- 4- Iron and Steel,
- 5- Textile and Garment Sector,
- 6- Machinery and Equipment,
- 7- Automotive and Spare Part ,
- 8- Ship Building Industry,
- 9- Railway and Airway Vehicles,
- 10- Chemical Substance,
- 11- Electricity and Electronics,
- 12- Heating, Aeration and Air-conditioning,
- 13- Information Technologies and Hardware,
- 14- Telecommunication
- 15- Rubber and Plastics,
- 16- Metal and Metal Goods,
- 17- Cement and Civil Engineering,
- 18- Processed Leather,
- 19- Paper and Paper Products,
- 20- Furniture and Wood Industry,
- 21- Tree and Mushroom (except furniture)
- 22- Press and Publication,
- 23- Medical Sensitive Optical Instruments and Watches,
- 24- Glass and Ceramics,
- 25- Transportation, Loading, Storage and Shipment,
- 26- Security and Equipment,
- 27- Health,
- 28- Hotels and Restaurants,
- 29- Finance and Insurance,
- 30- Souvenirs and Precious Stones,

1.5. SHARE OF OUR FOREIGN TRADE IN THE WORLD TRADE;

Turkey's share in the world export was 0.49 in 1938. This rate has remained unchanged in 1997 as 0.49. Turkey's share in the world import rose from 0.47 in 1938 to 0.89 in 1997. The share of Turkey's foreign trade volume in the world foreign trade volume rose from 0.96 in 1938 to 1.38 in 1997.

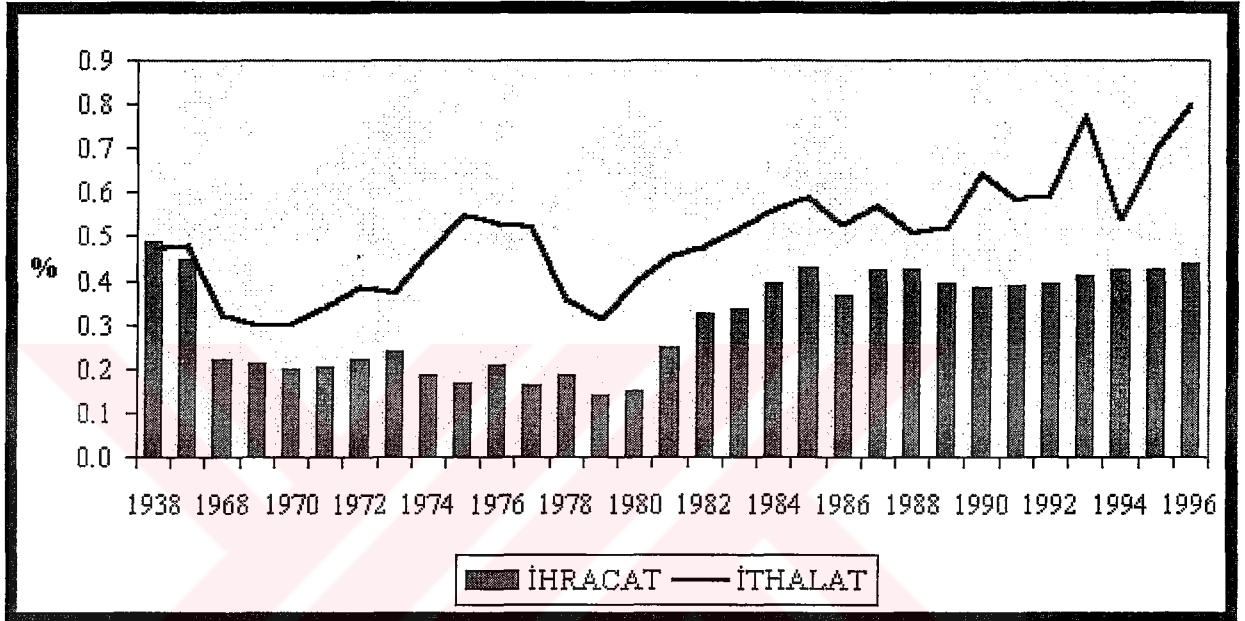


Table 1.1 : Development of Turkish Foreign Trade by years

Tablo : 3
Türkiye'nin İhracatının Dünya İhracatı İçindeki Pay

	(Milyar Dolar)		Yüzde Pay
	Dünya İhracatı	Türkiye'nin İhracatı	
1980	1.989	2,9	0,15
1981	1.963	4,7	0,24
1982	1.842	5,7	0,31
1983	1.807	5,7	0,32
1984	1.907	7,1	0,37
1985	1.947	8,0	0,41
1986	2.136	7,5	0,35
1987	2.513	10,2	0,41
1988	2.857	11,7	0,41
1989	3.080	11,6	0,38
1990	3.387	13,0	0,38
1991	3.439	13,6	0,40
1992	3.653	14,7	0,40
1993	3.636	15,3	0,42
1994	4.110	18,1	0,44
1995	4.925	21,6	0,44
1996	5.190	23,2	0,45
1997	5.374	26,3	0,49
1998	5.290	27,0	0,51
1999	5.473	26,6	0,49
2000	6.146	27,8	0,45

Kaynak: DTÖ DTM verileri

Table 1.2 : Development of Export and Its Share in World Trade

A) Sectoral Distribution of our Foreign Trade

Agricultural sector whose share in our total export was 78% in 1923 has been the highest export sector until 1980s. In 1981 the share of our industrial sector exceeded the share of the agricultural sector within export and continued to grow as from that date. In 1997, the share of agricultural sector in our export decreased to 10%. The share of our industrial sector in export was 20% in 1982, 48.75 in 1981, and 88% in 1997. While the mining sector export which has an important share in our export was 2% 1923, this rate remained unchanged in 1997.

The share of agricultural sector in our import which was 16% in 1923 decreased to 5% in 1997. The share of industry was 83% in 1923 and 84% in 1997. The share of the mining sector increased from 0.8% to 11% in the same years.

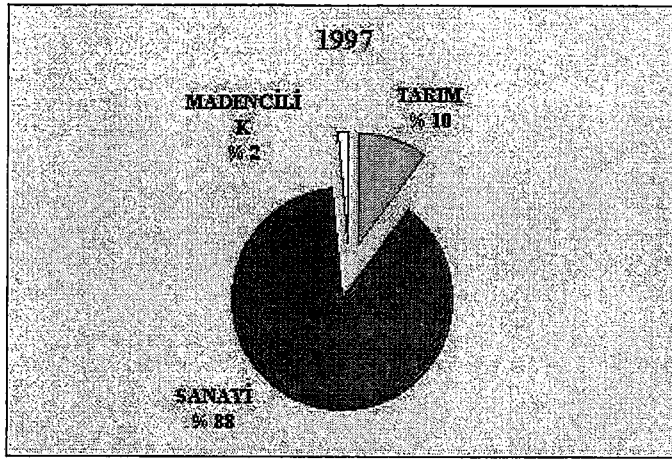


Figure 1.1 : Sectoral Distribution of our Export

B) Distribution of our Export and Import by Countries and Country Groups

When we consider the distribution of our export by countries we see that England was the country with the highest export rate in 1923 with 18.61%. Italy was ranked the second with 17.95%, France the third with 12.41%, Germany the fourth with 9.01%, and USA the fifth with 7.97%.

In 1997, despite the 75 years that passed, the countries in the first four rankings remained unchanged. But this time Germany is in the lead with 20%. Germany is followed by Russia (7.9%), USA (7.6%), England (5.7%), and Italy (5.3%).

When the country groups are considered, we see that 46.7% of the export in 1997 was to European countries, 40.7% thereof to countries which are not members to OECD (**Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Republic of Korea, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey, the UK, and the United States.**).

According to another country group classification, 14.3% of our export in 1997 was to Islamic Conference Organization countries, 14.3% thereof to Black Sea Economic Cooperation members, 13.3% to CIS countries, 4.9% thereof to Economic Cooperation Organization members and 3.4% thereof to Turkic Republics.

In the distribution of our import according to countries, in 1923 Italy had a share of 19.58%, England 17.31%, France 9.14%, USA 7.64% and Germany 6.37%.

In 1997 Germany was in the lead with 16.5%. Germany is followed by Italy (9.3%), USA (8.6%), France (6.2%) and England (5.7%).

When country groups are considered we see that in 1997 approximately 49.4% of the import is to European Union countries, 29.2% to countries which are not members to OECD.

According to another country group classification, 10.6% of our import in 1997 was to Islamic Conference Organization countries, 8.7% thereof to Black Sea Economic Cooperation members, 6.9% to CIS countries, 2.2% thereof to Economic Cooperation Organization members and 0.7% thereof to Turkic Republics.

While, during the first years of the Republic, Turkey carried out a great part of its foreign trade with developed countries, this situation continues to exist today.

OYMAK Rifat Information Magazine Edition 2 Jan. 2005,

C) A General Evaluation regarding Foreign Trade

During the first years of the Republic (1923-29), foreign trade balance generated negative balance. This was because the Lausanne Treaty did not allow the Republic of Turkey to regulate until 1929 customs tariffs and regime. As a matter of fact, when the restriction was abrogated in 1929, customs tariffs were increased from 15% to 45%.

Starting from 1930 foreign trade started generating positive balance. This situation (except 1938) continued until 1947. That period has been the only period in the history of Turkish economy when export exceeded import. In that period due to the fluctuations in the world conjuncture and Turkey's benefits from such fluctuations as well as the international economic crisis and World War II, the decline in import from western countries resulted in export to occupy much space in the foreign trade volume. However, in 1947, while export increased by 3.5%, import experienced a sudden increase of 104%, and the foreign trade balance deficits which are to last to date have started.

After the increase in export brought by 66% devaluation in 1970, the second important jump of import in 1974 which was 81% caused foreign trade deficit to double.

Following economic stability measures and changes in foreign trade policy in 1980 our export experienced at such a high rate as 61% in 1981, but foreign trade deficit continued to be negative although increase in import was limited to 13%.

During the period from 1981 to 1997, the growth rate of export has been negative only in 1983, 1986 and 1989, whereas it indicated an unstable increasing demand in the other years. During that period, the most important increase in export was observed in 1987 with 36.7%, followed by 24.5% (1984), 22.2% (1982) and 19.5% (1995). Although the Customs Union with EU In 1996 caused expectations of significant increase in export, the increase in export was only 7.3%. In 1997, the rate of increase in export (13%) has been above the rate of increase in import (11.4%).

For the last 25 years, current account balance was positive only in 1988, 1989, 1991, and 1994.



2. DEVELOPMENT OF ECONOMY and EXPORT

2.1. TURKEY'S PRODUCTION and FOREIGN TRADE IN THE REPUBLIC PERIOD

Levels achieved and developments made by countries in terms of trade and economy have always been the most important indicators to show their position and effectiveness in the international platform. For this reason, the young Republic of Turkey has supported her national independence with economic independence and development since her foundation. The target of "contemporary civilizations" set by Atatürk has been the goal of all the efforts used or to be used in this respect. Therefore, economical and commercial activities that will take our country further occupy an important place in the Republic's history.

2.1.1. ATATÜRK'S ERA

Productive Political Economy of Turkey in Atatürk's Era

Without knowing and comprehending the economy policies of Kemalism, the fruits and results of these policies we can neither understand the past/present of Turkey nor the past/present of our international relations. Social ruins we have encountered, economic dissolutions that led to disasters, policies applied, the grounds of such policies, IMFs, world banks, can only be comprehended if Atatürk's era is understood.

We can see the essence of economy policies of Kemalism in the five annotations below.

- 1- Self-sufficient economy which is open to foreign relations,
- 2- An economy where the State owns the tools of production,
- 3- A planned economy that translates individual savings into national savings, and allocates those savings to industrialization,
- 4- An economy that pays regard to complete political independence, shows no gaps to the outside world, and does not accumulate foreign debt,
- 5- A completely independent national awareness that accepts science as the real guide, that manages and improves itself under the conditions of the objective world.

Because Atatürk comprehended and applied the realities of objective world through links with science (harmony of theory and practice), state property on production means, production quantities and distribution in areas which are important due to their strategy in the world scale and the national scale (Statism) has been the basic power which allowed Turkey to avoid two world wars without being

destroyed and that carried the Republic of Turkey to the presence. Translating natural resources to production under the leadership of the state and supporting those attempts with the planned operation and rules of economy has ensured that many products were produced at home and sold abroad.

In 1920, TL 542.500 of the savings in our country was evaluated in local banks whereas TL 1.675.400 out of them was evaluated in foreign banks.

In 1934, TL 55.732.000 was evaluated in local banks, TL 12.786.300 was evaluated in foreign banks. This reversal, the trust in local banks that rose from 32% to 82% is related to the reliable, productive development of Kemalist economy.

The situation in textile, sugar, flour, paper and cement, which are named as the five whites:

Import in textile decreased from 81 million TL in 1927 to 19 million TL in 1932.

Import of sugar and auxiliary products decreased from 14 million TL in 1927 to 3 million TL in 1927.

While import of flour and wheat was 0,9 million TL in 1927, there was no import in 1932.

Import of paper which was 5 million TL in 1927 decreased to 2.6 million TL in 1932.

Import of cement decreased from 7 million to 1.4 million.

The declines in import are the best measures evidencing the state of a self-sufficient country.

Import in consumption goods such as cotton weaving, tea and rice which was 57% in 1923 decreased to 19.4% in 1934.

With the efforts in 1924 for renewing and improving railways that became unusable in war, a railway network was formed reaching out the east of the country. Thereby, economic areas which were detached from each other were linked. Railway lines owned by the Germans, French, and English were nationalized. This nationalization attack spread to other areas of economic life which had been under the dominance of foreign capital for long years. French and Italian monopolies dominant in mining, Belgian companies dominant in electricity, English firms dominant in industrial enterprises, French – German capital dominant in the banking field, and American and English companies dominant in the commercial field were nationalized. In 1940, only some commercial companies and a few bank branches remained in the hands of foreigners.

When all these were taking place, the foreign capital tried to boycott our country. When they understood that they could not defeat us and prevent industrial development with this boycott, they had to lift the boycott, and turned to normal in their relations with us.

We should take into account the foreign debts of the Ottoman paid between 1929 – 1943, two great crisis and the years of war when all these developments took place. The process which is developed

with planned industrialization is maintained with the time principle, priority principle and efficiency principle.

This evidence shows itself in investments. Establishment of factories, structuring of institutions, enterprises is continued rapidly in accordance with the plans. Weaving industry, iron steel production, copper industry, cellulose and paper production, artificial silk industry, glass and porcelain industry, sulphur production, chemical industry are areas which were included in the first industrial plan. The second industrial plan included synthetic petrol production, dolphins economy (especially fat), alcohol facility project, fresh fruit and vegetable industry, meat industry and nitrogen industry.

2.1.2. DEVELOPMENT SINCE ATATÜRK UNTIL NOW (REPUBLIC PERIOD) :

The inheritance of the past has undoubtedly a determinant role in making a sufficiency and effectiveness evaluation of the prevailing economic and social structure.

To reveal the change that took place in economic structure in the Republic period, we should examine the inheritance assigned in the human and physical connection in terms of quantity and quality. For this reason, the qualities and sufficiency of gains assigned from the Ottoman on the one hand and obtained throughout the Republic period are of utmost importance.

To examine the economic performance in the Republic period, we should distinguish some sub-periods. It is because there have been fundamental changes in economy policies in each sub-period. Therefore, within a time period of 75 years, governments have implemented conflicting economic strategies. However, in the 20th century, very fast political and economic system transformations took place in the world.

With an understanding depending on an economic basis, doubtlessly "necessities of economy" are determining factors in the strategies and policies followed. Therefore, what underlies the political and economic applications which have dominated the contemporary world since the ends of 18th century when industrialization started are the preparations of suitable environments at the spreading areas of capitalism, and foundation of an ideology which is suitable to this process through social, cultural, economic descriptions.

A conclusion we can draw out from the explanations is that state policies that have been implemented in Turkey throughout the Republic period followed a parallel path with the trends observed in the contemporary world. Republic Period Turkish economy is considered in terms of periods in the

context of national revenue on the basis of sectors, foreign trade, investment-savings, public sector revenues – expenses, and development in liabilities.

Inheritance of the Ottoman

The human capital inherited from the Ottoman has vital importance for the first ten years of the Republic. That is because with that capital the state realized the community and resource management. A significant point in terms of the human resources inherited by the Republic is the regression in population due to exchange of populations and immigrations during World War I and the years that followed. This regression represents itself as reduction in population, change in ethnic structure and decrease in the rate of urbanization.

While Turkey's population within the boundaries of the year 1923 was 16.3 million in 1914, the population decreased to 13.6 million in 1927 (17 percent decrease). In World War I and the Liberation War Turkish Army had 1.8 million losses. In 1914 15.9 million people lived in Turkey except in the cities Kars and Artvin, and 80 percent thereof were Muslims, 11 percent Greeks and 8 percent Armenians.

A characteristic of the Ottoman industry was that title of companies were almost held by the minorities. According to Germany's report related to the period in question, in 1914 only 15 percent of investors and workers were Turks. In 1921, Ankara Government carried out a count of production industry for the districts they had the control of.

Results of 1921 Industrial Count				
	Number of Work- places	Employment (Men)	Average men per work place	
PRODUCTION INDUSTRY SUB-SEGMENTS	Number	Men	Men	
Weaving-garment	20057	35316	1,8	
Leather processing	5347	17964	3,4	
Metallic goods	3273	8021	2,5	
Foodstuff	1273	4493	3,5	
Wood work	2067	6000	2,9	
Chemical	337	802	2,4	
Brick	704	3600	5,1	
Total	33058	76196	2,3	
Source: State Statistics Institute, 50 Years of Social and Economic Development in Turkey, 1973, p:41;				

Table 2.1 : Results of Year 1921 Industrial Count

Foreign Trade

Ottoman foreign trade basically prevented export and promoted import. A justification for this was on the one hand capitulations (in particular 1838 Turkish – British Trade Agreement), and another important justification was on the other hand the purpose of guaranteeing price stability by increasing the supply of goods in the domestic market. The fact that the rate of import to compensate export was lower than 60 percent prevented the state to generate a serious income in that category. After the British Trade Agreement, other powerful states made similar agreements with the Ottoman. In the period between 1838-64, the Ottoman Empire was exposed to exterior effects through trade agreements, and provided foreigners with an environment free from legal and institutional restrictions which they could hardly find in their own countries.

In export, agricultural products and minerals represented the weighted part. Agricultural products consisted of unprocessed products such as cotton, tobacco, nut, silk, fig, opium, rather than processed agricultural products. In the Ottoman import, weaving and garment items, sugar, flour, other foodstuff and fuel were the leading items imported.

According to 1914 foreign trade statistics, 59 percent of the import consisted of industrial goods for consumption purpose, 25 percent of cereals, 7 percent of raw materials, and 9 percent of other materials. When export combination is examined for the same year, it is seen that cereals are in the first place with 45 percent. The rate of raw materials in export is 38 percent, some finished products 13 percent, and other items 4 percent.

Foreign Trade:		Million Ottoman Lira		
Year	Export	Import	Deficit	Export / Import
1880	8467	17847	-9380	47
1890	12836	22914	-10078	56
1900	14905	23841	-8936	63
1911	24712	44990	-20278	55
1913	21436	40809	-19373	53

Resource: Erdinç Tokgöz, Turkey's Economic Development History, Hacettepe Univ. İİBF

Table 2.2 : Ottoman Foreign Trade

While Germany's share constantly increased within the time interval in the above period, there was a major decline in Britain's share. As at the end of 1890 Germany's share was about 2 percent in both import and export. By the end of 1913 such rates rose to 18 percent and 8 percent in import and export, respectively. Britain's share decreased from 51 percent to 34 percent and from 50 percent to 32 percent in import and export, respectively.

In short, within the period in question, while a decline was observed in the shares of France and England in Ottoman foreign trade, an increase was observed in the shares of Germany, Italy, Austria – Hungary. For example, while the combined share of Britain and France was 65 percent in import and 73 percent in export, it was 28 percent and 42 percent in 1913, respectively.

It can be argued that autarchic government understanding is a strong inclusion of nation state phenomenon, but it is evident that Turkey aimed it as revealed by her planning adventure. When, within the frame of the definition national economy whose industry expands subject to openness, we examine the main items of the foreign trade balance-sheet of the planned period, we observe that development in the degree of openness declined in time. This situation shows that the country digressed from the outer world commercially.

During the period between 1963-79, the increase in national product is higher than the increase in both import and export. The standard deviation value for the rate of increase in national product is low compared to the average. This shows that the increase in GNP followed a stable progress. But the standard deviation values for export and import is quite high. This indicates that the changes in these items from year to year witnessed major fluctuations.

During that period workers' foreign exchange and deposits which are convertible to foreign exchange had a great relieving effect. Thanks to high inflation, cheap public-resourced inputs, negative or very low interest loans, absolutely-preventing custom walls, Turkish economy has grown independent of the currently prevailing criteria such as quality, standard, and competition.

Developments in Foreign Trade 1963-79									
Million TL in Current Prices									
Year	GNP	Rate of Increase	Export	Rate of Increase	Import	Rate of Increase	Export-Import Difference	Export/Import	Total foreign trade./GNP
1962	57592,7		3431		5600		-2169	61,3	15,7
1963	66801,4	16,0	3313	-3,4	6216	11,0	-2903	53,3	14,3
1964	71312,8	6,8	3697	11,6	4878	-21,5	-1181	75,8	12,0
1965	76726,3	7,6	4174	12,9	5193	6,5	-1019	80,4	12,2
1966	91419,0	19,1	4415	5,8	6522	25,6	-2107	67,7	12,0
1967	101480,6	11,0	4701	6,5	6217	-4,7	-1516	75,6	10,8
1968	163892,7	61,5	4468	-5,0	6934	11,5	-2466	64,4	7,0
1969	183356,2	11,9	4832	8,1	6785	-2,1	-1953	71,2	6,3
1970	207814,8	13,3	6408	32,6	9598	41,5	-3190	66,8	7,7
1971	261072,6	25,6	9090	41,9	16474	71,6	-7384	55,2	9,8
1972	314139,6	20,3	11876	30,6	21564	30,9	-9688	55,1	10,6
1973	399088,6	27,0	18037	51,9	29083	34,9	-11046	62,0	11,8
1974	537677,6	34,7	21197	17,5	52311	79,9	-31114	40,5	13,7
1975	690900,8	28,5	20075	-5,3	68987	31,9	-48912	29,1	12,9
1976	868065,8	25,6	30775	53,3	82941	20,2	-52166	37,1	13,1
1977	1108270,7	27,7	31338	1,8	104882	26,5	-73544	29,9	12,3
1978	1645968,5	48,5	55358	76,6	113290	8,0	-57932	48,9	10,2
1979	2876522,9	74,8	75743	36,8	178505	57,6	-102762	42,4	8,8
Average		27,1		22,0		25,2		56,2	10,9
Standard Deviation		13,3		20,0		20,4		13,5	1,9

Source, State Statistics Institute, Statistical Highlights, 1923-1992 s:279,414

Table 2.3 : 1963 – 1979 Developments in Foreign Trade

Industry

The most important economic regulation of the period 1923-32 was the Law on Encouraging Industry which granted wide exemptions and concessions to private industrial companies and mining enterprises. This law was the expanded form of the previous law. It was adapted to be effective for the time interval between 1927-42. Accordingly, private sector would gain a certain strength under control within 15 years. With this law, some important industrial companies benefited from incentive measures such as grant of factory land, tax exemptions and exceptions, transportation discounts, production premiums, and state procurement guarantee.

According to 1927 Industrial Count performed by Camille Jaquart, a Belgian expert, and Celal Aybar, out of 65.245 enterprises, 43.6 percent was focused on agriculture, domestic animals, fish and game products industry. The mining industry, mine processing and machine repair and manufacturing industries were ranked the second with 22.6 percent.

43 percent of employment was in the agricultural industry, 18.7 percent in the weaving industry. 36 percent of the enterprises consisted of 1 person, and 36 percent of 2-3 people. 96 percent of industrial enterprises did not use driving power. Electrical engines covered 53 percent of the driving power.

Electric industry covered 42 percent and agricultural industry covered 23 percent of the horsepower. During the period covered by the count, there were 642 foreign employers, 702 foreign officials and 347 foreign workers in Turkey. As it is seen, enterprises were generally family companies. Hence, the stagnant progress of the economic structure on a sectoral basis indicate that the same stagnant trend also prevailed on a corporate basis during the time that passed.

In conclusion, the most important developments in industry can be summarized as follows: Establishment of Industry and Mining Bank (1925); Issue of Law on Encouraging Industry (1927), exemption of import inputs of industrialist who would be interested in export. According to the Law on Encouraging Industry, Turks would be employed in incentive units except in manager and accountant positions.

3. STATE SUPPORT IN OUR EXPORT AND OTHER SUPPORTING INSTITUTIONS

3.1. TYPES OF EXPORT

A- Non-specific Export

In non-specific export, exporters apply to the customs office from where export is to be performed along with the customs declarations which they get approved from exporter unions.

B- Conditional Export

When the export of goods covered by the list of Conditional Export is concerned, exporters apply to the relevant exporter unions for recording purposes along with a customs declaration. Unions note the recording on the customs declarations they approved, and present them to the exporter for submission to customs offices. Exporters apply to the customs office from where export is to be performed within 90 days along with the customs declaration which has been approved by unions with a recording note.

C- Export with Credit

Applications related to demands of export with credit are filed to exporter unions along with the original and Turkish translation of the sales contract that includes the type of goods, payment plan, and the payment term.

Demands of export with credit related to such goods which are covered by regulations to be imposed by the Undersecretariat according to the article and/or national policy are concluded by the exporter unions having obtained the views of the Undersecretariat whereas demands for other goods are concluded directly by the exporter unions in accordance with the principles specified in the sales contract.

Period of export with credit is two (2) years in consumption goods, and five (5) years in investment goods. However, demands for export with credit which exceed the said periods are concluded by the Undersecretariat.

D- Consignment Export

Demands for consignment export are filed with the relevant exporter unions.

Demands of consignment export related to such goods which are covered by regulations to be imposed by the Undersecretariat according to the article and/or national policy are concluded having obtained the views of the Undersecretariat whereas demands for other goods are concluded directly by the exporter unions.

If consignment export is permitted, the customs declaration is approved by the exporter unions with a consignment export note on the declaration.

Customs declarations which have been approved with a consignment export note should be submitted to the customs offices within 90 (ninety) days.

Within 30 days after the sale of goods sent by consignment is absolutely concluded, exporters notify the situation to the permitting exporter unions and the intermediary bank along with the final sales invoice issued by them, or a copy of it, and other necessary documents.

The sale of goods sent as a consignment should be finally concluded within one year following the actual date of export. This period can be extended up to one year by the permitting authority in case of rightful and compulsory reasons provided that such application is filed prior to the expiry date.

E- Export of Imported Goods

Export of new or used foreign goods which have been imported under the Import Regime and whose duties have been paid is carried out within the frame of non-specific export. However, those provisions of legislation governing encouragement of export, investment legislation and Customs Legislation governing returns are reserved.

F- Export to Free Zones

Export to Free Zones is subject to the provisions of Export Legislation.

G- Export Through Conditional Transaction

Demands of conditional transaction and bartering are filed with the exporter unions of the region where the exporter is a member or is resident with an application letter attached with the conditional transaction or bartering agreement executed with the foreign firm or firms and six copies of the Conditional Transaction or Bartering Application Form.

Conditional transaction or bartering agreement should include type, standard, quality of goods to be imported and exported, terms of delivery, place of delivery, unit import and export prices, value amounts and the effective period of the agreement.

H- Export through Commercial Leasing

Demands for export through commercial leasing are filed with the exporter union where the exporter is a member or is resident with the agreement executed with the lessee firm or institution (along with its Turkish translation) and "Application Form relating to Export through Commercial Leasing".

Commercial leasing agreement should include type of goods, quantity, unit price, total price, leasing period, leasing price, and the method and time of such payment. Exporter Unions evaluate these applications according to the provisions of that Directive and permit the export of those they deem appropriate through commercial leasing.

It is essential that the leasing value is brought to the country as foreign currency. However, demands for bringing leasing value in kind due to rightful and compulsory reasons which need to be documented are concluded by the Undersecretariat of Foreign Trade (Directorate-General of Export) applying the provisions of the regime on entry into free circulation.

I- Transit Trade

Demands of transit trade are submitted to banks after issuing a "Transit Trade Form".

In relation to the goods which are the subject of transit trade, taxes, duties, fees and funds applied in import and export are not collected.

Based on the permit that may be given by customs offices, the admission of goods into fictive depots or warehouses exceeding the Turkish customs line for the purpose of performing workmanship is not considered an "actual import".

Goods whose trading are banned by international agreements and goods with respect to which the Undersecretariat does not approve transit trade cannot be the subject of transit trade.

No transit trade agreement can be made with countries that have been the subject of a ban in import and export.

J- Free Export

It is the taking of goods abroad where there is no necessity to bring the value of it to the country under the current Exchange Legislation.

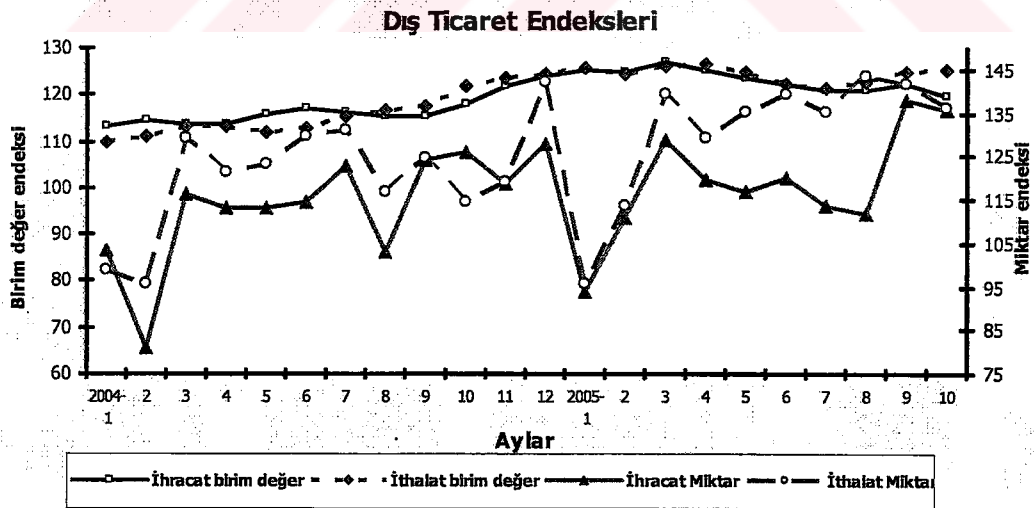
a) Gifts, samples in appropriate quantities according to commercial practice, advertising and promotional items taken or sent by real or legal entities,

b) parts, ullages of previously duly exported goods whose free shipment is in accordance with commercial conventions and traditions, and those parts of goods which have been exported under a warranty which need to be replaced within the warranty period,

c) belongings and vehicles of foreign mission members, foreigners working in Turkey, Turkish citizens who have to go abroad with their families, public officials who have to go abroad due to a permanent or temporary assignment, which such people will take, send or which will be sent in the name of such people provided that the people in question document such situation to the relevant authorities,

d) belongings and vehicles which legal entities residing abroad, foreign tourists, and Turkish citizens residing abroad will take, send or which will be sent in the name of such people.

Free export is not subject to the provisions of the Charter on Application of Turkish Standards.



Şekil 3.1 : Foreign Trade Index

3.2. POLITICAL APPROACH TO EXPORTABLE INDUSTRIAL GOODS

3.2.1. Customs Union Treaties

Economic developments continue to take place rapidly in the world and in Turkey as well. With the increasing volume of international trade and the competition that becomes fiercer, the efforts of companies to increase their market shares are rising. To survive in this competitive atmosphere is dependant upon being successful in the international platform. Industrialized and industrializing countries that aim to overcome this situation with the least damage have started to attach more importance to their economic securities. In the globalization process, it is observed that obstacles such as product, quantity restriction is decreasing and regional integrations are getting stronger in the international trade. Positions of countries are continuously changing wit participations in global organizations (World Trade Organization) and regional formations (European Union and Customs Union). In this connection, the most important economic integration we encounter between the European countries is EU.

CU (Customs Union) is one of the foundation stones of the partnership relationship of Turkey with the European Community which we can trade back to 1960s. CU's framework was issued with Ankara Agreement that was effective in 1963, and its details were determined with the Supplementary Protocol. With the Partnership Council Resolution dated March 6, 1995, the transition period which lasted for 22 years ended, and the parties decided that the necessary conditions necessary for CU had formed, and thereby CU between Turkey and EU was completed by January 1, 1996. CU does only cover industrial products and processed agricultural products, and traditional agricultural products are kept outside the scope of CU. With CU, Turkey removed all customs duties and measures with equivalent effect applied to industrial products coming from EU, and ended the quantity restrictions which were then in force. For products imported from third countries, the average customs tariff of the union was adopted. Customs Union decision taken by Turkey – EU Partnership Council has been the most important development in Turkish economy which affected the whole economy after the liberalization in 1980s. Customs Union which was effective on January 1, 1996 between Turkey and EU caused changes in Turkish polices related to trade and competition legislation, and did not only create new opportunities for the Turkish economy but also gave rise to issues which required efforts. During the process after the adoption of EU, the effect on Turkish economy by dynamic and static impacts has been inevitable.

With fundamental changes it brought during the four years since its effective date, 01.01.1996, EU affected enterprises in the micro level and the economic structure in the macro level.

3.2.1.1. Results of Customs Union on Turkish Economy

With the assumption that parameters such as factor equipment, technological level and demand structure remained fixed, the effects of customs union that arise due to re-distribution of resources within the union are called static effect. In this section of our study, the trade creating effect, trade deviating effect, income distribution effect, public revenues effect, and transaction costs effect which we consider under the static effects shall be examined with statistical data.

Trade creating effect is the replacement of high cost production by a much efficient country within the union due to CU. With the removal of tariffs and quotas applied to trade between members of the union, the prices of goods which are the subject of such trade decreases. Subject to creation of trade within the union, union members are able to consume more from the cheaper resource. Thereby, the trade volume between the members is increased.

When customs expenses are lowered as a result of CU, foreign goods which are supplied at lower prices are demanded much more. As a result of EU, the production of that member country whose production is expensive decreases so does the production of those countries outside the union whose products become expensive as a result of OGT. If subject to this change in the production effect, the price inside the union remains below the price of any country, the purchasing power of the citizens of that country will increase, and import within the union will rise. This rise in import will reveal the consumption effect of EU.

Export relating to capital products, intermediate products and consumption products has increased regularly starting from 1994. Increase in GNP and import at the same time shows the consumption effect.

Evaluation the Results of Customs Union on Turkish Economy in terms of Dynamic Effects

Effects of CU on Turkish Economy shall be evaluated under the headings of scale economies effect, competitive effect, technological development effect, external economies effect, foreign capital and investment incentive effect all of which are called dynamic effects. Since dynamic effects are continuous, create important changes in the economic structure in the medium and long term, they are generally considered more important than the static effects.

Through studies such as equal treatment to union citizens and Turkish citizens by public enterprises and state monopolies in commercial nature, re-organization of state monopolies which are in commercial nature, prevention of unfair competition in import by creating Supervision and Protection Measures in Export Evaluation Board, and establishment of the Competition Board, it has been aimed to prevent monopolization by ensuring equal terms to companies. In this connection, it is expected that competition will become fiercer in automotive main and by-industries, agricultural vehicles, electrical and electronic devices, machinery, metal, wood products, furniture, paper and paper products, and printing industry.

When tariffs and quotes are removed between members with CU, local producers are exposed to foreign competition. Hence, the deficient competitive formations within the country are removed. Companies that work with low efficiency and produce low quality products with high cost either overcome these problems or have to leave the industry. Each member, though involuntarily, turns towards those areas where it has comparative superiority.

Since CU stipulates the integration of Turkish trade and competition policies with EU and a great part of EU competition policies cover Turkey, it will create comprehensive institutional changes in Turkish economy. Especially as a result of improvement of Turkish legislation on competition rules and protection of intellectual property rights, a much appropriate legislation shall be formed in Turkey to permit the development of economic activities.

While more than one fourth of export consisted of finished products and the remainder of raw materials in 1980, today three fourths of export consists of finished products. Despite these developments, since Turkey could not cease to be a country which is labor-oriented and an exporter of simple goods, Turkey is a country where 40 percent of total export consist of textile products and the only sector where the rate of import is above the rate of export is textile. According to OECD data, the rate of export to compensate import is 10 percent in high technology goods, 23 percent in high-medium technology goods, 77 percent in medium-simple technology goods, and 225 percent in simple technology goods. A great part of people working at the textile sector half of which is formed by KOBIs are unrecorded and women working without tax. That is because Turkey can only compete with the prices of goods coming from poor countries. Since R&D investments require a major finance, in developing countries such as Turkey necessary importance is not attached on R&D and technological development, and necessary resources are not allocated. For example, while the rate of R&D expenses to GDP is 2 percent in EU countries, 2.8 percent in USA, 3 percent in Japan, this rate is only 0.5 percent in Turkey. An alternative method of solution for a country such as Turkey that

cannot produce high technologies is to counterfeit the technology in developed countries or developed technologies.

Growth of the market and increase in competition within the union force companies to develop technologies and those companies that have developed countries to make joint production and to divert their interest to R&D activities much more. Development and implementation of new technologies affect the competitive power of countries positively and it becomes possible to produce cheaper products with much quality. What needs to be done by companies whose market shares expand with CU, but whose competitors in the market increase is to launch new technologies to increase quality and efficiency and decrease costs, hence, to make increase R&D developments.

Liberation of trade and growth of the market within the union causes the capital within the union to shift to member countries which are much efficient and profitable on the one hand, and the capital outside the union to shift to the inside of the union. Investment, production and income within the union increases. Her domestic market which has not been satisfied, inexpensive raw material and manpower, connections to Middle East, Black Sea and Asia make Turkey a center of attraction for investments. In this context, CU is expected to incite foreign capital investments into Turkey. In addition, Japan, USA and Far Eastern countries that want to get shares from Turkey which is within CU are of great importance in terms of capital investment. The recent increase of foreign capital coming from the Far East confirms this assumption.

Conclusion

With the globalization trend which developed rapidly in the 20th century, states underwent an economic integration process in order to avoid the intense competition brought by such trend and to speed up the process of integration with the world at different times. During that process, important changes took place in the world trade, states re-organized their foreign trade policies in the constantly increasing global competitive environment. In particular tariffs and quotas that restrict foreign trade constantly decreased, and free trade understanding gained dominance in international trade. After World War Two, industrialized western countries underwent an economic integration process and established various organizations to ensure multi-dimensional equilibrium in international trade and to enliven foreign trade. In this context, the most important organization that emerged is doubtlessly the European Union, and the Customs Union that is implemented between members.

Turkey that turned its direction to the west in all areas after the declaration of the Republic has been an important partner of EU countries, particularly in the economic area, and wanted to be involved in

the organizations formed by these countries. Turkey's union adventure that started in 1963 gained a new dimension with the adoption of CU in 1996. During the years CU was begun to be applied, some asserted for Turkey the assumption that there would be a high rate trade deviation against third countries, and Turkish companies would not withstand the high competition that emerged.

It is hard to say that trade deviating effect has occurred. That is because half of Turkey's foreign trade volume consists of EU countries and important differences have been observed in the volume of trade with third countries. While the increase observed in the import of consumption, capital and intermediate products refer to the consumption effect, the great increase mainly in industrial goods indicates that trade limits that emerged are advantageous for the Union and disadvantageous for Turkey.

The period that elapsed is not sufficient for positive results to occur in terms of dynamic effects. A great part of enterprises acting in Turkey consists of KOBIs. The capital structures and market shares of such enterprises are not at a level to permit a technology attack to be created by big scale R&D expenses, or an external economy and scale economy effect that will emerge subject to increase of production and techniques that will guarantee a very big competition in the international platform. The expected blast in foreign capital has not occurred yet.

As a result of dynamic and static prosperity effects of CU considered in our study, the worried effects which are mentioned especially for the completion area have not occurred within the Customs Union which has been applied for four years, and a high rate of trade deviation has not taken place against third countries. In addition, recent developments show that CU's potential positive effects are quite wide and have started to emerge gradually.

According to the general evaluation, it is hard to say that CU is advantageous or disadvantageous for Turkey or not. The thesis that Turkish producer could not compete against the strong EU producer and would go bankrupt, therefore Turkey would suffer damage from CU has not been confirmed. When dynamic effects are taken into consideration, it can be said that CU will be advantageous for Turkey in the long term. That is because with its unsaturated domestic market, young population, natural riches, and strategic geographical location will render CU advantageous for Turkey in the long term. Scale economies effects, competitive effect, foreign capital and investment incentive effect which are called CU's dynamic effects are able provide Turkey with that opportunity.

3.2.2. Free Zones

DEFINITION:

In general free zones can be defined as places which though included in the political boundaries of a country are deemed outside the customs district of that country to which applicable legal and administrative regulations relating to commercial, financial and economic areas prevailing in the country are not applied or are applied partly, where wider incentives are granted for industrial and commercial activities, and which is physically distinguished from other parts of the country.

Basic Purposes in the Establishment and Operation of Free Zones

- To increase investment and production for export in Turkey,
- To speed up entry of foreign capital and technology,
- To supply the input requirement of the economy in an inexpensive and regular manner,
- To benefit from exterior financing and commercial opportunities.

Function of Free Zones

Functions of Free Zones are;

- To create the suitable environment which will allow foreign capital and technologies to be brought to the country,
- To ensure that some raw materials and intermediate products which are needed by industrialists are supplied easily, at required quantities and without losing time,
- To ensure production and export of low cost goods through incentives and advantages provided,
- To ensure that goods that come from outside Turkey are sold to other countries in transit,
- To create new employment possibilities,
- To serve as a step for facilitating and speeding up the exportation of Turkish products for export.

Scope of activities at free zones;

Production, purchase-sales, assembly-disassembly, maintenance-repair, banking, insurance, financial leasing, warehouse operation, worksite leasing and other issues.

Advantages granted to free zones;

The operation license is issued to those tenant – user firms that will act by renting a ready workplace for 10 years (15 years for those whose scope of activity covers production), to those investor - user firms that will act by building their own workplaces for 20 years (30 years for those whose scope of activity covers production).

- Revenues and incomes generated from free zone activity can be transferred abroad or into Turkey without being subject to any permit.
- Since free zones are considered to be outside the customs line, provisions of foreign trade regime apply to the trade between free zone and other places in Turkey. In other words, goods sold from Turkey to the free zone are subject to export regime whereas goods sold from the free zone to Turkey are subject to import regime, and free zone users can purchase goods and services from Turkey at export prices (free of VAT).
- No customs duty is paid for goods of Turkish or EU origin brought to the free zone, or goods which are in free circulation there during their entry in Turkey or EU members since the state of their being in free circulation does not change.
- Since free zones are considered part of "Turkey - EU Customs Union Customs Region", goods with Turkish or EU origin and goods in free circulation in Turkey are sent to EU from free zones by issuing A.TR certificates for them.
- All local and foreign companies benefit equally from the incentives and advantages provided in the free zone.
- Goods can remain at the free zone without any time restriction.
- All payments with respect to activities at free zones are made in foreign currencies.
- No restriction is imposed on the sale of goods to Turkey from free zones, and bartering trade to be performed between free zones and other countries.
- During the application and operation process, all kinds of bureaucracy have been minimized. Free zones are operated by private sector companies.

- Free zones have been established near big ports, international airports, highway networks, centers of culture, tourism and entertainment in the Middle East, Aegean and Black Sea regions that are near EU and Middle East markets.
- Infrastructure of free zones are of the same standards with that of their equivalents in developed countries.

It can be said that working at a free zone is much advantageous for the following companies:

- Companies that want to avoid bureaucracy
- Companies selling the products they produce with imported inputs to foreign markets
- Companies who have labor-oriented activities,
- Companies that are engaged in transit trade, re-export and bartering trade,
- Producers, wholesalers, banks and insurers who want to perform transactions in foreign currencies,
- Companies that seek a modern working atmosphere with established infrastructure.

Free Zones in our Country:

Free zones which are currently in operation and the years they started operations.

Mersin, Antalya	(1987),
Ege, İstanbul Atatürk Havalimanı	(1990),
Trabzon	(1992),
İstanbul Deri ve Endüstri, Doğu Anadolu, Mardin	(1995),
İMKB Uluslararası Menkul Kıymetler	(1997),
İzmir Menemen Deri, Rize, Samsun, Trakya, Kayseri	(1998)
Avrupa, Gaziantep, Adana-Yumurtalık	(1999)
Bursa, Denizli, Kocaeli	(2001)
Tübitak - Marmara Araştırma Merkezi Teknoloji	(2002)

3.2.3. Free Trade Agreements

Article 16 of the Resolution of the Partnership Council, Number 1/95, which institutes the customs union between Turkey and EU as of January 1, 1996 provides that Turkey will comply with the preferential customs regime of the Community so that she will make her trade policy compliant with EU's Joint Trade Policy within 5 years following the effective date of the Resolution (until 1.1.2001).

During that adaptation process, agreements with priority have been determined as preferential agreements to be concluded with Hungary, Poland, Czech and Slovak Republics, Israel, Romania, Bulgaria, Estonia, Latvia, Lithuania, Morocco, Tunisia, and Egypt within the scope of Turkey's Declaration regarding article 16. The agreements which are referred to in such declaration later included Slovenia and Malta in line with the Partnership Agreement executed between EU and Slovenia, and the Partnership Agreement that aimed to establish a customs union with Malta.

The first step of Turkey to undertake EU's preferential regime is the Free Trade Agreement which was signed on December 10, 1991 between Turkey and EFTA countries and which was effective on April 1, 1992. Within this framework, in addition to the FTA executed with EFTA in line with EU's Joint Trade Policy, free trade agreements have been executed with Israel, Central and Eastern European Countries (MDAÜ) (Romania, Lithuania, Hungary, Estonia, Czech and Slovak Republics, Bulgaria, Poland, Slovenia, Latvia), and West Balkan countries including Macedonia, Croatia, Bosnia and Herzegovina.

	Country	Signature Date	Effective Date
1	EFTA Countries	10 December 1991	1 April 1992
2	Israel	14 March 1996	1 May 1997
3	Romania	29 April 1997	1 February 1998
4	Lithuania (*)	2 June 1997	1 March 1998
5	Hungary (*)	8 January 1997	1 April 1998
6	Estonia (*)	3 June 1997	1 July 1998
7	Czech Republic (*)	3 October 1997	1 September 1998
8	Slovak Republic (*)	20 October 1997	1 September 1998
9	Bulgaria	11 July 1988	1 January 1999
10	Poland (*)	4 October 1999	1 May 2000
11	Slovenia (*)	5 May 1998	1 June 2000
12	Latvia (*)	16 June 1998	1 July 2000

13	Macedonia	7 September 1999	1 September 2000
14	Croatia	13 March 2002	1 July 2003
15	Bosnia and Herzegovina	3 July 2002	1 July 2003
16	Kingdom of Morocco	7 April 2004	
17	Palestinian Government	20 July 2004	
18	Syria Arabic Republic	28 August 2004 (initialized)	
19	Republic of Tunisia	28 September 2004 (initialized)	

Table 3.1 : Free Trade Agreements signed with States and Effective Dates

(*) Since Lithuania, Hungary, Estonia, Czech and Slovak Republics, Poland, Slovenia, and Latvia became full members of EU after May 2004, FTAs with the said countries have been mutually terminated as from April 30, 2004.

Currently negotiations are underway with Egypt and Lebanon, Albania and Faroe Islands, and negotiations with Jordan and Algeria to whom draft FTA texts were sent in 2000 and 2001 to start FTA negotiations has not been started yet since the said countries have not yet provided an affirmative answer to our request.

During the FTA negotiations with Egypt, an agreement was reached in principle as regards the draft agreement text and the modalities to be applied for the liberation of industrial and agricultural products. An agreement was also reached to start 5th round of negotiations in May 2004, but these negotiations were postponed to a later date upon the request of Egyptian side.

Furthermore, as of May 2004, we have forwarded our demand to start Free Trade Agreement negotiations to the countries of Gulf Cooperation Council and 36 African countries from Africa, the Caribbean and the Pacific with whom EU will execute Economic Cooperation Agreements.

In our attempts to start Free Trade Agreement negotiations and to carry out such negotiations, we particularly consider to increase market penetration opportunities of our exporters in near and neighbor countries, and to reduce, in that connection, the dependency on West European markets, and to allow for expansions in regional distribution, and also we aim to ensure that our exporters compete with EU countries under equal conditions at the said markets.

3.2.4. State Supports

The basic purpose of state supports for export is to encourage export activities of our exporters, mainly the companies which are a KOBİ in nature, in both production and marketing stages, to assist them in overcoming the problems they encounter in the international market, and to let them gain competitive power.

Currently 11 incentive programs are applied under the framework of the "Decision on State Supports for Export", and the final approving authority in the implementation of all state incentives is DTM - Undersecretariat of Foreign Capital.

- Companies that evidence through the professional institution they are affiliated with that they employ employees between one hundred and two hundred;
- Companies who duly keep their books,
- Companies who act in the production sector,
- Companies whose current fixed capital amount does not exceed TL equivalent of 2 million USD except land and premises.
- Sectoral Foreign Trade Companies are companies that are granted a SDŞ by the Undersecretariat of Foreign Capital.

These incentives are as follows:

1. Research – Development Incentives
2. Support for Domestic Specialty Fairs with International Participation,
3. Support for Participation in Fairs which are organized abroad at a National or Individual Level,
4. Market Research Support,
5. Training Assistance,
6. Support for Opening, Operating Offices-Stores Abroad, and Trademark Promotion Activities,
7. Supporting Environmental Cost,
8. Support for Activities aimed at Creating Trademarks for Turkish Products and Promoting a Turkish Product Abroad,
9. Support for the Use of the phrase Turquality-From Turkey,
10. Employment Assistance.

3.2.4.1. Domestic Processing Permit

As a result of Uruguay Final Memorandum signed by Turkey in April 1994, and our inclusion in CU with EU as from January 1, 1996, changes occurred in the incentive legislation.

Domestic Processing Regime,

Purpose and scope

It has been prepared to determine and regulate and implement the issues with respect to, exportation of import inputs used in production, sales and deliveries which are considered export, and services and activities which will generate foreign exchange.

Definitions

Terms

Third Country: Countries other than members of European Union, and free zones at Turkish Customs Region,

Goods in Free Circulation: Without prejudice to the provisions of international agreements we are a party to, goods which enter Turkish Customs Region subject to free circulation entry regime with exemption due to a previous export, or with its duties paid, and goods of Turkish origin irrespective of whether the inputs used in its production is domestic or not,

Processing Activity: Operations such as the assembly, processing, renewing or repairing of the goods,

Processed Products: Products obtained as a result of processing activity ,

Secondary Products: By-products which are formed during processing activities, which are not the products that are intended to be produced, and which have an economic value,

Loss: That part of the goods which has no economic value or which is lost during the processing activity as a result of drying, evaporation, leakage or gas leaks,

Efficiency Rate: The amount or percentage rate of processed products which are obtained out of the processing of a certain amount of goods,

Prior Import: Import of goods to be used in the production of products processed within the frame of domestic processing regime that are imported prior to the export of the said products,

Prior Export: Export out of Turkish Customs Region of processed products obtained from equivalent goods prior to the coming into free circulation of the imported goods.

Equivalent Goods: goods in free circulation which are used in place of the imported goods in the manufacturing of processed products.

Trade Policy Measures: Measures taken under the framework of article 4 of the Resolution on Import Regime.

Tax: All financial burdens which are stipulated to be collected during the entry and exit of goods,

Producer-Exporter: The firm producing the export product, holding a Domestic Processing Permit,

By-industry: The firm holding a certificate that produces the whole or part of the export product which is undertaken in the Domestic Processing Permit.

Intermediary Exporter: The firm without a certificate that performs the export which is undertaken in the Domestic Processing Permit.

Undersecretariat: Undersecretariat of Foreign Trade.

Guarantee

The import to be performed under this Resolution is subject to a guarantee pursuant to the principles stated in the Law on Collection Procedure of Public Receivables Number 6183.

However,

- Taking into consideration the export of Foreign Trade Capital Companies and Sectoral Foreign Trade Companies that they have performed within the calendar year prior to the application date, and the performance of producer-exporter firms for closed certified export that they have performed within one year prior to the application date, these firms will be permitted by the relevant customs offices to perform the import specified in the Domestic Processing Permit up to the amount of export specified in the directive to be issued by the Undersecretariat after they deposit 1% (one percent) of any tax amount which will arise from such export to the "Guarantee Insurance" account with TİKB

A.Ş. (Türk Eximbank) as a security. This issue which relates to the guarantee is specified in the Domestic Processing Permit.

Processing Activity to be performed outside Turkish Customs Region within the scope of Domestic Processing Regime

Part or whole of the processed goods or unmodified goods covered by Domestic Processing Permits can be permitted to be imported to third countries under the External Processing Regime for further processing. Import of products to be processed within this scope are permitted by taking the guarantee of all kinds of taxes which need to be collected during import.

Repayment of Taxes Collected During Import

If goods which are in free circulation are exported as processed products, taxes collected during import can be repaid. However, to benefit from this system, it is stated on the free circulation entry declaration that the goods are covered by the repayment system.

Goods which

- a) are subject to quantity restrictions in case of import,
- b) benefit from preferential tariff or conditional exemption measure within quotas,
- c) are subject to agricultural financial burdens or other additional financial burden applied in import which are imposed by the agricultural policy or special regulations regarding certain products obtained by way of processing agricultural products,
- d) which are subject to monetary export refund for processed products during the acceptance of free circulation entry declaration of the imported goods cannot benefit from the repayment system.

Evaluation of Applications and Permit

To obtain Domestic Processing Permits, companies should apply to the Undersecretariat of Foreign Trade with such information and documents to be published on the directive to be issued based on this Resolution.

Periods of Domestic Processing Permits and Additional Periods

The maximum period of Domestic Processing Permits is 12 months. However, the periods of permits issued for ship construction, complete facilities, etc. can be extended to two years, and the periods of permits issued for the export of products which are covered by the scope of defense industry.

Implementation of Import and Closing of Undertaking Account

Implementation of import means the exit of the goods whose export is undertaken in the Domestic Processing Permit through the customs line to a third country in accordance with the Export Regime Resolution, Export Regulations and Customs Legislation and/or their entry into free circulation of as specified in article 12. Export prices can be brought as foreign currency or as goods.

Domestic Processing Permits issued under this Resolution are closed by the Undersecretariat of Foreign Trade and/or General Secretariats of Exporter Unions to be designated by the Undersecretariat.

3.2.4.2. Eximbank Loans

Türk Eximbank supports producers manufacturing for the purpose of export and entrepreneurs who act abroad through short-, medium- and long-term cash and non-cash loan programs. In addition, in order to promote forward sales transactions, thereby to increase volume of export, and to facilitate penetration into new and target markets, the Bank discounts term export receivables.

3.2.4.1.1. Short-Term Export Loans

Türk Eximbank allocates short-term export loans to exporters and those firms that produce goods for exporting purposes to cover their financing requirements especially during the time they prepare for export. These loans are made available to the firms in TL or foreign currency through banks or directly by Türk Eximbank.

3.2.4.1.2. Featured Loans

Türk Eximbank also supports exporters and entrepreneurs abroad through featured loan programs. These are loan programs which are outside the standard loan and guarantee programs, but complement them.

3.2.4.1.3. Foreign Currency Generating Services Loan

A Foreign Currency Generating Services Loan program has been put in effect for the purpose of financing foreign currency generating services and services such as software in the nature of a project, projecting and consultancy which are to be exported abroad by firms which are resident in Turkey.

3.2.4.1.4. Islamic Development Bank (İKB) Based Loans

Türk Eximbank is trying to improve the financing opportunities it grants to our exporters. Within this framework, it mediates to export financing and import financing programs after shipment as Turkey's National Agency in cooperation with Islamic Development Bank (İKB). Such programs have been in effect to develop the trade volume between Islamic countries, and are in the nature of buyer loans.

3.2.4.3. Others

Expenses Supported • Personnel Expenses

- Tool, equipment and software expenses incurred for research activities
- Expenses for the procurement of consultancy services and equivalent services used for research
- Costs of R&D services carried out at home through R&D entities and institutions
- Patent Application expenses
- Expenses for the procurement of materials directly related to R&D activities

Rate of Support Provided is maximum 50% which can be increased to 60% through additional supports.

Period of Support is 3 years

Providing Projects with Capital Support

Support Requirement: A contract is signed between TTGV and the project owner. Capital support is provided in two ways. Support Provided 50%.

I. Capital Support to Product Development Projects

The purpose is the creation of a new product with commercial value or augmenting competitive power of existing products, or providing support to R&D projects that are aimed at researching and developing production method, system and techniques.

Amount of Support is 1 million US Dollars, Support Period is maximum 2 years.

II. Capital Support to Projects about Strategic Focus Issues

The purpose is to support projects which aim to determine measures to be taken, taking into account the existing industrial structure, technology, manpower capability in our country and the dynamics of international comparative superiorities.

Support Period is maximum 1 year, and Amount of Support is 100.000 US Dollars.

Implementing Organization is TTGV .

SUPPORTING LOCAL SPECIALTY FAIRS WITH INTERNATIONAL PARTICIPATION

The purpose is to promote abroad local specialty fairs with international participation, and to increase international participation.

Firms that organize the fair can benefit from this support.

Fairs Supported:

- Textile-garment industry-carpet
- Leather (including shoes)
- Motor-vehicles and by-industry
- Food and food technology
- Electric/electronic industry
- Metal goods industry
- Ground industry
- Construction materials
- Furniture industry

SUPPORTING PARTICIPATION IN FAIRS ORGANIZED ABROAD AT NATIONAL OR INDIVIDUAL LEVEL

The purpose is to promote participation in fairs and exhibitions organized abroad.

Producers, marketing firms, organizers can benefit from this support.

Participation in fairs organized at national level is among activities supported.

- Supporting the Organizer,
- Participation in fairs organized at individual level,
- Supports by product groups

Application Period should be made within 6 (six) months after the end of the Fair.

MARKET RESEARCH SUPPORT

Supporting Market Research Projects

The purpose is to promote and spread market researches carried out by KOBİ/SDŞ/ÜD for the purpose of creating new export markets and increasing our market share in our traditional markets.

KOBİ, SDŞ, ÜD can benefit from this support.

Research projects which KOBİ/SDŞ/ÜD shall carry out within their corporate structures or through consultancy companies are among the projects that can benefit from the support.

Support Provided

Maximum Amount of Support for each project for a year is as follows:

- a) 7.500 \$ 15.000 \$ 75.000 \$ for KOBİs
- b) 10.000 \$ 50.000 \$ - for SDŞ/ÜDs

TRAINING SUPPORT

The purpose is supporting KOBİ, SDŞ and affiliates of these companies in their expenses for training activities relating to foreign trade.

KOBİ, SDŞ and affiliates of SDŞ's can benefit from this support.

Training Topics

- Foreign Trade, Customs and Exchange Legislation,
- Finding markets and customers for export, market analysis, market survey, techniques of negotiation and correspondence with buyers, and making quotes.
- National and international financing techniques in export

- Competition law and terms, European Union and World Trade Organization legislation, international marketing methods,
- Fashion – Trademark design and similar fields

Support Provided

Amount of Support for Training Abroad

For foreign training programs which should not exceed 7500 USD and three months in period for each training program;

50% for KOBİs, and 75% for ŞDŞs.

SUPPORT FOR OPENING, OPERATING OFFICES-STORES ABROAD AND TRADEMARK PROMOTION ACTIVITIES

The purpose is to cover the costs of establishing companies, opening, operating and advertising warehouses-stores abroad for the purpose of increasing the market shares of companies acting in Turkey and promoting our products.

Companies and ŞDŞs that are engaged in industrial and/or commercial activity or acting in the software sector can benefit from this support.

Supports Provided

Support provided to companies for opening companies/stores/depots/branches for the purpose of performing wholesale or retail sale using their own trade names and trademarks (companies performing industrial activity in Turkey and commercial activity abroad).

SUPPORTING ENVIRONMENTAL COSTS

The purpose is supporting the documented costs of KOBİs incurred in obtaining quality assurance certificates (ISO 9000 series), environmental management system certificates (ISO 14000 series) from TSE or accredited institutions, CE sign from institutions approved by the European Union, other quality and environmental certificates in international nature which are deemed appropriate by DTM (only for certification costs).

KOBİ's can benefit from this support.

Scope of Support;

- ISO 9000 series
- ISO 14000 series

- CE sign
- Other quality and environmental certificates in international nature

Support Requirement: Expenses should be documented and certificates should be obtained from the Turkish Standards Institute or accredited bodies.

Application should be made within 6 months after the certificate is issued.

SUPPORT FOR THE USE OF THE PHRASE "TURQUALITY-FROM TURKEY"

The purpose is promote the use of the phrase Turquality-From Turkey on the labels, packages of our products and/or directly on the product for the purpose of creating, promoting and maintaining trademarks for Turkish Products abroad and promoting the image of Turkish Product.

Firms that benefit from the support as per the "Directive on Supporting Activities for Trademark Creation of Turkish Products Abroad and Promotion of the Image of Turkish Product (Directive Number: 2003/3)" can benefit from this support.

EMPLOYMENT SUPPORT

The purpose is to ensure employment of experienced and well educated managers and employees to carry out foreign trade transactions of companies with SDŞ status.

Companies with SDŞ status can benefit from this support.

IMPLEMENTING ENTITIES

Name/Address of the Entity, State Support:

UNDERSECRETARIAT OF FOREIGN TRADE • Environment

RESEARCH CENTER FOR IMPROVING EXPORT (İGEME) • Market Survey

GENERAL SECRETARIATS OF EXPORTER UNIONS • Foreign Fairs - Exhibitions

INDUSTRIAL DEVELOPMENT FUND • Market Survey

TURKISH SCIENTIFIC AND TECHNICAL RESEARCH • R&D

TURKEY TECHNOLOGY DEVELOPMENT FOUNDATION • R&D

3.3. ENTITIES SUPPORTING EXPORT;

3.3.1. EXPORTER UNIONS

3.3.1.1. Approved Types of Export

Supply and Approval of Customs Declaration: In order for the exporter to perform the export, they should supply a customs declaration from exporter unions or customs offices, complete it and have it approved by exporter unions.

Conditional Export: For the export of products which are covered by "List of Conditional Export" of the Export Regulation, application is filed with the relevant exporter union for registration along with the customs declaration.

Consignment Export : Application is filed with the relevant exporter union for authorization along with the customs declaration.

Export with Credit: Application is filed with the exporter union original and translated version of the sales contract that covers the type of product, payment schedule, and payment term.

Free Export : If the value of goods which are subject to free export is above 10.000 US\$, application is filed with the exporter union with the completed "Free Export Form".

Export through Conditional Transaction and Bartering: Demands for Conditional Transaction is submitted to the exporter union along with necessary documents.

Export towards Countries where export is subject to Inspection as per the Embargo Decisions of United Nations Security Council: Export of foodstuff, drugs and medical materials to Iraq is permitted and information should be provided to the relevant exporter unions. Pursuant to Decision of UN Security Council Number 883, sale of certain products to Libya, or supply of materials for use in the production or maintenance of such products, or grant of a license in that respect are prohibited.

Export of Products Subject to a Quota: With respect to the export of textile and garment products to USA and Canada, exporters should ask for quotas from the relevant exporter union in certain categories.

3.3.2. CHAMBERS OF INDUSTRY AND COMMERCE

3.3.2.1. Approved Document Types:

ATR Certificate: Exporters should supply the ATR Certificate which they shall use in export to EU countries from the chambers they are affiliated with, and obtain a visa for these certificates from the customs offices. Such circulation certificate is issued to ensure that, in case of export to European Union countries, goods which are the subject of export benefit from the customs discount advantage as per the Supplementary Protocol.

EUR.I Movement Certificate: Exporters should obtain the EURI Movement Certificate which is used in export to EFTA countries (Sweden, Iceland, Liechtenstein) from the chambers they are affiliated with and should obtain a visa for the certificate from the customs offices. Such movement certificate is issued to ensure that, in case of export to EFTA countries, goods which are the subject of export benefit from the customs discount advantage as per the Free Trade Cooperation Agreement.

GSP Form (Form A) : This is a form which is used in export to countries that apply a preferential customs tax to Turkey under Generalized System of Preferences (GSP) (USA, Australia, Canada, Japan, New Zealand and Russian Federation). In order to benefit from the system, the exporter should get this form approved from the Chambers and then get the form, which is attached to a letter, approved from the Undersecretariat of Foreign Trade or the Regional Directorate of Undersecretariat of Foreign Trade.

Expertise Report for Processed Meerschaum: For pipes made of meerschaum to be exported from our country, the exporter should obtain an expertise report from the Chamber it is affiliated with. For this procedure, application is filed with the relevant Chamber along with the invoice and form.

3.3.3. BANKS

3.3.3.1. Duties

Transit Trade : Demands should be submitted to banks by completing the "Transit Trade Form" .

Bringing Foreign Currency to the Country: Value of the goods exported should be brought into the country by exporters within no later than 180 days following the actual date of export except for special cases foreseen in the Decision on Protection of Value of Turkish Currency Number 32 and the delays which are attributable to force majeure events approved by the Ministry, and deposited to

banks or private financial institutions, provided that it is confirmed if it is Turkish Currency, or that it is sold if it is foreign currency.

3.3.4. Supervision Companies

3.3.4.1. What is Supervision?

Supervision is in a sense the fulfillment of services which are required in technical specifications attached to the contract executed between the buyer and the seller or the seller's representative in international and domestic trade. In other words, an evaluation performed by supervision experts whether goods exported or imported in relation to a letter of credit issued in international trade comply with the specifications or not, or for the purpose of determining their value and condition is issued as a report after the technical examination.

3.3.4.2. Purpose

Supervision companies are among the entities which ensure that commercial goods and services move in the world rapidly in accordance with the intended purpose in a proper manner. If during the production and/or shipment of a product which is ordered by the buyer, the buyer gets determined how much the product complies with the stipulated conditions, this will be an important factor in preventing any loss that may arise in the future, and even in adjusting prices.

Commercial transactions are generally specified in a written contract. In that contract, the quantity and quality of the goods which is the subject of trade between the buyer and the seller are described in detail.

Existing Risks;

Risk of taking the delivery of a lower quality product, and bearing the cost;

Risk created by lack of technical knowledge and experience necessary for technical inspection during production

Failure to know regional characteristics that belong to country to which the product is sold.

3.4 . LOGISTIC MANAGEMENT:

3.4.1. International Logistics

Logistics in different countries and regions can be performed with much difficulty or much ease subject to the geography, infrastructure and institutions of that country or region. Transportation is at the heart of logistics.

What is Logistics?

What does it mean to direct logistics?

General Motors purchases parts from many suppliers in the world. It assembles its cars in factories spread around the world, and sells them again to the whole world. Think of a single car and thousands of pieces assembled in that car. And now think of the places where those parts come from. You would appreciate that this is the case for only one car model, And General Motors is manufacturing hundreds of different car, truck, van and other models. Somebody has to manage the delivery of all these parts at required places, in required quantities and at required times in the most cost-effective manner and with such flexibility to overcome exceptional problems.

Some people may not see logistics a very comprehensive and complex work. But as we have foreseen for General Motors above, logistics is much more important than what many people think of to be. It is a question of life and death in a sense. The food we eat may be coming from very far places. Peter Drucker the guru of management calls logistics as "dark continent of economics", and says that logistics is the most ignored but the most promising field of business.

"Logistics means taking materials to the places they are needed."

Logistics Definition of the Council of Logistics Management

The process of planning, implementing and controlling the efficient and cost-effective flow and storage of goods, services and related information from the point of origin to the point of consumption, for the purpose of conforming to customer requirements as part of the supply chain.

This description covers the movement of people. Logistics defined by CLM is rather the definition of Business Logistics.

Logistics aimed at transportation of people is different from the logistics which is based on material transportation. Hence, it is important to note the difference of business logistics from general logistics. People generally go and return, but materials go and rarely return, they are either processed or consumed at the place where they go.

People have different means of traveling. While places where people travel are in general holiday sites or cities, materials are likely to be carried from the place of origin of raw materials to industrial regions and from industrial regions to the cities where they are ultimately consumed by people.

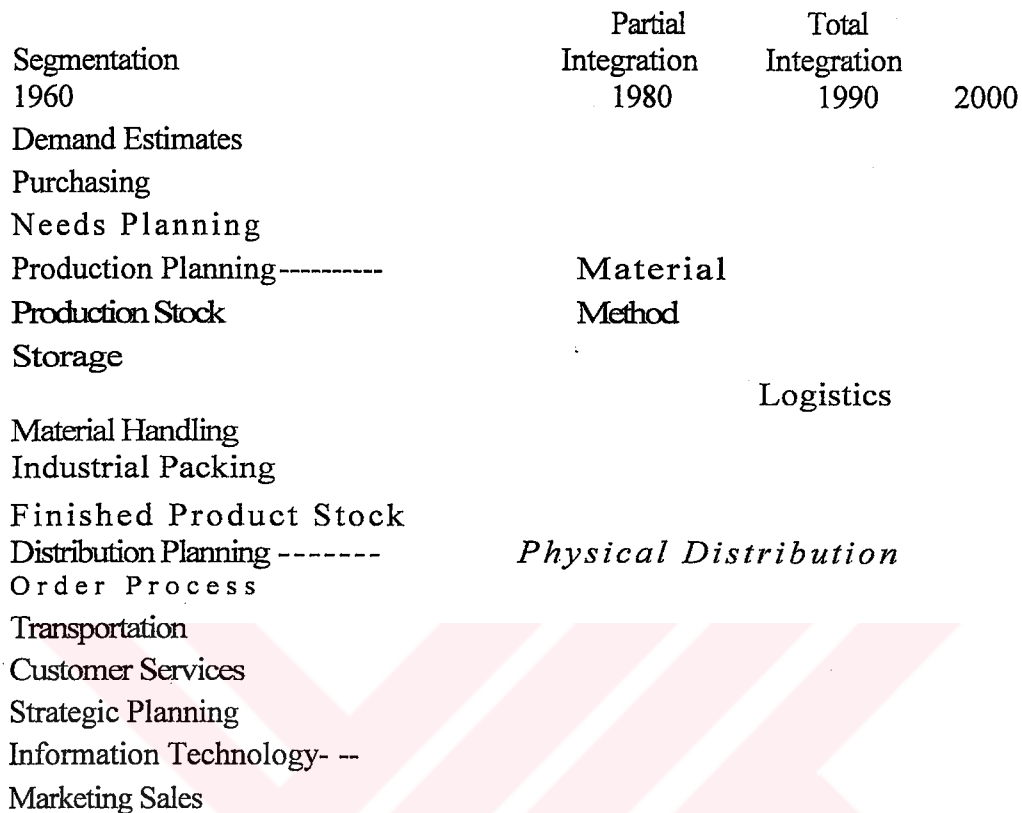
Supply chain can be thought as logistics with higher complexity. Supply chain is not only the movement of goods from one place to the other but also the movement from the place of origin (place where mines are extracted from the ground) to the place they are consumed.

Definition of Supply Chain Management by Council of Logistics Management

Supply Chain Management encompasses the strategic and systematic coordination of the supply chain and all activities of companies involved in that chain to increase their long-term performances as well as the business functions of such companies and the action plan relating to such functions to cover all companies within the chain.

Supply Chain Management encompasses the strategic and systematic coordination of the supply chain and all activities of companies involved in that chain to increase their long-term performances as well as the business functions of such companies and the action plan relating to such functions to cover all companies within the chain.

Evolution of Logistics Towards Supply Chain



Prepared with the permission of John J.C'oyale

Figure 3.2 : Evolution of Logistics towards Supply Chain

What is the purpose of logistics?

Logistics may be seen as the work of transporting materials to where they are needed, but is not the same with transportation. Transportation is an important function, but logistics has a wider scope. According to Donald Bowersox and David Closs, who are world-famous authorities in logistics, logistics requires the coordination of many activities that includes and encompasses, network design, information flow, stock and warehouse management, etc.

Network Design – Integration under a network structure of production, storage and transportation systems of relevant companies and facilities covered by the scope of work for an effective and efficient logistics.

Information Flow- Information flow necessary to coordinate logistic operations

Transportation – Physical transportation of materials

Stock- Keeping of materials

Storage, Material Handling and Packing – Physical protection and handling of materials.

Bowersox and Closs define the 6 operational purposes of a logistic system as follows:

1. Fast Response – Companies should respond to changes and new developments rapidly .
2. Consistency – Continuity in performance values such as delivery times, delivery quantities, etc. is important and they should be consistent.
3. Minimum Stock – Stock means cost and should be at minimum.
4. Consolidation of Shipments - Shipment costs can be reduced by consolidating many small deliveries, using as much as possible big capacity and completely full vehicles, and finding cargo for the return journey.
5. Quality - Today it is not alone sufficient that the products which are transported are of quality. Quality standards of logistic services should be defined and complied with.
6. Life Recycling Support – Logistics does not only include the delivery of a product, but also returned products. Goods may be returned due to end of season, defects, expiry of shelf life as well as for the purpose of re-evaluation (recycling) of packing materials and products (scrap).

Effective logistics should be carried out in a competitive market environment where competitors are impatient in winning your customers. According to Bowersox and Closs, "The basic purpose of logistics is to achieve the targeted customer satisfaction level with the least cost". Logistics requires 'effectiveness and efficiency'. What does this mean? Effectiveness is complying with the standards, targets, and plans whereas efficiency is to realize maximum output with minimum input.

Added Value Analysis of Global Logistics

DOMESTIC	IMPACT	GLOBAL
Domestic Profit	Increases	Export Profit
Logistic Cost	Increases	Domestic Profit
Raw Material Cost	Increases	Logistic Cost
Production Cost	Decreases	Raw Material Cost
Other Cost	Decreases	Production Cost
	None	Other Cost

Figure 3.3 : Added Value Analysis of Global Logistics

Another concept related to the subject is Material Management, and concerns physical inputs of a company. In other words, it is a process that involves supply of raw materials or parts, how they will be received and protected when they arrive. Physical Distribution is the taking of products of the company to the market which consists of customers (vendor, wholesaler, etc.) or consumers.

Business Logistics covers all logistic activities in the company, and encompasses integration of all functions of the company such as finance, marketing with the logistics function. For example, transportation decisions will have effects on finance and marketing. Business logistics ensures that such effects are determined and planned in advance.

Integrated Logistics is like the Supply Chain Management concept, and highlights the coordination with suppliers and customers. One of the reasons why integrated logistics is not always implemented in an effective and efficient manner is that it requires much more effort and expenditure. Bringing different companies or different departments of a company together requires superior management abilities requires investment in time and technology.

The basic task of company is production. Functions such as logistics, human resources, and finance are not the basic task of the company. Although these functions are necessary in order for the company to succeed, logistics management is not a basic function for the company. Functions such as logistics, finance, administrative affairs, etc. are supporting functions. The only place where logistics is the basic task are logistics and distribution companies.

If we consider logistics from the company's point of view, there are three different areas.

Inbound Logistics: Covers supply and inbound material management functions.

Operations Logistics covers the material management function that provides support service to all production operations of the company.

Outbound logistics covers the function that includes physical delivery of products to customers.

The concepts inbound and outbound logistics are also called Inter-company Logistics, and the concept operations logistics as In-house Logistics.

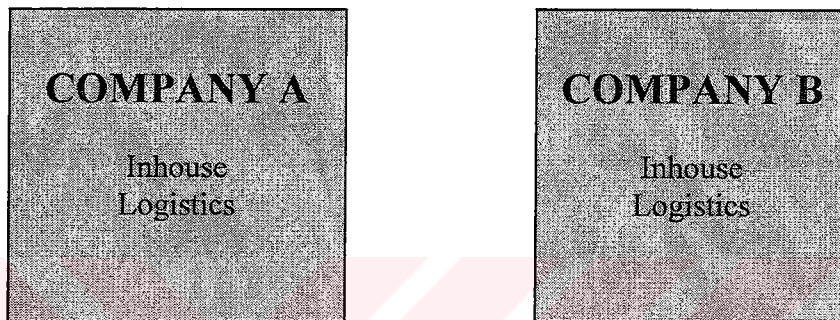


Figure 3.4 : Two different paths in examining logistics

What is meant with viewing from a business point of view is to consider those parts of logistics which are related to business subjects. In logistics, further to the business point of view, there is the engineering point of view. In the latter, what is important is the feasibility of the work in terms of physical and quantitative aspects of the work. Business point of view rather attaches importance to customer requirements, engineering point of view tries to find optimum solutions for system design. Both are equally important and applicable points of view of logistics.

International logistics shows different characteristics due to several reasons. Companies located at different countries of the world are exposed to different environmental effects. The cultures involved are different, which affects the means of application of business and logistics. Culture is an area which does not receive the importance it deserves. Logistics is applied in different natures according to the country and the region.

3.4.2 Regional Logistics

Countries and regions are evaluated according to their logistic capabilities and abilities. Regional logistics is important because some parts of the world have excellent logistic characteristics which play an important part in their success. Other parts of the world are deprived of these characteristics and in a poor condition in terms of economy. Regional evaluation in logistics is carried out according to geography, physical and institutional infrastructure.

Geography. While certain geographical characteristics in a region have positive contributions to logistics, others have negative effects. Natural ports are the most valuable characteristics which a country may have. Big cities of the world have been established at places where there were natural ports, like Istanbul, Rotterdam, Bombay and San Francisco etc.

Physical Infrastructure. If infrastructure such as highways and railways, sea ports and airports are not present, then having good geographical characteristics would have no meaning. Public infrastructure has great impact on the companies' business abilities.

Institutional and Legal Infrastructure. For an effective and efficient logistics, an institutional and legal infrastructure is needed in addition to geographical and physical infrastructure. Contemporary business organization requires legal arrangements regarding trade, customs procedures, and inter-company contracts.

TWO COUNTRY COMPARISON: SWITZERLAND AND CHAD

Let us examine Switzerland and Chad to evaluate logistic environment in different countries. There are great differences between these two countries. These differences will show us clearly the role and importance of geography, infrastructure and institutions in logistics.

Chad is a country in the central Africa with weak transportation capabilities, instable government, surrounded by countries that struggle with economical hardships and with no sea shore. Within an area of 1,280,000 square kilometers there is a highway of 325 km which can be used in all seasons. Per capita is 600US\$. She is one of the most poor countries of Africa and the world. It is interesting to note that she is rich in terms of petroleum, uranium, gold and diamond, And has 50 billion square meters of agricultural land. Due to social conflicts in 1980, economy was affected negatively.

Development of Chad is subject to financial aids by the World Bank, European Union, Germany's

OPEC Fund and France. Plans are underway to lay a 1.130-km petroleum pipe line for the estimated 900 million barrels of petrol, and extent the line up to Cameroon port.

On the other hand Switzerland which may though almost every kind of resources for the best logistics of the world may encounter certain hardships. Geographically, she is a country with no sea shore like Chad. Instead of endless deserts, Switzerland is surrounded by high mountains. She has the best infrastructure in the world. She has wide and well-constructed highways, railways, airports and other infrastructure. In fact she has overcome the obstacle of Alp with the longest tunnels and the most vertical railways of the world. Her institutions, such as the famous Swiss Bank, renders all services that are necessary for trade.

As it is seen, some countries are much more competitive than others due to various reasons as we have described above, and rates of logistic expenses are high.

3.4.3. Description and Importance of Transportation

Transportation has a central role in logistics, especially in international logistics. "To take products to the places where they are needed", maybe the most important one among all logistic activities is physical transportation. When switch from in-country logistics to international logistics, the role of transportation will become much more important.

There are three parties in transportation: shipper, carrier, and consignee. In logistics, shipper is the firm who owns, controls and arranges the transportation of the goods (cargo) to be sent. Shipper may be a company, but this is not essential. Carrier is the transportation agency that carries/causes to be carried the goods (cargo). Consignee is the party that receives the goods sent. Shipper and consignee may be the same entity that may want to transport the goods from one of its facilities to another, or may be completely two different entities.

(Percentage Share)			
	1996	1997	1998
Export			
Sea	42.4	39.0	40.8
Land	48.3	53.1	52.5
Air	8,5	7,2	6,2
Other	0.8	0.7	0.5
Import			
Sea	50.0	50.5	47.4
Land	35.6	35.2	39.1
Air	10,6	11,2	11,2
Other	3,8	3,0	2,4
Source: DTM			

Table 3.2 : Structure of Turkey's Foreign Trade by Means of Transportation



4. CAUSES OF THE PROBLEM

4.1. PROBLEMS ENCOUNTERED IN OUR EXPORT AND THEIR REASONS ?

4.1.1. Economical Problems

Problems encountered by the export sector for the last six months in our country are not taken into consideration by the government. This may lead to unrecoverable problems in the future, even a "collapse".

The regression in foreign exchange rates experienced on the exporter side for the last six months has been consuming the profits and then equities. Presently exporters are striving to survive. Dismissals have increased in the sector due to the problems encountered, and some exporters are about to close their companies.

As stated by Mr. Oğuz Satıcı, Chairman of Turkish Exporters Council (TIM), "During this process, the exchange rate problem has been a sharp and a hurting one as much as the problem of to be or not to be".

Calculations made by exporters having considered the forward exchange rates have proved incorrect, and in this connection, the damage that increasingly grew has almost caused the exporter to become insolvent due to the decreasing revenues against the increasing costs.

Our exporters are about to lose their market shares which they have created modestly in certain branches of production as a result of long years of effort. Sacrifices made by our exporters for the purpose of creating the market shares they hold have started to vanish.

According to Mr. Süleyman Orakçioğlu, Chairman, Istanbul Ready Made Clothing and Garment Exporters Union, the exporter is about to "close his business". Despite this, the positive atmosphere that is reflected by the circuits of economy presents an obstacle before the problems of a sector which has been the hope of the country and which employs millions of people. Exporters who tolerated losing capital for a long term in order not to lose their market are not striving to survive.

At this point, the findings of Mr. Süreyya Serdengeçti, President, Central Bank, seems to describe the problems encountered technically.

That is;

- For the last six months, funds that have gone abroad before do not return to the country and turn into Turkish Lira. Although the Central Bank buys foreign currency, the effect of supply on the exchange rate continues to exist. In this context, the Central Bank has no such policy to keep rates low.

- To avoid the rate risk, forward foreign currency transactions should be performed.

However, an issue which is ignored or forgotten is how a fluctuating progress forward rates will follow in time.

The fact that rates decrease or follow a low progress is not an event which only upsets the exporters. From another point, even when rates decline, it is technically possible to take measures to avoid harm to exporters.

Decline in rates is also important in another aspect. In such cases, import may increase, and especially uncontrolled import may break out in the real sense of the word.

Tricks played on agricultural products cause difficulties and problems for those who are engaged in agriculture. Our country that used to be proud of herself with its sufficiency in terms of agricultural production has become an importer of agricultural products due to the tricks played.

Turkey has been an open market of foreign products during the last months. In other words, as a result of policies applied Turkey has been a country whose export activity is about to stop, but import activity is constantly growing. Therefore,

- Turkey is increasingly losing her export possibilities which are already limited. It is not possible to re-gain the markets lost under the prevailing competitive conditions.

- Turkey is a country within the world whose range of import is expanding and growing rapidly, including also the agricultural products.

- Turkey is on the road to become one of those countries which consume without producing.

It is hard to maintain such an economic structure to stand. However, it may be possible to keep such countries standing by borrowing funds in the short term. This is what has been done in Turkey now.

While our foreign currency inputs decrease, our expenses in foreign currencies increase. The decline in our export revenues which occurs as a result of the decline in export which is about to stop is an event which completely affects our foreign currency input. Import performed taking the advantage of low rates of exchange will increase our foreign currency expenses and affect production for domestic consumption negatively.

This development which may be compensated by borrowing funds for certain period of time will inevitably give rise to problems in the future. At this point, failure to take measures in a timely manner or to give those segments who suffer from the course of exchange rates the ability to survive means to accept a new risk for the future.

When the problems brought from the past are considered, exporters have been driven into a corner with the impact of the foreign exchange rates that occurred due to the economic policies followed after the impact of the value added tax administration which has not been sufficiently solved yet. This should be taken into account as a phenomenon which indeed puts our economy in a difficult situation and whose negative effect will be felt heavier in the future.

In this context, it is not proper to take as a measure the increase in export within a certain period of time because our exporters have continued to export with negative results for the sake of not losing their markets.

When considering the developments in economy in all dimensions, it will not be proper to act according to the views asserted without analyzing the risk borne by the constantly increasing domestic and foreign debt.

Under the prevailing conditions, "exporters do not receive orders. The result of this will be unemployment in the short term and adverse effect on the payments balance in the long term." In this context, export sector needs support to preserve its liveliness. The duty to determine the nature and character of this support rests with the economy administration.

4.1.2. Political Problems

Today, Turkey represents a country which is not able to produce, to obtain efficiency from what she has produced, consuming more than what she produces, and hence, constantly increasing her indebtedness as a result of wrong and deficient policies followed for years. Especially during the last twenty years, our country has departed from production.

When considered from the standpoint of exporters, Turkey basic problem is the field of production. Without creating a sound production structure, it will not be possible to carry out a healthy and constantly growing trade. Trying to analyze production and export as separate, independent items will give rise to unreliable results. Production is about to die due to heavy financial burdens, technological deficiencies, expensive inputs, insufficient energy, manpower with high cost. In addition to the economical burdens, lack of political stability prevents companies from making medium and long term plans. In a political environment where stability cannot be established, it is impossible for exporters to produce and sell more products.

Turkey is losing her competitive power in the international platform and striving to maintain her existence in the markets, which has been gain with years of effort. However, domestic conditions are neither helping the companies. While the country suffers from the penalties of the Customs Agreement with European Union, she cannot benefit from its advantages. Turkey cannot be included in countries with which European Union has signed a Free Trade Agreement. She cannot utilize many programs and funds which many candidate countries of EU benefit from. Negotiations held with USA after September 11 events have not created the results expected. Although the terms between EU and USA should exactly apply to Turkey based on the Customs Union, we still have to deal with the asymmetrically-operating traffic. The source of all these difficulties is the failure to take necessary steps in inter-country negotiations in a timely manner.

No radical developments take place to support the export and import targets which we have been striving to reach for long years. Examination of private sector investments after 1980 between sectors which have been the subject of trade and those which have not been the subject of trade gives rise to interesting outcomes. Developments in the sectoral distribution of investments after 1980 indicate a development which is contrary to that expected from the structural integration policies. Prior to 1980, the share of private sector investments which had been the subject of trade within GNP was 7.9% between 1971, 1976, and 6.9% between 1977-1979. This rate decreased to 5% in 1980, and remained in the same level for 15 years, and then rose up to 6% starting from 1993. During 1999-2000 economic crisis, it declined back to 5% again.

However, the share of sectors in the private sector which had not been the subject of trade within GNP decreased to 6% in 1981, and started to increase since 1985, and reached 13% in 1994. While this rate was preserved in 1998, it fell back to 11% between 1999-2001, the years of crisis. In summary we can say that along with opening policies, an increase was observed in the investment rates of Turkey's domestic-oriented sectors, and there has been a standstill in the investment shares of abroad-oriented sectors.

When the sectoral structure of Turkish and international export is examined, it is an important problem that no similarity is observed between the sectoral distribution of world export and our country's export. While as a result of incentive policies applied during the period starting with 1980 the product composition of export diversified and changed, another negative structure formed in time, and our industrial product export has been widely dependent upon the export of weaving - clothing and iron-steel products. When these developments are concerned, it is stated that Turkey's export did not record a parallel development against the developments that took place in the world trade.

When the sectoral structure of the Turkish export is examined, industrial products are weighted with a rate such as 82.6%, and it is difficult to say that the structure encountered is a healthy one. Textile and garment sector which receives a share of 6% from the world export represents about 34% of our export, 50% of which is towards EU. The objection to this dependent structure is the risk that effects regional or international conjunctural changes or shifts in consumer preferences may be multiplied and reflected on our export performance. In addition, sectoral dependency slows down the process of living up with the sectoral trends in the world's production and trade. For example, the share of office and communication devices in our country which has reached 14% in the last ten years is about 3.8% in our export. Similarly, the share of textile - garment sector within the world export which is about 6% is constantly decreasing.

When the regional distribution of Turkey's export is compared to the regional distribution of the world export, it is observed that while the share of North and Latin America and Asian regions increased in the world trade, Turkey's export to said regions has not developed sufficiently. On the other hand, it is understood that Turkey's export inclination to former Soviet Block, Middle East and African countries is higher than that of the world average. This can be explained with the fact that the commercial relationship of Turkey with the countries surrounding her is much intense. The fact that the weight of West Europe within the world import decreased whereas Turkey's share in within the total export to the said region is about 50,9 percent indicates an extreme regional concentration.

Starting from 1980s, Turkey has been striving to adapt to policies that would increase her competitive power, and as a result of these efforts, she has reached an export figure of 31 billion dollars in 2001. However, when the development by years is examined, it is observed that a stable increase in export could not be achieved due to the effect of foreign market conditions and economy policies followed. For example, the fact that export rate which increased by 22 percent in 1982 did not increase in 1983, and that it shrank by 6% in 1986 indicates that a stable development could not be maintained.

Recently important changes have occurred in the structure of international trade. The most significant of these changes is the vertical specialization. Vertical specialization which is defined as use of import inputs for exported products has recorded a growth by 40 percent in the world during the last twenty five years, and covered 30 percent of the world trade. In this respect, public authorities should be very careful, and not permit unnecessary vertical specialization.

Eximbank which provides one of the biggest supports in the country's export has a big resource problem. So long as this problem remains unsettled, KOBIs are not able to obtain necessary support to switch over to export. If KOBIs are attracted to the export market, this will not only strengthen them in competitive terms, but also help them improve their visions.

The reason why those firms that want to be engaged in export cannot increase the export does not only originate from the public and the defective export strategies. Also the fact that foreign markets are in a constant change process, and that those markets enforce certain limits give rise to various problems for the companies. In order for companies to succeed in foreign markets, and to compete, they should analyze the problems and the obstacles, and seek ways to overcome the same.

In the first place, many countries require that the products they allow to be imported meet certain standards and a certificate is presented showing the satisfaction of such standards. For example, use of European Union sign CE has started. Production and sale of products which do not contain the sign are banned within the community. In addition to such compulsory signs, having various standards to increase the acceptability of the product in the international platform is a necessity for the penetration of Turkish products into major and developed markets. Companies should have ISO 9000 Standards showing that a quality assurance is provided or ISO 14000 Environmental Management System Certificate which shows that importance is attached to natural environment. These necessities make it compulsory for Turkish companies to review their structures and adapt to technological change rapidly.

KOBIs that desire to open to the foreign markets and some major companies that do not have foreign country experience encounter the problem of lack of specialized personnel in foreign trade. Considering that about 98% of the companies in Turkey are a KOBIs, lack of specialized personnel is an obstacle before the companies in opening to foreign markets. Also it is not easy for such companies to observe the changes in technology, and to apply new technology. Since they think of foreign markets as temporary solutions at times when domestic demand is insufficient due to lack of knowledge and vision prevents them from using new technology and developing new management abilities.

One of the most important obstacles of Turkey before foreign markets is the image of Turkish goods. The image of low quality and cheap products make it hard for Turkish companies to succeed in foreign markets. It is difficult to reverse the image left by the companies who had been acting in the market which other companies plan to penetrate. In a short period of time, it is not easy to change the country image which has formed at the end of long period of time.



5. PROPOSALS FOR SOLUTION

5.1. STEPS TO BE TAKEN TO SOLVE THE PROBLEM

5.1.1. Standardization and R&D Studies

According to the definition given by International Standardization Organization (ISO), standardization is "the process of imposing and implementing certain rules with the contribution and cooperation of all relevant parties in order to get economic benefits from a certain activity."

Standard is generally a technical feature or document which is prepared and approved by authorized bodies and/or institutions as a result of standardization studies, covering the requirements to be fulfilled, and whose application is generally left to the choice of the parties.

According to another definition standard is a document providing rules, guides or characteristics for a product, relevant process or production methods which is adopted by a recognized body for widespread and repeated use and which parties are not obliged to comply with. Such document can include terminology, symbols, packing, marking or labeling requirements that applies to a product, process or production method, or may only related to any one of them.

Standardization in Foreign Trade : It is the establishment, implementation of certain technical roles with the contributions and cooperation of all relevant parties to ensure optimization in export and import all the relevant parties, which also includes compliance evaluation and certification procedures.

Technical regulation: A document which relevant parties are obliged to comply with specifying product characteristics or processing and production methods of the products in question, including administrative provisions.

Mandatory Standard: It is a standard for which the relevant Ministry stipulates mandatory compliance among the optional Turkish Standards prepared by the Turkish Standards Institute.

Harmonized Standard: It is a national standard prepared by the authorized National Standardization Institution that adapts a European Standard.

Conformity Assessment: It encompasses assessment of a product or service by the qualified and authorized body or institution with respect to its conformity with the relevant technical regulations and standard, and the issuance of a conformity certificate which are found to be compliant.

Conformity Assessment Procedures: All kinds of procedures that are used directly or indirectly to determine whether the requirements of technical regulations or standards are complied with or not.

Certification: It is the process of determining in writing that a product, service, personnel, laboratory or a system complies with a certain standard or technical regulation.

Technical Regulations and Standardization Regime in Foreign Trade: The aim is to collect those activities towards standardization and conformity assessment in export and import under a single legislation, and to ensure that these activities are carried out in accordance with international agreements and conventions.

With the Technical Regulations and Standardization Regime in Foreign Trade, applications in the fields of import and export have been made compliant with the obligations arising from the World Trade Organization Agreement.

Accreditation: Accreditation is the approval and inspection in regular intervals by an independent and impartial entity that laboratories, certification and examination bodies operate in accordance with technical criteria determined by a third party. In line with the applications in the world, these criteria have been described in EN 45000 standards series in the European Union.

Within the framework of Customs Union between European Union and Turkey, it is essential that testing and certification procedures should be performed in accordance with European Union norms to prevent the technical obstacles before Turkish products for export. At this point, an accreditation system which is compatible with the European Union system should be established in our country.

Within this framework, "Draft Law on the Establishment of Turkish Accreditation Council (TÜRTAK)" has been drawn up with the participation and cooperation of all the relevant parties.

National Metrology Institute (UME): With Customs Union Resolution and WTO agreement, documenting the compliance of Turkish products for export with the rules and standards applicable in the countries where they are exported has gained importance. The most important stage of this operation is to ensure international validity of measurements performed during and after production.

Turkey has established National Metrology Institute (UME) within TÜBİTAK in 1992 for the purpose of coordinating the activities in the measurement field, securing measurements performed in Turkey and ensuring integration with the international system in line with the developments that take place in the world. UME is carrying out activities in TÜBİTAK Marmara Research Center in Gebze.

IAF-International Accreditation Forum: Established in 1994, the purpose of International Accreditation Forum is to ensure cooperation between the accreditation bodies that carry out activity in the field of certification. It is considered to merge it in the future with International Laboratory Accreditation Cooperation (ILAC) that has a similar structure and purposes. Turkey is not a member of the forum.

Calibration: According to ISO 9000 Quality Assurance System, "Calibration" is to determine and document the deviation of the measured magnitude of the indicator of a measuring device from its real value. Measurement is an indication whether a task has been performed in accordance with the standards that are established for it, and the results of correction to be performed, if necessary.

Metrology: Metrology is lexically the science of measuring, and defines physical units such as meter, kilogram second, ampere which are the basis of all measuring systems, and presents them to the use of science and technology.

TURKAK (Turkish National Accreditation Council) : Under the framework of the Customs Union established between European Union and Turkey, it is essential that conformity assessment procedures are performed in accordance with EU norms to avoid any technical obstacle before Turkish products for export.

Quality: Quality is the sum of characteristics of a product or service based on its ability to meet existing or future needs taking into criteria such as protection of human health and safety, existence of animals and plants, and the environment, and informing the consumers properly. Below the definitions of some quality concepts and terms are given.

Quality Cycle: A conceptual model of inter-dependent activities which determines the quality of any product or service, covering the stages from establishment of requirements to the research whether such requirements have been met or not.

Quality Policy : The purpose and direction determined officially by the top management of a company to achieve quality.

Quality Assurance : The sum of planned and systematic activities which are necessary for a product or service to assure adequate trust in terms of quality.

Quality Control : Application techniques and activities that are used to meet quality requirements.

Quality System: Organizational structure, responsibilities, procedures, processes, and resources that are necessary to implement quality management.

Examination: Subjecting any or several characteristics of a product or service to procedures such as measuring, testing and gauging, and comparing the results for compliance with the conditions determined.

Total Quality Management: Total Quality Management is an approach that aims to improve the emerging process of the product instead of final product control. In other words, it is ensuring that in a company each work is performed once and without faults, deficiencies, and that the consumer is satisfied by a hundred percent.

Since Total Quality Management stipulates no mistake as a principle, it is a process that starts with the raw material stage, covers by-industrialists who provide input to the company, and includes also customer complaints and after-sales services.

CE Sign: With the Decree of the Council of Ministers dated June 30, 1994 and Number 94/5822, as effective from February 27, 1996 Turkey has been a party to the "Agreement on Approval of Materials and Parts of Motor-vehicles and Adoption of Joint Terms for Mutual Recognition of that Approval" which was open to signature on March 20, 1958, within the United Nations, European Economic Council.

The purpose of the agreement is to guarantee safety of drivers and passengers in motor-vehicles. Under the general provisions of the Agreement, there are 96 technical regulations prepared by the expert groups affiliated with UN/EEC Interior Transportation Committee where the Agreement and associated matters were discussed. Compliance with these technical regulations is registered with a "Type E Approval Certificate" These approval certificates can only be issued by the authorized bodies of member states according to the Agreement, and are valid in all member states. CE sign: is the sign that shows the compliance of automotive products with the relevant EU Directives.

Codex Alimentarius (Food Codex) : "Codex Alimentarius" is a term in Latin and means, "Food Codex". Today the meaning covers all standards approved by Codex Alimentarius Commission and

all tables derived by member states. Codex system has been created after it was understood that it was necessary to facilitate trade and harmonize internationally-recognized standards in order to improve world trade.

Codex Alimentarius Commission: A Codex was established in 1962 to implement a joint FAO/WHO food standard program. CAC (Codex Alimentarius Commission is an auxiliary body to FAO and WHO.

Purposes of the program:

-To protect consumer health,

-To render applications in food trade proper and safe,

-To ensure the coordination of all food standard studies undertaken by international non-governmental organizations and international bodies,

- To determine priorities in drawing up draft standard created with the help of relevant bodies, and to initiate studies,

-To collect standards under a Codex as standards at regional level or world level after adoption by governments.

Having 137 member states as at September 1989, Codex Alimentarius Commission has 30 sub-sections.

TSE Certificate (Turkish Standards Conformity Certificate) : It is a certificate which is issued with a validity period of one year to the firm that is granted the right to use TSE Mark with the contract executed between Turkish Standards Institute and the firm that desires to obtain the trademark and which specifies the trademark, sort, class, type and kind of the goods on which TSE Mark will be used.

TSEK Mark (Quality Conformity Mark) : TSEK Mark indicates that the goods on which the mark is placed has been produced and put to the market in accordance with relevant international or other national standards or technical characteristics accepted by the Turkish Standards Institute as yet no Turkish Standard exists.

Control Certificate: A certificate which is issued by the authorized public entities and institutions under the relevant legislation and shows that a product is compliant with the relevant standard at the import and/or export stage.

Commercial Quality Inspection Qualification Certificate: A certificate issued by inspectors of Directorate-General of Standardization in Foreign Trade under the scope of raisin export and which is exempt from controls for a year.

AENOR: Spanish Standardization Organization (Asociacion Española de Normalizacion y de Certificacion)

AFNOR: French Spanish Standardization Organization (Association Française de Normalisation)

APAC: Asian Pacific Accreditation of Certification)

APLAC: Asian Pacific Laboratory Accreditation Cooperation

BSI: British Standards Institution

CEN: European Standardization Committee (Comité Européen de Normalisation). Headquarters is in Brussels. Consists of the national standardization bodies of member states of EU and EFTA (European Free Trade Association) as its primary members and of the National Standardization Bodies of Bulgaria, Cyprus, Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia, Slovenia, and Turkey as observers.

CENELEC: European Electrotechnical Standardization Committee (Comité Européen de Normalisation de Electrotechnique). Headquarters is in Brussels. Consists of the national electrotechnical bodies of member states of EU and EFTA (European Free Trade Association) as its primary members and of the National Electrotechnical Bodies of Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and Turkey as observers.

DIN: German Standards Institute (Deutsches Institut für Normung e.V.)

DS: Danish Standardization Organization (Dansk Standardiseringsraad)

EAC: European Accreditation of Certification

EAL: European Cooperation for Accreditation of Laboratories

EOTC: European Organization for Testing and Certification

ETSI: European Telecommunication Standards Institute. 28 European countries are members.

IBN: Belgian Standardization Organization (Institut Belge de Normalisation)

IEC: International Electrotechnical Commission

IPQ: Portuguese Standardization Institute (Instituto Portugues da Qualidade)

NNI: Netherlands Standardization Institute (Nederlands Normalisatie-Instituut)

NSAI: The National Standards Authority of Ireland

NSF: Norwegian Standards Organization (Norges Standardiseringsforbund)

ON: Austrian Standardization Institute (Österreichisches Normungsinstitut)

SDS: Finnish Standardization Institute (Suomen Standardisoimisliitto r.y.)

SIS: Swedish Institute of Standards

SNV: Switzerland Standardization Organization (Schweizerische Normen-Vereinigung)

UNI: Italian Standardization Organization (Ente Nazionale Italiano di Unificazione)

5.1.2. Quality Certificates

ISO 9000 and ISO 14000

It is a series of quality standards published by International Standards Organization (ISO). ISO 9000 and ISO 14000 standards series are not a product standard, and do not determine the final characteristics of products. For example, ISO 9000 standards describes different parts of the quality system which a company will establish to show its capacity to produce the products. ISO 14000 is a series of standards which help organizations to meet environmental requirements.

ISO 9000 is related to "quality management". In other words, satisfaction of customer's requirements by a company to increase customer satisfaction, fulfillment of the requirements of relevant standards, and performance of activities to that end are covered by the scope of "quality management". ISO

14000 is related to "environmental management" in the first place. In this series, what an organization should do to minimize the impact on environment due to its operations and to increase its capacity for environmental protection are specified.

Both series of standards is not directly related to the result of an organization's operations but to the way the organization performs such operations. In other words, they are not interested in the product, but the production process.

ISO: www.iso.ch

ISO/TC176: www.tc176.org

Turkish Standards Institute (TSE): www.tse.org.tr

EN 29000 Standards Series: It is the series of ISO-9000 quality standards which are adopted by the European Union.

AQAP Certificate (AQAP-Allied Quality Assurance Publications) : "Industrial Quality Guarantee Level Certificate" issued by T.R. Ministry of Defense.

GMP Certificate (Good Manufacturing Practice) : A certificate for "Good Manufacturing Practice" which is issued by the Ministry of Health to pharmaceutical industrialist and which shows that necessary quality control has been performed in every stage of production.

Manufacturing Qualification Certificate: A certificate which is exclusively issued to automotive producers in accordance with the "Regulation on Manufacture, Modification and Assembly of Motor-vehicles" by the Ministry of Industry and Commerce, and which shows compliance of prototype vehicles with the relevant technical legislation.

5.1.3. Trademark Creation

An important step has been taken in supporting trademark creation which is deemed very important in terms of the development of our export. The Directive on Supporting Activities for Trademark Creation of Turkish Products Abroad and Promotion of the Image of Turkish Product, Directive Number: 2003/3, which was being drafted for a long period of time has been published on the Official Journal and come into force.

Online era began in Trademark and Patent Services that need to be performed for export

In today's trade and industrial environment where competition is becoming fierce, recent developments in technology, use of these developments in practice almost simultaneously, protection of rights and marketing the same to other countries are among the most important factors of development in terms of economy.

Increasing investments on technological developments, i.e. trademarks, patents and designs is of utmost importance for Turkey who has taken proper steps on the road to EU to increase her influence in European and world economy with esteemed firms and famous trademarks. In particular exporters should create trademarks and assure protection for those trademarks in order to raise their market shares and to have a global competitive power.

Rendering service for 19 years in the creation, recognition and protection of industrial property rights against counterfeiting and unfair competition Grup Ofis Marka ve Patent Ajanlığı established *the first and the only internet trademark and patent web site www.patentofisim.com*, and offered it into the use of all Turkish and foreign firms. Including in its database all trademarks, patents and designs that have been announced and registered by Turkish Patent Institute, [patentofisim.com](http://www.patentofisim.com) guides all enterprises from small and medium scale enterprises to holdings.

Established for the purpose of fighting against unfair competition, preventing counterfeiting, and protecting the credit of trademarks, www.patentofisim.com renders services in 4 important topics, including *research - monitoring - renewal and online trademark application*. The website renders free service to its members, where trademark owners can monitor and research their trademarks without spending time, renew those trademarks and designs whose protection period is about to expire, examine the applications of competitors, and most important of all, be informed whether their trademarks are being counterfeited or not.

For detailed information about the subject:

Grup Ofis Marka & Patent Ajanlığı Ltd.Şti.

Tel: 312 435 96 44 Fax: 433 30 77 E-mail:info@patentofisim.com

5.1.4. Participation in Foreign Fairs

By ensuring the participation of our firms in Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation organizations with commercial characteristic organized abroad and individual participation in international sectoral fairs, our export is supported .

This support should cover the satisfaction of the expenses made by the organizers of Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation organizations held abroad, participants attending such fair organizations and firms and entities that ensure individual participation in international sectoral fairs out of the Support and Price Stability Fund within such quantities and rates specified in the relevant articles of this Directive.

Undersecretariat: Undersecretariat of Foreign Trade (DTM),

Organizer: Firms and entities in whose names a Temporary Certificate or a Certificate has been issued by the Undersecretariat, who have been granted the authority to organize Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation organizations abroad.

Foreign Fair: Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation organizations organized abroad for the purpose of promoting and marketing Turkish products for export.

Participant: Firms that attend foreign fairs within the above mentioned framework or ensure individual participation in international sectoral fairs, that are a member of Exporter Union and act in the production industry and various branches of production at home as well as those firms and entities that carry out the marketing of product of the latter.

National Participation: Collective participation of Turkish firms in general or sectoral international fairs organized abroad under the coordination of an organized commissioned by the Undersecretariat.

Individual Participation: Direct participation of firms through their own efforts in sectoral international fairs, determined and declared by the Undersecretariat, organized abroad.

Turkish Export Products Fair: General fairs organized abroad by the organizer commissioned by the Undersecretariat for the purpose of promoting and marketing Turkish products for export.

Sectoral Turkish Export Products Fair: Firms organized abroad by the organizer commissioned by the Undersecretariat for the purpose of promoting and marketing only sectoral Turkish products for export.

Producer/Manufacturer Organizations: Sectoral organizations which bring together and represent firms that are engaged in the same field of production and/or import (Federation, Union, Association or similar organizations).

Participation Fee: Means the square meter unit price of the sum of all expenses relating to the services rendered to the participant firms by the organizer commissioned by the Undersecretariat to organize a foreign fair organization, with respect to transportation, customs clearance, insurance, stand leasing, stand construction, decoration, foreign promotional activities and the fair.

Sectoral Foreign Trade Company: Companies that are granted a "SDŞ" status by the Undersecretariat of Foreign Trade.

Supporting Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation Organizations

65% of the participation fee payable by the participant to the organizer commissioned by the Undersecretariat to organize a foreign fair organization is paid to the participant under the scope of support.

Foreign Fair Participation based on Target Countries:

Under the framework of the export strategy carried out by the Undersecretariat, firms that are qualified as participants in Foreign Fairs to be organized at such countries which have been determined as a new market are provided with additional support as much as 10 points above the support rate determined for the participation fee that the firms shall pay to the organizer commissioned by the Undersecretariat.

Participants are caused to benefit from the said additional support for maximum 2 foreign fairs organized in the same country.

Supporting Participation in Producers/Manufacturer Organizations and Foreign Fairs

For the purpose of promoting the sector/sectors that producer/manufacturer organizations represent, 65% of the participation fee payable to the organized is paid to the Producer/Manufacturer Organizations if they ensure participation in the foreign fair organized by the organizer commissioned by the Undersecretariat.

Amount of support payable to producer/manufacturer organization cannot exceed 10.000 US\$ if the foreign fair is a general National Participation or a Turkish Export Products Fair, or 15.000 US\$ if the foreign fair is sectoral National Participation or a Sectoral Turkish Export Products Fair.

However, in calculating the participation fee for the payments to be effected, a maximum area of 36 m2 is relied upon for each fair. Producer/Manufacturer organizations carry out the general promotion of the sector/sectors they represent at the stand they lease, and cannot exhibit products which only belong to firms.

Supporting Organizer Promotional Activities for Foreign Fairs

Performed by the organizer commissioned by the Undersecretariat for the purpose of carrying out promotions as regards the Turkish Export Products Fairs, Sectoral Turkish Export Products Fair and National Participation organizations;

Supporting Participation in Sectoral International Fairs at Individual Level

If individual participation is ensured in those sectoral international fairs which are determined by the General Secretariats of Exporter Unions and approved by the Undersecretariat having obtained the views of the Turkish Exporters Council Executive Committee,

65% of the empty stand rent and 50% of shipment expenses payable by the participant in sectoral international fairs shall be paid, provided that such payment does not exceed 15.000 US\$.

If the participant who ensures participation in sectoral international fairs is a Sectoral Foreign Trade Company (SDŞ), then full empty stand rent and 75% of shipment expenses shall be paid provided that such payment does not exceed 15.000 US\$.

If the participant in the sectoral international fair is engaged in complete plant production, machine and automotive main sector, then 50% of their fair shipment costs will be supported provided that the support does not exceed 10.000 US\$. 50% of Fair shipment costs of companies engaged in natural stone, ceramics and furniture sector shall be additionally supported provided that such support does not exceed 6.000 US\$.

Method of Application for Participation at Individual Level

The participant submits to the General Secretariat of the relevant Exporter Union a space allocation document obtained from the fair management and showing the square meter price payable for the empty stand prior to the starting date of the international fair which he will participate individually within the framework of principles determined.

Payment Principles

In order for the participant and the organizer to benefit from the said support, they should evidence their expenses with invoices and payment documents issued under the banking system (the method of payment in such countries where banking system has not been established yet shall be determined by the Undersecretariat).

Exchange Rates

Expenses presented on invoices shall be paid by Republic of Turkey Central Bank out of Support and Price Stability Fund in TL if the invoice is issued in TL, or TL equivalent of US Dollar based on the cross rates and foreign exchange buying rates of Republic of Turkey Central Bank prevailing on the date of invoice if the invoice is issued in foreign currency.

- * fashion shows,
- * press meeting and cocktail held at the fair site,
- * promotional activities in the form of billboards, posters, catalogs, brochures/booklets,
- * promotion/videowall, multivision shows in the electronic media,
- * ads published/broadcast on written and visual mass communication media,
- * expenses of the info stand for the promotion of sector/sectors that is/are the subject of the fair and providing communication services to the firms (fax, phone, internet, etc.), provided that the total area of that stand does not exceed 20 m2, are all covered by the support.

If the participant in the foreign fair is engaged in complete plant production, machine and automotive main sector, then 50% of their fair shipment costs will be supported provided that the support does not exceed 10.000 US\$. 50% of fair shipment costs of companies engaged in natural stone, ceramics and furniture sector shall be additionally supported provided that such support does not exceed 6.000 US\$.

Amount of support payable to the participant for each fair cannot exceed 10.000 US\$ if the foreign fair is a general National Participation or a Turkish Export Products Fair, or 15.000 US\$ if the foreign fair is Sectoral National Participation or a Sectoral Turkish Export Products Fair.

5.1.5. Changeover from the State to the Private Sector

The term privatization appeared for the first time in 1983 in Webster's New Collegiate Dictionary, Issue 9, and defined as "to make private; *especially* : to change (as a business or industry) from public to private control or ownership". The word was first used as "reprivatization" in Peter F. Drucker's work "The Age of Discontinuity" published in 1969, and in 1976, Robert W. Poore shortened the word as "privatization", and used it in his work "Reason Foundation".

Privatization was first included in the election manifest of the Conservative Party in England in 1979, and first privatization applications were realized in England during the government of the Conservative Party (except the application in Chile). Then in 1980, the application was exported to the world when Ronald Reagan won the presidency elections in America in November 1980.

In its narrow meaning, privatization is defined as "transfer of economic production units owned or controlled by the public to the private sector". This transfer is in general performed through the public offering of shares of an economic unit or the sale of an economic unit to a person or entity in whole (block sales).

In its broad meaning, further to the transfer of property, privatization concept covers leasing of such entities by the public sector, financing by the private sector of goods and services produced by the public sector, transfer of management to the private sector, revoking public monopolies in the production of goods and services, and institutional liberation.

Within this framework we see privatization as a concept that means the limitation of the State's economic activities as a whole, and making market forces effective in economy. Assigning certain works in Public Economic Enterprises (cleaning, catering, even some works that are auxiliary to production) to the private sector through a tender is also deemed privatization. Transfer of benefits, transfer of management, leasing method, income partnership method, etc. are covered by the concept of privatization in the broad sense of the word.

Purposes of privatization:

Privatization is based upon the assumption of the economic (rational) behavior of the individual in the free market economy, the proper operation of the market mechanism, and the rational use of resources. According to this belief, public economic enterprises that work independent of the rules of the market mechanism prevent the optimal operation of the market mechanism with their monopoly positions, price, investment and other policies they adopt. Public Economic Enterprises that are operated without profitability and efficiency criteria put pressure on the budget, and the fact that the deficits of public economic enterprises are covered from financial markets prevent the optimum distribution of resources.

The negative effect caused by public expenses in economy has been explained with the concept "financial crowding out" set forth by economists from Oxford in 1960s. This situation which is defined as "crowding out" in economy relies upon the fact that as a result of expanding finance policies rates of interest will increase, increasing interest rates will reduce private investments (since the opportunity to benefit from national financing resources will be narrowed), cause narrowing in national product will (has) occur(red). As is known in Keynesian theory, it is assumed that public expenses will increase national product in a certain coefficient rate. However, if the State finances its expenses through domestic borrowing, this effect does not occur. That is because the increase in demand from the public for lendable funds or the use of an important part of the lendable funds in that country by the public will lead to a rise in interest rates, fund resources from which the private sector can benefit will be reduced, thereby, private investments, hence national product will decrease.

Council of Europe Parliamentary Assembly described the purposes of privatization as "increasing efficiency, decreasing prices, ensuring effective distribution of resources, reducing state budget, decreasing the number of employees in public sector, and breaking the power of unions which are extremely monopolist" in its decision dated October 3, 1990 and number 953.

If we collect such a broad range of purposes under certain headings, the purposes of privatization can be listed as follows:

a) Economic Purposes: Economic purposes can be listed in the micro level as ensuring company efficiency, increasing profitability, and at the macro level as making free market economy operate with all its institutions and rules, spreading capital to the base, and ensuring optimal distribution of rare insufficient resources. Through privatization, market pricing instead of state pricing will decrease

costs, and this will result in a decrease in general level of prices, and creating an anti-inflationist effect, it will contribute to the balanced growth of economy.

b) The strongest justification for privatization is the claim that private sector is much more effective than public sector in using resources. The issue that has always been a subject of discussion about privatization is this claim.

Developed countries such as England, France who see the basic purpose of privatization as ensuring effectiveness in economy have always foreseen the formation of regulatory institutions that shall guarantee competition in the market and prevent the formation of monopolies in line with privatization activities.

c) The purpose of spreading capital to the base serves on the one hand to the purpose of rendering free economy operative, and on the other the purpose of guaranteeing political democracy and individual freedom. For example, after the privatization of British Aerospace in England, the number of shareholders which was 158.000 between the years 1980 – 81, decreased to 26.000 in 1983, and again the number of shareholders in Amersham International which was 65.000 decreased to 7.500. While the rate of individual investors in England after the public offering operations was 28% in the period 1981-83, the rate decreased to 20% in the period 1987-88, and the rate of corporate investors raised from 69% to 75%, and a similar situation was seen in Japan and Taiwan.

However, despite all these determinations, privatization through public offering is deemed to be one of the most sound methods of privatization.

Financial Purposes: We can list the financial purposes to be achieved by privatization under 3 headings:

Providing Income to the State: Privatization is used as an instrument in closing domestic and foreign debts that constantly increase, and in reducing the public deficits. Use of privatization for the said purpose is criticized by privatization theorists and supporters. According to this approach, public sector deficit is a dynamic phenomenon which consists of the difference in current expense and income (which is weightily tax revenue). Unless structural measures are taken to guarantee this balance, only the deficit of 1 or 2 years can be closed with the revenues of the sale.

Relieving public economic enterprises from their debt burden: This is one of the purposes which is criticized. It is asserted that instead of rationalizing public sector and avoiding extravagance, choosing the easy way by selling these enterprises is not a proper justification.

Changing taxation structure: Governments use the prices of public economic enterprises as a taxation instrument. Since indirect taxes are reflected to every income group in the same amount, it is seen as an unjust taxation method. With privatization, the policy of taking indirect taxes using the pricing mechanism of public economic enterprises will be replaced by direct taxes such as income and corporation taxes received from privatized enterprises as long as they generate profits.

Social-political purposes: Social political purposes is based on the assumption of positive factors that will socially occur if economic purposes in the classical doctrine are achieved. Through privatization optimum distribution of insufficient resources will be realized in the free competition environment, and this will guarantee the optimization of social welfare.

On the other hand, privatization emerges as a economy policy instrument, and wit the expansion of purposes expected of privatization, it is begun to be used for ideological and political purposes.

Another expectation related to privatization is democratization. The neo-liberal trend defends that spreading property to the base will mean democratization and political freedom of individuals can only be realized subject to the ownership of private property.

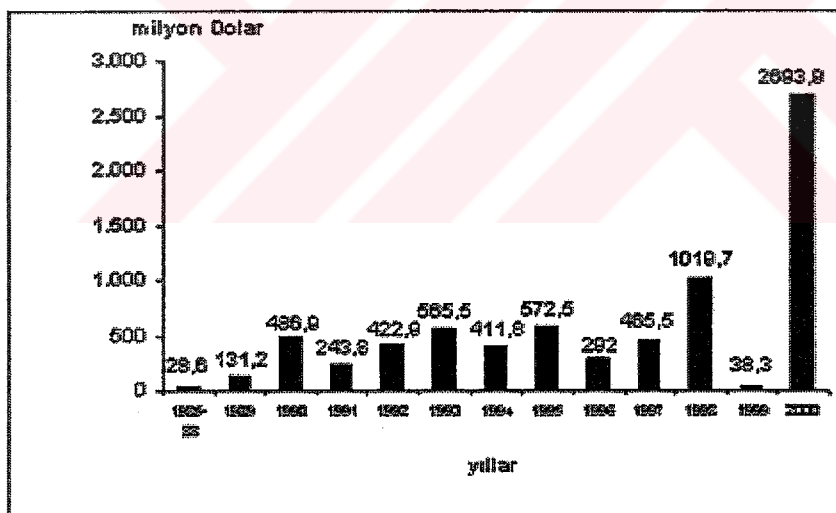


Figure 5.1 : Privatization Years and amounts

Researches carried out on privatization applications indicate that transfer of public property to the private sector is not sufficient itself to guarantee effectiveness and efficiency in economy.

Privatization is an economic policy instrument that has negative effects on all industrial relations system in the short-term. The elimination of this negative effect in the long-term can only be possible if the purposes expected with privatization are achieved.

Researches carried out in Turkish economy from time to time show that monopolist inclinations in the market are strong, and there is a oligopolistic structure not a competitive one. For this reason, along with privatization measures should be taken to prevent the transformation of public monopolies into private monopolies.

5.1.6. Bringing Foreign Capital into Turkey

Turkish economy has grown by 5% averagely during the last fifty years. In some years, violent fluctuations occurred, economy shrank instead of growing, and even encountered foreign currency bottle-necks and financial crisis from time to time. Such crisis are also suffered by rich countries, except the foreign currency side.

The main problem is not these fluctuations, but whether an annual average growth of 5% is sufficient or not. Indeed, this figure should not be despised, even be deemed a success. However, since we could not make a good start, the level of prosperity achieved does not satisfy the demands of the people.

In order for a national economy to grow faster, every knows that much more investment is necessary. That is because this is a prerequisite of individual enrichment (person or entity).

In order to make more investments, you should have more possibilities. That is, you should save more and be careful when borrowing.

Even if succeed in this is relatively easier for people and entities, it is difficult to mobilize a whole nation. Here the governments should step in, and introduce measures to encourage savings, and to take a sum of money from the those who do not save (even those who save) forcefully (like taxes).

If investments (along with labor) are enough to increase efficiency so that 3,5 units of investment is sufficient for 1 unit of product instead of 4 units of investment, then in order for the rate of growth to rise from 5% to 7%, it will be sufficient to increase national product to 24.5%, instead of trying to increase capabilities from 20% to 28%.

When growth is stable, it is obvious that it will be much easier to attract foreign capital. But even though economic stability is an essential condition for the entry of permanent foreign capital (i.e. much foreign capital in the form of fixed capital), it is not sufficient alone. We should take care about other circumstances.

Three Swiss economists determined two applicable rules for attracting foreign capital as a result of face to face interviews held with companies that lead international fixed capital investments about some years ago:

1. In countries that expect foreign capital, laws and decrees related to economy should not be changed at unexpected times and frequently.
2. Even when laws and decisions are not changed, governments should not seek to ignore the laws and decisions.

When these two golden rules are taken into account, it is easily obvious why Turkey is not able to attract sufficient foreign capital. Although economic and political stability is the essential condition to attract foreign capital to the country especially in the form of permanent investment, this is not sufficient alone.

For the very reason, many Latin American countries where macro economic balances are much worse than Turkey and political stability is much more negative can attract foreign capital at a level which cannot be underrated.

Entry of capital exceeded 2.billion dollars NTV / March 26, 2005

While direct foreign capital entry exceeded 2.5 billion dollars in 2004, a sum of 3 thousand 95 new companies were established. 81% of the cash capital entry was from EU countries.

The amount of direct foreign capital that came to Turkey reached 2 billion 568 million dollars in 2004 with the sale of real properties amounting to 1 billion 343 million dollars. In the "Foreign Capital Report" prepared by the Undersecretariat of Treasury, Directorate General of Foreign Capital, a sum of 3 thousand 95 companies were established by the end of December 2004, out of which 2461 are foreign capital companies and 634 are local capital companies with foreign capital participations.

Out of the total 3 thousand 95 companies 26 thousand 226 act in the services sector, 591 in the production sector, 278 in other sectors. While total registered capital of companies with foreign capital established in this period reached 1 billion 380 million dollars, the amount guaranteed by foreign partners reached 732 million dollars. EU countries were ranked the first with one thousand 416 companies and 542 million dollars, and Germany was ranked the first in foreign capital with 410 million dollars.

81 PERCENT FROM EU

According to the report 81.13 percent of cash capital entry in 2004 was from EU Countries. 249 incentive certificates were issued in 2004 for investments to be realized by companies with foreign capital. The sum of these investments were determined to be 3 billion 883 million dollars. 42.4

percent of this amount shall be covered by foreign partners. 24.7 percent of employment provided by the top 500 companies in Turkey has been realized by companies with foreign capital.

5.1.7. Opening to Foreign Markets

Developments and changes that occurred in Turkish economy in the recent years, the phenomenon of opening to international markets, risks and uncertainties that can be encountered in such markets, various opportunities can affect enterprises sometimes positively and sometimes negatively. There are some specific problems and obstacles before those enterprises that want to open to the foreign markets. In order for enterprises to be successful and compete in the foreign markets, they should analyze and seek ways to overcome such problems and obstacles.

A. Security: CE- Sign

CE sign placed on products means that such products have the free movement "passport" for EU countries (Akin; 1996, p.66). A common official sign application was started in 1989 under the framework of global approach policies in testing and certification with the new approach directives for the purpose of ensuring free movement of goods in European Union countries. Since the application is a new, a date is given for the effective dates of such directives and the member state versions of the directives, and use of the CE sign is started as of the dates specified. At the end of the changeover period, the production and sale of goods which do not carry the sign is prohibited (TSE Release: CE).

Although CE sign is not a quality certificate, no producer can take the risk that the product on which he puts CE sign is of low quality. That is because if any product that carries CE sign causes a damage to the consumer's life, property or the environment, the sanction is a penalty between 7 thousand and 70 thousand ECU (EURO). Firms that wish to export to EU should consult a specialized entity when putting the CE sign on their products (Budak; 1996, p.137).

B. Experienced Personnel and Language Problem

Companies that will open to the foreign markets cannot exhibit the necessary performance due to lack of qualified personnel with knowledge and experience. Especially companies that wish to open to the foreign markets require personnel who can speak a foreign language and are experienced in opening to the foreign markets. When we take into consideration that most of the companies that are engaged in automotive by-industry consist of KOBIs, the problem of experienced personnel becomes more important.

Language problem is a common problem for the firms that market their products in the international markets. Language problem is affected from marking, packing, instructions regarding usage or assembly of the product, warranty information, relations with members of distribution channels, promotion and other similar activities (Karakaya, Stahl; 1991, p.103). The problem can be overcome by recruiting qualified personnel who are especially experienced in export and marketing and who can speak a foreign language. In today's global competition environment, we face the language problem almost in any area.

Companies performing production in the automotive by-industry attach great importance to the use of educated work force in the recent years. Graduates of turning, leveling, milling and engine sections of vocational schools as well as graduates of mechanical engineering departments of universities are being employed. On the other hand, the project of apprenticeship training provides important contributions to the sector in both production and repair market.

However, employment of uneducated and minor workers by small-size by-industry firms (which are mostly small scale) is an important problem. It is of utmost importance that small companies attach more importance to the issue to prevent employment of illegal workers and child workers, to increase efficiency in automotive by-industry, and ensure quality and continuity in production (Özbek, 2000, p.28).

C. Government's Applications and Import Quotas

Governmental applications and import quotas can represent an obstacle for penetrating into international markets in an unstable political environment. Firms that want to market their products at unstable countries can enter these markets or perform direct export there through strategic cooperation which are explained in much detail in the following proposals for solution.

On the other hand, countries make import more difficult through standards, packing and labeling terms, hygiene checks, long and complex formalities and similar administrative applications which are difficult to comply with. For example, Japan has managed to keep her import at a low level for long years through market conditions which are hard for foreign companies to comply with instead of official obstacles.(Kozlu; 1995, p.21).

D. Technology and R&D

With the effect of globalization technological innovations become old-fashioned very rapidly or any innovation which is developed in any place of the world can be easily counterfeited. For this reason,

an condition for companies to gain competitive power is to put to market new products and services on a continuous basis. To this end, the share allocated to R&D studies should be increased or at least kept at sufficient level.

Companies that aim to gain competitive advantage in national and international markets and to maintain these advantages should choose suitable technology with which they can produce much quality products compared to their competitors in a shorter period of time. Volume of R&D activities is a factor as important as the production technology, which increases competitive power. (Doğan;2000, p.15).

Technology factor in the automotive industry affects the level of competition significantly. For this reason, R&D expenses should be increased to follow the technological developments in the automotive industry, and the possibilities of cooperation with the university-industry improved. Following, improving technological developments, adapting them to the production process, and improving the quality of the workforce can only be possible through R&D activities (Orhan, 1997, s112).

E. Culture

Cultural differences are especially important for the international markets. That is because culture varies from region to region and affects the success of international marketing. Countries are affected from cultural differences, goods and services marketed, and marketing methods. For this reason, customs, traditions, attitudes, habits and behaviors, population progress, distribution of population, religion, language, race, social classes, family systems, social values and norms should be taken into account for each country especially when international marketing is concerned (Akat; 1996, p.5). Some obstacles created due to cultural differences and differences in values before the global operation methods are as follows (Tek;1997, p.259).

- Emphasizing the superiority of the administrators of their own country .
- Method of choosing overseas administrators
- Differences in holidays, religious days and traditions (celebration of Friday as a holiday in Islamic countries, etc.) (In many engagement books published in Turkey the holidays, celebrations of countries are included for importers and exporters).

- Since people in different cultures have different needs, "money" has priority over "business improvement" in developing countries.
- Language difference

F. Country and Company Image

In international marketing, country image and company image is very important for countries that want to open to the world.

Attitudes of companies towards foreign capital, and issues such as political stability, social peace, union movements are very important for a country's image. On the other hand, further to the country's image, company image can be an important opportunity or obstacle before the opening to foreign markets. Again issues such as environmental sensitivity, respect to human rights and social responsibility are very important for the company and country image.

If other firms (acting in other or the same area of operation) have entered the market which a company plans to penetrate and a negative image has formed against the company or the firm, then penetration to that market will be affected adversely.

G. Production Costs

The fact that competition in international markets constantly grows every passing day puts pressure on firms to decrease their prices. Firms that want success in international markets should in the first place establish quality-price (high quality, low (appropriate) price) balance very well. In this respect, they should benefit from new cost and price calculation techniques used.

In the automotive sector where means of production frequently change, foreign companies reduce the times and costs significantly in the design and pre-production stage (using costing techniques such as target costing, kaizen costing, value engineering, activity based costing). During this process by-industry firms have to keep up with this change.

H. Transportation-Storage and Distribution

Our country is not capable of transporting things to every country. Transportation to several countries is both costly and time consuming. This also increases the costs. For this reason, transportation possibilities and costs should be researched and compared to the competitors at the beginning of any foreign marketing project.

Transportation to some countries seems impossible. Since there is no scheduled sea voyage or flight between our country and many countries overseas, transportation can be performed by transshipment, which increases costs and takes a long time.

Transportation, storage and distribution costs should be analyzed when inquiring about export possibilities to different countries in the replacement market in automotive by-industry, in particular.

I. Competitors and Intensity of Competition

If in the foreign market which is to be penetrated, existing competitors are very strong and determined, they may somehow prevent the sale of that product in that market in a profitable manner. For this reason, competitive conditions should be analyzed in detail.

Inquiring the causes of success of the competitors will throw light on both the possibilities of penetration to the market and the penetration strategies. Not only big companies should be examined as examples of achievement, small firms that are able to make use of small market sections should also be analyzed. In general, some of the following conditions can be among the causes of success (Kozlu,1995, p.47): Superior product and/or service quality, price advantage, cost advantage, advantages guaranteed by the location of production and shipment distances, superiority in sales and distribution can be obstacles before the firm that will penetrate to the market in question.

J. Used and Counterfeit Goods

Used spare parts have formed an authentic marketplace in the automotive by-industry in Turkey, which has been a problem for long years. Such market consists of by-industry products which are removed from scrap cars or brought from junkyards abroad through various channels.

Counterfeit products are among the issues which by-industry producers, companies engaged in wholesale and retail trade as well as repair services and car owners complain of the most. Counterfeit products which are produced from low quality raw materials but sold in the same package with that of the original are sold at lower prices in the market, break the price balance, and give rise to unfair competition (Gözlem, 2000, p.13).

5.2. BASIC POLICIES AND TARGET MARKETS TO INCREASE OUR TRADE

Foreign trade policies which started to be applied with the strategy of export-based development after 1980, our foreign trade was re-organized and our export gained momentum. A certain revival

occurred in our industry in line with the increase in export and import, and it gave rise to increase in production. The fact that domestic demand was low directed the production industry to the export. Adaptation with the changes that occurred in world economies and application of technological innovations in many sectors increased product diversification in our export.

In 2000s, Turkey determines which markets she needs to aim in export, and target markets within this framework, and takes into consideration on the one hand opportunities guaranteed by Turkey's geographical location and regional developments and trends in the world trade on the other hand. Adoption of policies by Turkey to "ensure reaching end-user markets where purchasing power is high, population is young and the market is dynamic" represent the basic principle of the strategy to be followed in 2000s.

For this reason, in the National Export Strategy covering the period 1998 - 2005, Turkey's target market criteria have been established as "markets where purchasing power is high, population is young, the market is dynamic, and whose importance in world trade is constantly increasing."

Under this framework;

- CIS Countries (Russia, Ukraine and Turkic Republics)
- Central and Eastern European Countries
- North America (USA and Canada)
- Far East (Japan, India, Indonesia, Malaysia and Singapore)
- Latin America (Mexico, Brazil and Argentina)
- Middle East (Egypt, Israel and the Gulf)

have been established as Turkey's target markets.

Our export has focused on materials and products which are suitable for weaving (the share of which is 34-39 percent in our total export), iron steel products (the share of which is 10-11 percent in our total export), and which have become the engine of the sector. However, considering that these sectors can be affected from negative changes that may take place at home and abroad, we should use our best efforts to make, as parts of that engine, new sectors whose importance in the world trade is constantly increasing and where we can have comparative superiority in order to diversify our trade.

To solve the problems encountered in our export which has been positioned on sectoral dependence and regional dependence foundation until now, target country – target region – target product policies and principles should be determined.

Planning of these policies can be possible by coordinating and implementing R&D, production, marketing and promotional activities in a systematic fashion.

Basic targets of national export strategy which is formed by trade policies should be established as exporting knowledge-intense products with high added value, targeting dynamic markets where purchasing power is high, reaching the end user and ensuring compliance with international legislation.

To achieve the above mentioned targets, the structure of the world trade should be taken into consideration, strategic targets of recently established organizations and potential international organizations should be evaluated in the historical perspective.

Among the tasks to be performed and measures to be done to take Turkey up to the top rankings in the world economies are improving transportation and communication infrastructure, ensuring macro economic stability, and improving the investment atmosphere thereafter.

By minimizing export formalities, improving university-industry knowledge cooperation, deploying training institutions where intermediate personnel will be educated, and re-organizing KOBIs, these enterprises should be directed to investment, production and export.

Another important aspect that needs to be taken into account in the diversification of export products is to introduce and support policies which will ensure that the added value of products to be exported remains in our country.

To be able to apply all these strategic measures as required, it is essential to create cooperation, courage and persuasiveness among the employees of the industry-export-trade and public sector.

If the policies which are foreseen in this strategy are put into practice to a great extent, Turkey will get a greater share from the world trade than of the present, and the export target of 50 billion dollars will be deemed a reasonable volume.

5.3. EXPORT-ORIENTED STRATEGIC PLANNING FOR TURKISH INDUSTRY

After the standstill between 1997-2000, the total export of our country entered a period of rapid increase starting from 2001. Export which was realized as 31,334 billion dollars with a rise of 12,8 percent in 2001 reached 36,205 billion dollars in 2002 with a rise of 16,6 percent according to Turkish Exporters Council (TIM) data. Despite this development it is not possible to be satisfied with

the level achieved. A developing economy such as Turkey's has to improve its Gross National Product by producing more, increase the life standards of her citizens, and to this end, increase foreign exchange revenues by performing export to more countries. Levels of export achieved by European countries which are smaller than Turkey like Belgium, Holland, or the achievements of Far Asia countries such as Korea, Taiwan and Singapore in export-based development for the last 20 -30 years should represent good examples for us.

In order to maintain the success achieved in export it is important to diagnose threats which will prevent this development on time, and to create policies against them.

These issues include the extreme dependence of our export on the European Union market and the Textile and Garment Industry on a regional and sectoral basis.

According to foreign trade statistics published by the State Statistics Institute for the period January – October 2002, 51,3 of our export is towards the European Union (EU) who is our principal trade partner (the share of EU countries which was 49,5 in 1993 rose to 52,1 by the end of 2001). Among the European Union countries, Germany is ranked the first in export with 16,7 percent, England is ranked the 3rd with 8,4 percent, Italy the 4th with 6,4 percent, France the 5th with 6,1 percent, Spain the 7th with 3,1 percent, and Holland the 8th with 2,9 percent. On the other hand, the first 5 countries in our export, namely Germany, USD, England, Italy and France represent 47% of the total export. In other words, 20 percent of our export is to a single country (Germany) and half of it is to the first 5 countries.

Another important risk element in our export is the excessive concentration on principal countries in certain sectors. As a matter of fact, when we examine the shares of the first 4 countries in terms of sectors that are weighted in export, we see that this rate varies between 30 percent and 100 percent. For example, while export to the first 4 countries in the iron-steel sector which is one of the leading export sectors is 30 percent of the total export, it is seen that 70% of the export in textile and garment industry is to Germany, USA, England and France. When we consider that three of them are EU countries and that EU will remove the quotas to third countries at the beginning of 2005, it is obvious that fierce competition will be faced in that market.

As it can be seen from the above explanations, a dependence exists in our export both on a regional and sectoral basis, this bears important threats and risk elements subject to exterior factors. As a matter of fact regional and sectoral dependence in our country's export has caused frequent fluctuations in export and even in the national economy during the last 15-20 years due to economic

stagnation, political stress in relations or crisis, even war situations, and changes in fashion and preferences. It is essential to reduce the said dependence to the extent possible in order to reduce, minimize the risks which this situation will create, and to make the developments in export and economy sustainable.

5.4. STEPS TO BE TAKEN;

5.4.1. As the Turkish State,

In addition to our country's being a party to GATT and WTO Subventions agreement, as a result of changes in state incentives aimed at investment and export under the framework of integration of legislation with EU, the assistance which the State can provide to exporters, industrialists has been limited. The State's role will be to ensure the environment which complies with the examples in the world to the private sector in the macro plan, to create the legal infrastructure to improve relations with target countries, and to provide assistance in the areas of information, training, publication, promotion.

The State can provide industrialists and exporters with assistance and support through effective support in technical, diplomatic and legal issues, trainings related to the market, analysis of developments in specific products and sectors, information about the possibilities supplied by the market, creation of off-set possibilities in major procurements by the State, effective use of State Supporting Export in accordance with World Trade Organization (WTO) and European Union (EU) norms, ensuring that production inputs such as energy, finance, are at the same level with that of competitors. One of the most important instruments in this respect which the State has is Türk Eximbank who can direct our exporters to new markets and sectors through the selective programs it will apply on a target country and target sector basis. In addition to all these efforts, state entities related to the subject, including in particular the Undersecretariat of Foreign Trade, Trade Consultancies abroad, central and rural organizations of the Undersecretariat of Customs, Türk Eximbank, İGEME, even our General Consulates should use their efforts not as a public office but as consultants, providing assistance and support to the exporters and businessmen.

5.4.2. As Private Sector, Professional Institutions and Producer Firms

Some activities that may be performed by the professional institutions, industrialists, and exporters with respect to new and alternative markets are as follows: Companies should attach importance to training and efficiency in their corporations, use efforts to improve the quality of their products to the

world standards, leverage technology levels, carry out organized activities through Sectoral Foreign Trade Companies and Foreign Trade Capital Companies due to the difficulty of penetrating to the markets on their own, attach importance to participation in fairs and exhibitions in these countries (especially specialty fairs), inquire the possibility of opening offices, show-rooms, and stores. Production under their own trademarks, which is one of the basic prerequisites of achievement in export should be attached importance, to this end, importance should be attached to intellectual property rights such as fashion, trademark, patent, geographical signs, in addition to physical values such as land, machine park. Professional institutions should develop direct relations with their equivalent professional institutions in the target country, prepare analyses and evaluations for their members on a product and sector basis, and provide effective aid about penetration to the market.

In conclusion, in the period ahead, Turkish industry should make a strategic planning aimed at export to avoid the negative effects of globalization, to get rid of sectoral and regional dependence, and to determine the areas of competition. Problems that arose during the export of products manufactured in the past without making proper investment planning could hardly be overcome, and sometimes created greater problems as in textile and garment quotas.

Within this framework we should focus on new investments with high added value that will guarantee transfer of technology and capital to our country, and will be directed at those industrial sectors whose share in the world trade is growing. Export should be taken as a State policy, and all public and private sector entities should be in a comprehensive and coordinated study towards this purpose.

Fifty States with Highest Export Activity

Value: .000\$

Countries	April				January-April			
	2002		2003		2002		2003	
	Value	(%)	Value	(%)	Value	(%)	Value	(%)
Grand Total	2.760.512	100,0	3.597.086	100,0	10.681.646	100,0	13.950.966	100,0
1 – Germany	430.927	15,6	560.906	15,6	1.745.682	16,3	2.332.498	16,7
2- USA	268.679	9,7	290.068	8,1	987.394	9,2	1.191.762	8,5
3- England	226.425	8,2	285.461	7,9	800.519	7,5	1.040.855	7,5
4- Italy	179.316	6,5	230.919	6,4	727.610	6,8	978.545	7,0
5- France	175.376	6,4	201.730	5,6	642.525	6,0	806.402	5,8
6- Spain	87.163	3,2	134.017	3,7	320.410	3,0	541.362	3,9
7- Holland	70.938	2,6	105.454	2,9	308.760	2,9	451.788	3,2
8- Russia	83.458	3,0	99.985	2,8	445.041	4,2	373.966	2,7
9- Israel	60.342	2,2	77.083	2,1	246.932	2,3	308.807	2,2
10- Greece	43.748	1,6	65.835	1,8	154.404	1,4	272.130	2,0
11- UAE	35.620	1,3	63.400	1,8	145.325	1,4	204.389	1,5
12- Romania	44.613	1,6	62.775	1,7	166.184	1,6	219.349	1,6
13- Belgium	52.595	1,9	61.299	1,7	212.872	2,0	250.372	1,8
14- Algeria	35.119	1,3	53.475	1,5	173.367	1,6	190.838	1,4
15- Saudi Arabia	41.670	1,5	49.389	1,4	164.178	1,5	206.820	1,5
16- Bulgaria	29.272	1,1	46.350	1,3	102.111	1,0	173.841	1,2
17- Sweden	18.495	0,7	45.608	1,3	83.195	0,8	141.340	1,0
18- Portugal	16.133	0,6	45.592	1,3	58.189	0,5	112.868	0,8
19- Austria	27.725	1,0	39.445	1,1	111.413	1,0	143.377	1,0
20- Malta	20.429	0,7	36.965	1,0	43.165	0,4	94.338	0,7
21- China	18.301	0,7	36.197	1,0	66.514	0,6	129.682	0,9
22- Denmark	23.420	0,8	34.400	1,0	111.524	1,0	137.436	1,0
23- Poland	29.774	1,1	33.484	0,9	109.338	1,0	142.840	1,0
24- Iran	20.886	0,8	32.203	0,9	87.451	0,8	128.134	0,9
25- Syria	17.051	0,6	32.110	0,9	87.666	0,8	164.279	1,2
26- Libya	13.487	0,5	31.847	0,9	43.971	0,4	80.203	0,6

27- Ukraine	23.861	0,9	31 .538	0,9	92.905	0,9	118.209	0,8
28- Hungary	14.612	0,5	31 .388	0,9	55.578	0,5	83.307	0,6
29- Egypt	28.071	1,0	28.903	0,8	98.905	0,9	127.141	0,9
30- Switzerland	27.602	1,0	27.337	0,8	96.088	0,9	106.354	0,8
31- Ireland	13.945	0,5	26.945	0,7	49.366	0,5	91 .683	0,7
32- Tunisia	8.810	0,3	25.51 4	0,7	42.138	0,4	78.411	0,6
33- Azerbaijan	18.511	0,7	23.710	0,7	70.115	0,7	87.938	0,6
34- Thailand	6.704	0,2	21 .324	0,6	16.249	0,2	43.724	0,3
35- Finland	12.334	0,4	21 .046	0,6	38.822	0,4	61 .285	0,4
36- Czech Republic	8.290	0,3	20.338	0,6	35.652	0,3	60.575	0,4
37- Norway	4.709	0,2	20.028	0,6	25.488	0,2	46.978	0,3
38- Taiwan	15.506	0,6	18.602	0,5	64.290	0,6	52.989	0,4
39- TRNC	23.900	0,9	17.834	0,5	70.224	0,7	91 .540	0,7
40- Uzbekistan	7.744	0,3	15.902	0,4	27.647	0,3	49.108	0,4
41- Kazakhstan	12.809	0,5	15.187	0,4	42.800	0,4	57.957	0,4
42- Canada	25.542	0,9	14.432	0,4	61 .440	0,6	61 .574	0,4
43- Morocco	7.627	0,3	13.408	0,4	45.554	0,4	58.962	0,4
44- Jordan	7.716	0,3	12.450	0,3	31 .391	0,3	43.149	0,3
45- Yugoslavia	9.639	0,3	12.085	0,3	34.505	0,3	58.100	0,4
46- Turkmenistan	9.731	0,4	11.846	0,3	52.936	0,5	45.351	0,3
47- South Africa	6.678	0,2	11.733	0,3	22.287	0,2	40.770	0,3
48- Malaysia	2.376	0,1	11.636	0,3	9.310	0,1	49.088	0,4
49- Singapore	9.750	0,4	10.118	0,3	39.461	0,4	31 .540	0,2
50- Macedonia	7.625	0,3	10.087	0,3	27.868	0,3	33.891	0,2

Table 5.1 : Fifty States with Highest Export Activity and relevant figures

6. QUESTIONNAIRE and SURVEY CARRIED OUT

6.1 A SURVEY AIMED AT MANAGERS OF COMPANIES EXPORTING INDUSTRIAL GOODS

6.1.1. Methodology

Two different questionnaires have been applied to the firms, and a survey carried out.

- B) Explanatory questionnaire to be answered by the firms (11 firms)
- C) A *Yes – No* Questionnaire (over the Internet 45 firms) (5 firms cancelled)

6.1.1.1. Purpose

- To get the views and opinions of our firms that are engaged in foreign trade about the reputation and image of our country in particular.
- Also to evaluate all their Foreign Trade activities which they perform in detail and evaluate the handicaps they encounter under that framework.

6.1.1.2. Period of Survey

Questionnaire forms and pages were sent by e-mail. To get the results, visits were paid to the companies, questionnaires completed, and interviews held about their opinions.

The survey that covered a period of 10 months could be completed in Summer 2005 due to the difficulty in obtaining appointments.

6.1.1.3. Firms and People to which the Questionnaire was applied:

1-	<i>INTRADE</i>	Mr.	<i>Ozgur Emre OZTURK</i>	<i>Istanbul</i>
2-	<i>BS FOREIGN TRADE</i>	Mrs.	<i>Terane BALAEVA</i>	<i>Istanbul</i>
3-	<i>OTOSER OTOMOTİV</i>	Mr.	<i>Serkan ÖZDAMAR</i>	<i>Kayseri</i>
4-	<i>VARIOLINE</i>	Mr.	<i>Ahmet Alpay ERİNÇ</i>	<i>Kazakistan</i>
5-	<i>TURKUVAZ</i>	Mrs.	<i>Sabir TAJI</i>	<i>Kazakistan</i>
6-	<i>ELMAKSAN</i>	Mr.	<i>Mustafa EL</i>	<i>Ghana</i>
7-	<i>ISUZU - TURKEY</i>	Mr.	<i>Melih BİLGE</i>	<i>Izmit</i>
8-	<i>ÇELİK MOTOR – Anadolu Holding</i>	Mr.	<i>Haluk YAMAÇOĞUZ</i>	<i>Istanbul</i>
9-	<i>JE-MA EXP – IMPORT</i>	Mr.	<i>Ersin KARABİLLİOĞLU</i>	<i>Ethiopia</i>
10-	<i>YAPA DIŞ TİC. LTD. ŞTİ.</i>	Mr.	<i>Esat ULUEVREN</i>	<i>Iraq</i>
11-	<i>MIMOSI DIŞ TİCARET</i>	Mr.	<i>Savaş ÇİĞİR</i>	<i>Georgia</i>
12-	<i>INTEMAR DIŞ TİC.</i>	Mr.	<i>Erhan BULUT</i>	<i>Germany</i>

People whose views and suggestions have been consulted :

1-	<i>TİKA Corp. (Public)</i>	Mrs.	<i>Feray ÖZDAĞ</i>	<i>C.I.S.</i>
2-	<i>TİKA</i>	Mrs.	<i>Leyla DAĞLI</i>	<i>East. Eur.</i>
3-	<i>IGEME Corp. (Public)</i>	Mrs.	<i>Nurgül ERDOĞAN</i>	<i>Survey Cent..</i>
4-	<i>INCI LOJİSTİK</i>	Mr.	<i>Taylan ÖNAY</i>	<i>Italia</i>
5-	<i>TAGALAKIS & Co</i>	Mrs.	<i>Maria MITSENA</i>	<i>Greece</i>

6.1.1.4. COMPANY CATEGORIZATION :

ORIGIN OF THE COMPANIES

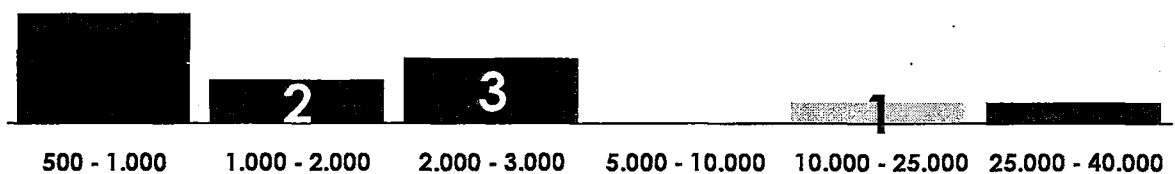
PERSONAL QUANTITY	TURKISH	FOREIGN	FOREIGN / TURKISH
5 - 10	3	1	1
10 - 25	2	1	2
25 - 50	1	-	3
50 - 75	1	-	-
75 - 100	-	-	-
100 - 500	1	-	1

TOTAL : 17 Companies

UP TO EXPORT AMOUNT

EXPORT AMOUNT (.000 USD)	TURKISH	FOREIGN	FOREIGN / TURKISH
500 - 1.000	3	1	1
1.000 - 2.000	1	1	-
2.000 - 3.000	-	1	2
5.000 - 10.000	-	-	-
10.000 - 25.000	-	-	1
25.000 - 40.000	1	-	-



Table 6.1. : Company Categorization



6.2. EVALUATION OF FINDINGS OBTAINED

Survey and Results:

»»» Do you produce a product for the Industrial Sector ?

Yes 29 % 72 
No 11 % 28 

»»» Does the phrase "Made in Turkey" appear on your product?

Yes 38 % 95 
No 2 % 5 



»»» Is your annual export above 5 Million USD ?

Yes 17 % 42 
No 23 % 58 

»»» Do you export to developed countries ?

Yes 24 % 60 
No 16 % 40 



»»» Do you attend foreign fairs 5 times a year ?

Yes 32 % 80 
No 8 % 20 



»»» Do you organize international advertising and promotional activities ?

Yes 17 % 42 
No 23 % 58 

»»» Do travels abroad occur 10 times and more in your company ?

Yes 13 % 33 
No 27 % 67 



>>> Do you have sales offices abroad (2 and more) ?

Yes 9 % 22 
No 31 % 78 

>>> Do you benefit from Incentives and Loans provided by our State ?

Yes 14 % 35 
No 26 % 65 

>>> Do you have trademark creation activities and investments?

Yes 15 % 37 
No 25 % 63 

>>> Do you have any International Quality Certificate(s)?

Yes 19 % 47 
No 21 % 53 

>>> Do you carry out your marketing and export activities on your own ?

Yes 29 % 72 
No 11 % 28 

>>> Do you encounter difficulties as you sell goods of Turkish origin in international marketing ?

Yes 26 % 65 
No 14 % 35 

>>> Do you believe that Turkey's image is good in the world market ?



Yes 11 % 27 
No 29 % 73 

Figure 6.1. : Illustrated Evaluation of Questionnaire Results.

General Evaluation

This questionnaire aims to examine factors that are effective on the export achievement of industrial firms that have important share in Turkish production sector and export as well as the strategies of those among such firms that produce for foreign markets to access and compete in international markets, and their effects on the achievements of companies. To this end, questions were asked, testing the company structure. Firms from which the data that our study relies upon have been selected from the relevant sectors, and the total number of firms is

The study carried out indicates that:

- Companies that answered the questionnaire are not able to catch the chance to compete although their profitability in the export market is low.
- Although they want to create and develop an export market, they are prevented by the Country and Trademark Image.
- Instead of finding a new export market, they want to develop the relationships with existing ones and the ones they know, and they are not willing to make investments. The biggest reason of this is lack of capital.
- Product quality is not improved, promotion not increased, and certificates with international applicability are not obtained
- Their activities and investments for a much active marketing are low or do not exist at all.
- Products sold are not sold as a trademark, and product diversification, standard and quality are quite low.
- It is clearly obvious that companies lack human resources and knowledge in this respect.

Recommendations to companies as regards what can be done in this respect:

- Establishing or acquiring companies in the target market.
- Cooperation with other major enterprises.
- License/ Know-how agreements or franchising.
- Joint-Venture Agreements.
- Legal or administrative mergers with different enterprises.
- Participation in and sponsoring governmental and non-governmental international advertising campaigns.
- Social activity sponsorships.

These activities will provide advantages and ease in the marketing of products.

7- CONCLUSIONS

While globalization movements and regional block formations which surrounded the whole world and imposed their conditions create important opportunities for Turkey, they also bring new and hard-to-solve threats. As a result of evaluation of such threats and opportunities, the basic target of the national export strategy has been established as "applying policies to eliminate the threats brought by the world economy when seeking for ways to benefit from the opportunities offered by the world economy, and guaranteeing more share from the international trade". To achieve these targets which require a very serious study depends upon rapid introduction of applications which will improve Turkey's competitive power. Improvement in competitive power will also bring improvement in sustainable export. Improvement in Turkey's competitive power and increase in sustainable export shall be possible if the change which makes itself felt in the whole world is perceived, analyzed, and short and long term strategies are created from the country vision created, and necessary steps are taken as practicably as possible in line with those strategies.

Where there is no strategy, it becomes difficult to determine priorities, and to guess subjects to be considered, opportunities to be encountered, what resources are to be focused on, and what the restrictions are. Failure to form a strategy gives rise to lack of a shared vision between the state which has an important role in developing countries such as Turkey and which is the source of all commercial support services and the private sector which is the user of such services. Failure to form a strategy results in a coordination problem between entities providing commercial support services. Lack of strategy leads to extravagance of human and financial resources. When creating a strategy, the developments in the world and Turkey's capabilities should be determined, and the target should be to gain a competitive power in those sectors which are open to the outside world which is based on new investments and technological development.

With a study carried out in 2000s in order to find an answer to the question "what kind of a strategy should be determined to ensure that Turkey receives a greater share from international trade", it was tried to determine Turkey's position in the world which globalizing rapidly, targets were set for export, and efforts were used to produce and propose policies to increase Turkey's competitive power to achieve the said targets. The final target expected of that study was to introduce political proposals set forth with contributions from all parties, and make every person, entity and institution from any segment of the society who directly or indirectly take part in export phenomenon feel their responsibilities, and to guide their application in harmony with other economic policies.

Structural problems which our export is today face to face have been gathered under three main headings: Sectoral Dependence, Regional Dependence, Failure to Ensure Stable Increase in Export.

It is stated that export become dependent upon a few sectors following developments following 1980 when export resource-oriented and labor-oriented goods increased.

When the regional distribution of Turkey's export in 1996 is compared to the regional distribution of the world import, it is observed that the shares of North and Latin American and Asian regions constantly increased, whereas Turkey's export to the said regions did not exhibit sufficient improvement. On the other hand, Turkey's export to former East Block, Middle East and African countries is above the world average, and this shows that Turkey's commercial relationship is concentrated on the countries in her vicinity.

When the development in export is examined by years, as a result of the effect of foreign market conditions and of the economy policies followed, a stable increase in export has not been achieved.

7.1. A SWOT ANALYSIS RELATED TO OUR EXPORT :

Our Strengths	Our Weaknesses
· Educatable Population	· Difficulty in Applying Foreign Trade Strategy
· Geoeconomic Position	· Lack of Education
· Company Structure	· Dependence on a Single Market and a few Sectors
· Understanding the Importance of Export	· Macro economic instability
· Advanced Banking System	· Delays in Privatization
· Contracting Services	· Failure to Attract Foreign Capital
· Land Transportation	· Failure to Produce Technology
	· Other Means of Transportation
	· High Input Costs
	· Failure to Direct Investments
	· Lack of Made in Turkey Image and Trademarks
Threats	Opportunities

Globalization (Wrong Policies)	Globalization (Right Policies)
· Increase in International Competition	· Trade and Economic Cooperation Agreements and Harmonized Economic Commissions
· International Legislation	· EU's Re-structuring · Gap
· Regional Integrations	· Free Trade Agreement
· Regional Political Crises	· WTO Rules and Liberalization
· Crises in World Economies	· Turkic Republics
· Non-tariff Obstacles · Energy Bottleneck	· Eurasia Energy Corridor
	· Regional Political Crises
	· Turkish Businessmen Abroad
	· Tourists

Table 7.1 : Swot Analysis

When determining national export strategy, first products and product groups which are able to compete in the international markets in the short terms should be determined, then taking into consideration Turkey's existing production and export structure, it should be examined towards which sectors the concentration in the world trade shifts, and target sectors should be determined for Turkey according to the results of this analysis.

When issues such as Turkey's production structure and added value to be created are taken into consideration, sectors whose share in the world trade constantly increases should be set as target sectors.

These are:

- Textile and Garment Industry (Fashion and Trademark Oriented)
- Electrical and Electronic Machine and Device Industry
- Automotive Main and By-industry
- Machine-Production Industry
- Communication Sector

Iron-Steel (Flat Product) Industry

Food Industry

Earth Industry Products.

Determining which markets Turkey should address in export in 2000s is another important part of this strategy. When determining target markets, on the one hand the opportunities offered by Turkey's geographical location, and on the other hand regional developments and trends in the world market should be taken into account. Application of policies to "ensure that end users are reached at dynamic markets where purchasing power is high and population is young" should form the basic principle of the strategy to be followed. within this framework, CIS Countries (Russia, Ukraine and Turkic Republic), Central and Eastern European Countries, N. America (USA and Canada), Far East (China Block, Japan, India, Indonesia, Malaysia and Singapore), Latin America (Mexico, Brazil and Argentina), Middle East (Egypt, Israel and the Gulf), South Africa Republic can be established as Turkey's target markets.

It should be noted that ensuring sustainable improvement in export is subject to the improvement of competitive power of Turkish industry, and improvement of competitive power is subject to the fulfillment of the following conditions: Renewing Technological Structure, Reviewing Strategic Marketing Methods, Reducing Input Costs, Ensuring Integration with International Legislation and Coordination in National Legislation, Assuring Re-structuring.

Strategic maintenance activities should focus on creating the Made in Turkey image in particular. As product diversification is an important issue for Turkey, the importance of creating an image for Turkey and Turkish Goods in the foreign markets or restoring the existing negative image, creating and promoting trademarks should be emphasized. In order to reach these objectives, it is should be noted that "Promotional Activities" should be attached specific importance.

In order to reduce input costs, it should be emphasized that rate policies should be taken under control, cheap energy supplied, export financing deployed, cheap and quality raw materials and workforce obtained.

Improving infrastructure capabilities is of great importance not only in terms of export but also in terms of economic improvement and development. For this reason, transportation infrastructure, telecommunication infrastructure should be strengthened, the economic stability environment which will increase the entry of foreign capital and investment should be assured, and exporter union organizations realized.

If the policies which are foreseen in this strategy are put into practice to a great extent, Turkey will get a greater share from the world trade than of the present, and the export target of 50 billion dollars in 2005 will be deemed a reasonable volume.

In conclusion it is essential that all segments of the community should agree with the necessity to be more assertive and brave, to adopt realistic applications in order to get a greater share in the world trade. Elimination of the lack of promotion and image which is our greatest deficiency in this field will assure that all the activities described herein will be realized as practicably as possible and with a low cost.



APPENDIX A:

QUESTIONNAIRE FORM

<p style="text-align: center;">QUESTIONNAIRE CONCERNING THE IMAGE OF TURKISH INDUSTRIAL PRODUCTS FOR EXPORT</p> <p style="text-align: center;">Murat DÜZGÜN Student of Yeditepe University Graduate Institute of Social Sciences Tel / Fax : 0212 485 15 64 Mobile phone : 0535 489 87 60 E-mail : duzgunmurat@yahoo.com Mailing Address : Nurettin Paşa Sok. Güven Ap. No : 32 / 14 34590 Bahçelievler / IST</p>

03/03/2004

Dear Company Director,

I am an MBA student in Yeditepe University Institute of Social Sciences and I am currently working on my master thesis with the subject matter "**Image of Turkish Industrial Products for Export**" with the precious help of my supervisor Mr. Prof Dr. Ahmet SERPIL (co-assist Mr. Mario LEVI). If you can answer and return the attached questionnaire that I prepared for this study, it would be of great importance for me to be able to complete my thesis. Because of the reason that the questionnaire consists mostly of strategic matters, it would enhance your contribution if you have it answered by the Foreign Trade Manager or the General Manager of your company. **I would be very glad if you mail the questionnaire to the above stated address or fax it to the above stated number until June 25th, 2005 after you have filled it.**

The purpose of my thesis is to inform the industrial product manufacturers who are having difficulties selling their products in the international market due to lack of image about the reason and the solution of this deficiency and to explain the foreign trade activities that could be done to fix this problem.

As you may well know, Turkey has had considerable progress in recent years about sales and quality in international markets. This progress is the consequence of the production and selling strategies and openness strategy followed in previous periods. Our desire is that this progress gains velocity and reaches the demanded level. My greatest desire is to establish an actual and objective viewpoint on this matter with my thesis.

With the hope of carrying our continuously improving country image to higher levels;

QUESTIONNAIRE CONCERNING THE IMAGE OF TURKISH EXPORT

- 1- In which sector(s) do you operate?**
- 2- Which products do you manufacture? What is a G.T.I.P number?**
- 3- What is your yearly production capacity and turnover?**
- 4- Are making your export via an intermediary institution or by yourself?**
- 5- What is the amount of your yearly export?**
- 6- To which countries and how much do you export?**
- 7- What is frequency of your international travels for marketing activities?**
- 8- Does it constitute and problem that your product is Turkey originated?**
- 9- What is the greatest difficulty that you suffer in marketing?**
- 10- What kind of promotion activities do you perform?**
- 11- Do you have sales offices or distributors in other countries?**

- 12- Which international fairs do you attend and how many times a year?
- 13- Which countries are your target markets?
- 14- What are your marketing policy and strategy headers?
- 15- Do you benefit from Government incentives? Which ones do you benefit from?
- 16- Do you conduct standardization and R&D studies?
- 17- Which quality certifications do you own?
- 18- Do you believe that trademark creation will enhance export? Explain why?
- 19- What do think about the image of Turkish products in world markets?
- 20- What do you think about Turkey's possible entrance to European Union?

Murat DÜZGÜN
0535 489 87 60

APPENDIX B :

EXPORT PRODUCTS ACCORDING TO G.T.I.P. NUMBERS

- 1 Livestock.
- 2 Meat and offal
- 3 Fish, crustacean, mollusks, and other spineless animals
- 4 Dairy product; eggs of birds and fowls; natural honey; animal products not stated in any other part of the tariff.
- 5 Animal originated products not stated in any other part of the tariff

PART II - VEGETABLE PRODUCTS

- 6 Live trees and other vegetables...
- 7 Eatable vegetables and some roots and seeds..
- 8 Eatable fruits and eatable fruits with hard peelings; peelings of citrus fruits and melons and watermelons.
- 9 Coffee, tea, Paraguay tea and spice.
- 10 Cereals.
- 11 Miller's trade products; malt; starch; inulin; wheat gluten.
Seeds and fruits with oil; various grains, seeds and animals; Vegetables used in industry and medicine; straw and
- 12 raw fodder..
- 13 Lac; gum, resin and other vegetable juices and digests...
- 14 Vegetable products suitable for weaving; vegetables not stated in any other part of the tariff.

PART III

SOLID AND LIQUID OILS AND THEIR DISINTEGRATION PRODUCTS;

SOLID OILS FOR PREPARED FOOD STUFF; VEGETABLE AND ANIMAL WAX

Oil And Liquid Oils And Their Disintegration Products; Solid Oils For Prepared Food Stuff; Vegetable And Anima

- 15 Wax

PART IV

FOOD INDUSTRY READY MADE DRUGS; SOFT DRINKS, ALCOHOLIC

BEVERAGES AND VINEGAR; TOBACCO OR OTHER PROCESSED MATERIALS USED INSTEAD OF TOBACCO

- 16 Ready-made drugs of Meat, fish, crustaceans, mollusks and.
- 17 Sugar and sugar products
- 18 Cocoa and Ready-made drugs of cocoa

- 19 Cereals, flour, starch, or ready-made drugs of milk; bakery products
- 20 Ready-made drugs of vegetables, fruits, fruits with hard peelings and other parts of vegetables.
- 21 Various eatable ready made drugs
- 22 Soft drinks, alcoholic beverages and vinegar
- 23 Remainders of food industry; raw fodder for animals.
- 24 Tobacco and processed materials used instead of tobacco

PART V

MINERALS

- 25 Salt; sulphur; soil and stone; plaster, lime and cement.
- 26 Metal ores, slag and ash.
- 27 Mineral fuels, mineral oils and products derived by distilling these; Materials with bitumen; mineral waxes.

PART VI

CHEMICAL INDUSTRY AND CONNECTED INDUSTRY PRODUCTS

- 28 Inorganic chemicals; Organic or inorganic compounds of valuable metals, radioactive elements and isotopes
- 29 Organic chemical products.
- 30 Pharmacy products.
- 31 Fertilizers.
 - Debagatte and extracts used in painting; Tannins and its derivatives; paints, pigments and other paint material;
- 32 ready-made paints and varnishes; putties; inks.
- 33 Volatile oils and resinoids; perfumery, cosmetics and toilet ready made products
 - Soaps, surface-active organic materials, washing preparations, artificial wax, cleaning or maintenance preparations, all kinds of candles and similar used for illumination, all kinds of aster used for making models, "dentist wax" and
- 34 plaster based dentistry preparations.
- 35 Albuminoid materials; starch based products subjected to change; glues, enzymes.
- 36 Gunpowder and explosives, pyrotechnics; matchsticks, pyrophoric alloys, combustive materials
- 37 Materials used in photography and film making
- 38 Various chemical materials

PART VII

PLASTICS AND PLASTIC PRODUCTS; RUBBER AND RUBBER PRODUCTS

- 39 Plastic and plastic products
- 40 Rubber and rubber products

PART VIII

LEATHER, STOUT LEATHER, SKINS, FURS AND GOODS PRODUCED FROM THESE MATERIALS

SADDLERY AND SADDLE

AND HARNESES; TRAVELING EQUIPMENT, HAND BAGS AND SIMILAR COVERS;

COMMODITIES PRODUCED FROM ANIMAL INTESTINE (EXCEPT FOR SILKWORM GLAND)

41 Raw skins, leathers (furs excluded) and stout leathers.

Leather goods, saddlery and saddle and harness; traveling equipment, hand bags and similar covers; commodities
42 produced from animal intestine (except for silkworm gland)

43 Skins, furs, imitation furs, and their products

PART IX

WOODEN COMMODITIES; ANTHRACITE; MUSHROOM AND MUSHROOM PRODUCTS; PRODUCTS OF
WICKERWORK, REED OR OTHER SIMILAR MATERIALS

BASKET MAKER OR WICKERWORK GOODS

44 Wooden goods; anthracite

45 Mushroom and mushroom products

46 Products of wicker work, reed or other similar materials; basket maker or wickerwork goods

PART X

PULPS OF WOOD OR OTHER CELLULOSIC MATERIALS WITH FIBER AND RECYCLED PAPER OR
CARDBOARD

(REMAINS, CLIPPINGS AND JUNK); PAPER, CARDBOARD AND THEIR PRODUCTS

pulps of wood or other cellulosic materials with fiber and recycled paper or cardboard; (remains, clippings and
47 junk); paper, cardboard and their products

48 Paper and cardboard; goods produced from paper pulp, paper or cardboard.

Printed books, newspapers, pictures and other products of printing industry; hand and machine writing texts and
49 plans

PART XI

TOUCHABLE MATERIALS AND GOODS PRODUCED FROM THEM

50 Silk

51 Fleece and wool, thin and coarse animal hair; thread from horse hair and weaved textiles

52 Cotton

53 Other weavable vegetable fibers; paper thread and textiles weaved from paper thread

54 Synthetic and artificial filaments.

55 Synthetic and artificial irregular fibers

56 Stuffing, felt and unwoven textiles; special threads; string, cord, rope, hawser and goods produced from these.

57 Carpets and floor coverings from fabrics

58 Special woven textiles; tufted weavable textiles; lacework; wall carpets; trimmings and cotton cords;

59 Saturated, plastered, covered or laminated weavable textiles

60 Knitted goods

61 Knitted clothes and accessories

62 Clothes and accessories that are not knitted

63 Other ready made goods from weavable materials; suits; used clothes and weavable materials; rags

PART XII

SHOES, CAPS, UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, CHAIR WALKING STICKS

BELTS, WHIPS AND THEIR ACCESSORIES; PREPARED FEATHERS AND GOODS PRODUCED FROM THESE

ARTIFICIAL FLOWERS; GOODS PRODUCED FROM HUMAN HAIR

64 Shoes, leggings, gaiters and similar goods; and their accessories

65 Caps and accessories

66 Umbrellas, sun umbrellas, walking sticks, chair walking sticks, whips, scourges and their accessories.

67 Ready made thin and coarse bird feathers and goods produced from them; imitation flowers, goods from human hair

PART XIII

GOODS PRODUCED FROM STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASS PRODUCTS

68 Goods produced from stone, plaster, cement, asbestos, mica or similar materials

69 ceramic products

70 glass and glass products

PART XIV

NATURAL AND CULTIVATION PEARLS, PRECIOUS OR SEMI—PRECIOUS STONES, PRECIOUS METALS, METALS COVERED BY PRECIOUS METALS

AND GOODS PRODUCED FROM THESE; IMITATION JEWELRY; METAL COINS

natural and cultivation pearls, precious or semi—precious stones, precious metals, metals covered by precious

71 metals and goods produced from these; imitation jewelry; metal coins

PART XV

ORDINARY METALS AND COMMODITIES PRODUCED FROM THESE

72 Iron and steel

73 Iron and steel products

74 Copper and copper products

75 Nickel and nickel products

76 aluminum and aluminum products

77 (Reserved to be used in the future for Harmonized System Nomenclature.)

78 Lead and lead products

79 Zinc and zinc products

80 Tin and tin products

81 Other ordinary metals; cermets; and their products

82 Tools from ordinary metals, cutler tools and table accessories; parts and bits of these from ordinary metals

83 Various commodities from ordinary metals

PART XVI

MACHINES AND MECHANICAL DEVICES; ELECTRICAL MATERIALS; THEIR PARTS AND BITS

SOUND RECORDERS AND DEVICES TO PLAY THE RECORDED SOUNDS

TELEVISION IMAGE AND SOUND RECORDERS AND DEVICES TO PLAY THE RECORDED

SOUND AND IMAGE; THEIR PARTS, BITS AND DETAILS

84 Nuclear reactors, boilers, machines, mechanical devices and tools; their parts and bits.

Electrical machines and devices and their parts and bits; devices to record and play sound; devices to record and play image and sound from the television, their parts and bits.

PART XVII

TRANSPORTATION VEHICLES

Vehicles and materials for railways and similar lines and their parts and bits; all kinds of mechanical (electromechanicals included) traffic signalization devices.

Motorized ground vehicles, tractors, bicycles, motorcycles and other ground vehicles; their parts, bits and accessories.

88 Aircraft, spacecraft and their parts and bits.

89 Vessels and floating vehicles and transports

PART XVIII

OPTICAL TOOLS AND DEVICES, PHOTOGRAPHY, FILM, MEASUREMENT, CONTROL, ADJUSTMENT

TOOLS AND DEVICES, MEDICAL OR SURGICAL

TOOLS AND DEVICES; WATCHMAKER GOODS; MUSIC INSTRUMENTS; THEIR PARTS, BITS AND ACCESSORIES

optical tools and devices, photography, film, measurement, control, adjustment tools and devices, medical or surgical tools and devices

91 Watches and their parts and bits

92 Music instruments

PART XIX

WEAPONS AND AMMUNITION; THEIR PARTS, BITS AND ACCESSORIES

93 weapons and ammunition; their parts, bits and accessories

PART XX

VARIOUS MANUFACTURED GOODS

Furniture, furniture used in medicine or surgery, bedroom suites and similar filled goods; illumination devices not stated in any other part of the tariff; advertisement lights, illuminated signboards, illuminated title plates and similar things; prefabricated buildings.

94 Toys, game and sport materials; their parts, bits and accessories.

96 Various manufactured goods

PART XXI

PIECES OF ARTS, COLLECTIBLES AND ANTIQUES

97 pieces of arts, collectibles and antiques

98 The agreement have been reserved by the parties for use in specific purposes

99 The agreement have been reserved by the parties for use in specific purposes

APPENDIX C :

INTERNET ADDRESSES OF INSTITUTIONS RELATED TO EXPORT:

http://www.tskb.com.tr	TURKISH INVESTMENT and DEVELOPMENT BANK
http://www.ito.org.tr	ISTANBUL CHAMBER OF COMMERCE
http://www.iso.org.tr	ISTANBUL CHAMBER OF INDUSTRY
http://www.igeme.org.tr	EXPORT PROMOTION CENTER OF TURKEY
http://www.deik.org.tr	FOREIGN ECONOMIC RELATIONS BOARD
http://www.tobb.org.tr	THE UNION OF CHAMBERS AND COMMODITY EXCHANGES OF TURKEY
http://www.die.gov.tr	REPUBLIC OF TURKEY, PRIME MINISTRY STATE INSTITUTE OF STATISTICS
http://www.dpt.gov.tr	PRIME MINISTRY, STATE PLANNING ORGANIZATION
http://www.dtm.gov.tr	UNDERSECRETARIAT OF THE PRIME MINISTRY FOR FOREIGN TRADE
http://www.uib.org.tr	ULUDAĞ EXPORTS UNION SECRETARIAT
http://www.sanayi.gov.tr	TURKISH INDUSTRY AND TRADE MINISTRY
http://www.basbakanlik.gov.tr	PRIME MINISTRY
http://www.gumruk.gov.tr	UNDERSECRETARIAT OF THE PRIME MINISTRY FOR CUSTOMS
http://www.wto.org	WORLD TRADE ORGANIZATION
http://www.ita.doc.gov	INTERNATIONAL TRADE ADMINISTRATION (ITA)
http://www.imf.org/external/country	IMF COUNTRY INFORMATION

APPENDIX D :

A CASE STUDY FROM AUSTRALIA



IT Case Study February 2005

Australian opens ICT doors in Washington

Many Australian information and communications technology (ICT) companies aspire to export to the United States, although few are fully prepared for the challenges this can entail. Tackling the world's largest technology market requires patience, energy and commitment. The good news, however, is that selling in the US just became a whole lot easier with the implementation of the Australia-US Free Trade Agreement (AUSFTA).

The agreement, which came into force on 1 January 2005, gives Australian exporters enhanced access to the enormous US market. Australia's ICT sector is expected to be one of the primary beneficiaries of the AUSFTA, thanks to its solid track record of innovation, global outlook and export orientation.

Late last year, Austrade conducted a series of seminars to brief Australian ICT companies on the opportunities created by the AUSFTA. Trade commissioners and marketing experts from the US helped hundreds of companies understand the new regime, with particular focus on the US\$60 billion (A\$77 billion) US Government ICT market.

The world's largest ICT customer

The AUSFTA gives Australian ICT companies greater access to the US Government, the world's largest purchaser of technology products and services.

The agreement grants Australia 'designated country' status which allows most of the Federal Government agencies and 29 US States to buy directly off Australian entities. A direct result of securing 'designated country' status is that Australian companies can now have their company and products listed on a General Services Administration (GSA) schedule without requiring a US subsidiary. This makes it easier for Australians to utilise this increasingly popular procurement vehicle when selling to the US Government.

Importantly, the agreement also waives the Buy America Act and ensures that Australian businesses are treated in a non-discriminatory fashion. The removal of the Buy America Act has two major benefits. Firstly, a 6% price penalty is eliminated and secondly Australian content is treated as if it were local content making Australian products more attractive partners to prime contractors. Furthermore, the AUSFTA promotes mutual recognition of qualifications in service industries like ICT.

However, Geoff Gray, Austrade's Senior Trade Commissioner in Washington DC, warned that the agreement does not guarantee any special favours for Australian companies. "The FTA simply puts Australian organisations on an equal footing with companies from the US and other countries that have free trade agreements with the US," he said. "Local companies still dominate the US market, with foreign contractors accounting for only 2 per cent of US public spending."

The seminars addressed the three main options for Australian companies seeking to penetrate the US Government market, each with pros and cons:

Path to Market	Advantages	Disadvantages
Subcontract to, or team with, US prime contractor	<ul style="list-style-type: none"> • AUSFTA eliminates Buy American Act penalties so your content is treated as if it is local. This makes you more attractive to the contractor. • Prime contractors may help you deal with regulations • Prime contractor absorbs majority of risk. 	<ul style="list-style-type: none"> • Local representation often required to build close ties with prime contractors • Minimal interaction with client • Reduced bargaining power means low margins.
Compete directly for tenders	<ul style="list-style-type: none"> • Direct client interaction • Large and profitable projects 	<ul style="list-style-type: none"> • Expensive tender processes require expert legal and business advice • Local representation essential to identify opportunities early enough • Difficult to compete with companies that have existing client knowledge
Obtain GSA Schedule listing	<ul style="list-style-type: none"> • Pre-negotiated contracts with government means contracting officers prefer a GSA Schedule to expensive and time consuming tenders. • Less transaction costs for vendor and contracting officer makes procurement more efficient. 	<ul style="list-style-type: none"> • GSA schedules do not generate demand so usually requires representation in US to drive demand • Only covers commodity products that fit one of 60 standard GSA Schedule contracts • Can be very risky for companies with immature pricing models • Very price competitive • Need to retain a consultant to help you obtain a schedule.

Success in the US Government market

Daniel Sullivan, Austrade’s Washington-based Business Development Manager, said reliable partners were critical to success in the government sphere. “The US federal market is large and complex, so it requires partnerships to be successful,” he said. “While it’s a big market, it is also a small town that’s very conservative and very tightly networked. Relationships are critical and patience is rewarded. Also remember that the customer, the problem, and the budget are all publicly available on the web – it’s an incredibly transparent market for those willing to do their research.

“Austrade is an invaluable advisor to guide you through this maze”, Sullivan added. “In the current financial year, I have helped twelve Australian companies win contracts worth more than A\$28 million. Customers included the Coast Guard, the Federal Airports Administration, Lockheed Martin

and the US Navy, with solutions ranging from intelligent fibre optics to reinforced steel plating, unmanned aerial vehicles, contaminated mail isolation units and air traffic control towers.”

Sullivan highlighted a number of critical success factors for ICT companies seeking sales in Washington:

- Be patient but persistent in building relationships;
- Spend time getting involved in the Washington network,
- Budget for 18 months without revenue and don't push too hard too soon;
- Demonstrate your commitment to the market;
- Make regular visits if you don't have a dedicated sales office;
- Protect your intellectual property before you enter the market;
- Research the customer's sources of pain;
- Sell your experience solving comparable problems, not your product;
- Present a strong value proposition.

Finally, Sullivan advised Australian companies interested in exploring the US Government market to attend the Federal Office Systems Exposition (FOSE) in Washington in April 2005 where Austrade is coordinating a Technology Australia pavilion. This year eight Australian companies will promote their technologies to a focused government purchasing audience at the show.

US Government spending priorities

Another speaker at the seminars was Anton Reut, Vice-President of Business Development for CMA Marketing Solutions, an Austrade partner in the US. He provided insights into spending priorities for the US Government ICT budget.

Currently the US Government has four overarching priorities:

- Information sharing between government agencies and between different governments;
- Information security and integrity, which now accounts for 8 per cent of ICT budgets compared to 5-6 per cent in the past;
- Consolidation and elimination of duplicated information and systems;
- Modernisation of back-office infrastructure to support e-government initiatives.

Reut noted that prevailing security concerns mean the fastest-growing area of spending is the Department of Homeland Security, which is now second only to Defence in terms of budget. DHS is

focused on coordinating information sharing efforts and making sure the national information infrastructure is reliable and well protected. Its projects range from safeguards for physical infrastructure and defence against biological attacks to tighter border protection and enhanced information security systems.

To market successfully in Washington, Reut advised Australian ICT companies to select target markets based on proven experience or subject-matter expertise. It is imperative to demonstrate your value proposition to the customer by showing that you understand the target agency's mission and its position in government. Show how your solution can improve the agency's services and products through greater timeliness, quality or productivity.

Past success is the best way to demonstrate value and capacity to deliver, according to Reut. "Do not ignore your previous commercial successes," he said. "Select appropriate case studies and make sure they're relevant and they translate to the US context. Show how you solved a similar business problem and use metrics to reinforce your examples."

"In many ways, the US Government market operates just like any other large corporate buyer – only there is more information available on the internet," Reut said. "Success depends on understanding the market by reading market journals and finding out in advance about an agency's particular priorities. Austrade and partners like CMA can help you conduct a market assessment to analyse opportunities and smooth your way into the US Government."

APPENDIX E :

DISTRIBUTOR AGREEMENT

This agreement, entered into by and between AKSA JENERATÖR SANAYİ A.Ş. (here in after “AKSA”), with principal offices at Evren Mah. Gülbahar Cad. 1. Sokak No:2 Güneşli, 34540 İstanbul, Turkey and..... (here in after “DISTRIBUTOR”), with principal offices at

ARTICLE 1: SUBJECT OF AGREEMENT

AKSA appoints to act as distributor of the products described below in the territory described below. The distributor shall buy and import the products, sell and have them sold in the territory described below. The distributor agrees to exert its best efforts in the sale, repair and servicing of products. The distributor performs all tasks implied in this agreement and promote in every respect the good reputation and interests of AKSA and the products described below. Distributor agrees not to establish any branch or maintain any distribution depot for the sale or maintenance of the products outside the territory and to refer all inquires received from outside the territory to AKSA.

ARTICLE 2: DEFINITION OF TERMS

a)“ PRODUCTS ” shall mean

- AKSA electric generating equipment, gasoline and diesel engines electric controls and other related options and attachments.
- Spare parts, replacement parts and reconditioned parts hereto.

b) “AUTHORIZED DEALERS ” shall mean.

Any legal entity authorized by the distributor and approved by AKSA, to sell and/or provide after-sales service for the products in the territory. Distributor will provide dealer with appropriate sales and service training.

c) “ TERRITORY ” shall cover.

Within its present constituted borders AKSA reserves the right at any time to re-define the territory upon 60 days prior written notice.

ARTICLE 3: LEGAL STATUS OF DISTRIBUTOR

The distributor shall handle all transactions entered into under this agreement as an independent entity in his own name and for his own account. The distributor shall not act as AKSA's legal representative.

ARTICLE 4: TERMS OF SALE

The sale of products by distributor which are in competition with the products is not permitted.

ARTICLE 5: SUPPLIES AND MODIFICATIONS OF PRODUCTS

- a) AKSA undertakes to supply products to the distributor subject to its existing commitments.
- b) Subject to the provision of article 6, AKSA agrees that all esquires received by AKSA from the territory will be transferred to the distributor for handling.
- c) The distributor shall not modify the products without AKSA's prior approval. This provision shall not prejudice the right of an ultimate purchaser to have modifications made to a product bought by him. AKSA reserves the right to require the distributor to carry out specific modifications to the products.
- d) AKSA shall have the right to modify its range of products at any time.

ARTICLE 6: DIRECT DELIVERIES

- a) AKSA reserves the right to effect direct deliveries the territory. AKSA undertakes to inform the distributor about any such direct transactions and/or the names customers being served directly by AKSA. The distributor agrees to assist AKSA at the later request in carrying out such direct service rendered for directly delivered products, the distributor shall receive a remuneration whose amount has to be specially agreed upon in each individual case. In determining the amount of said remuneration, consideration shall be given in particular to the nature. Scope and profit of the

transaction as well as to the extent to which the distributor contributed to the securing and/or will be called upon, or will have to provide facilities for the after-sales service therefore (including the handling of claims under warranty).

b) AKSA reserves the right to enter into cooperation, license assembly agreements or agreements for the supply of products directly with third party manufacturers irrespective of their branch of industry, in the territory or which will affect the territory. The distributor shall have no claims what so ever against AKSA in connection with the conclusion and execution of such agreements.

ARTICLE 7: ADVISE AND ASSISTANCE

a) AKSA agrees to advise and assist the distributor and provide to him with following information as far as available. Drawings specifications, sales and technical documentation for the products.

b) The distributor undertakes to use such information for the purpose of selling with all market all market opportunities.

c) AKSA will retain the property and copy right in such information. The distributor undertakes to treat such information as confidential and not to make it available to any third parties, except with AKSA's express prior permission.

ARTICLE 8: TRADEMARKS

AKSA agrees that the distributor and his authorized dealers shall use Aksa trademarks (logos) in conjunction with his activities under this agreement and to display them on facilities and business stationary.

The distributor shall use trademarks exclusively in the form authorized and for the purposes approved by AKSA the use of these trademarks as an integral part of distributor's corporate style is subject to Aksa express prior consent in writing. The distributor undertakes to notify AKSA without any delay of and to pursue in consultation with AKSA, any unauthorized use of AKSA's proprietary trademarks in the territory. The distributor undertakes to ensure that his authorized dealers act accordingly.

ARTICLE 9: PLANNING

- a) Full utilization of market opportunities and the planning and full utilization of product capacity calls for requirements planning. The distributor shall predict quantities, models and delivery schedule of products for successive planning periods of six months. AKSA endeavors to deliver the products in accordance with the distributor's predictions.
- b) The distributor shall obtain all products from AKSA at the places determined by AKSA.

ARTICLE 10: PRICES, TERMS AND CONDITIONS OF SALE

a) The prices for products sold to distributor shall be in accordance with AKSA's pricing and discount policies in effect at time of shipment date which policies may be amended from time to time. AKSA shall not ship any products except upon receipt of firm orders.

b) No sale to the distributor shall be considered to be effective until AKSA confirms each order in writing. AKSA may refuse to confirm any order for good cause which it may seem to be sufficient and shall not be liable for any claims of any nature because of its failure to confirm. After AKSA's confirmation no order may be canceled by the distributor without consent of AKSA.

c) Payment in products ordered and accepted under the provisions of this agreement shall be effected to AKSA's account as follows;

100 % by and irrevocable and transferable letter of credit confirmed by a Turkish Bank. The L/C shall be opened in favor of AKSA not later four weeks before scheduled shipment date. Payment shall be valid until four weeks from the scheduled shipment date. Payment shall be effected by making out the L/C against presentation of the following documents:

- Shipping Documents
- AKSA's Commercial Invoice.

d) The distributor shall examine the products upon arrival in its factory or on site and notify AKSA within one week after arrival of the products of any shortages or visible defects or damages, and failing to give such notice shall be deemed to have waived any such claim. When timely notice is

given AKSA shall examine the distributor's claim as well as the products (as far as reasonably necessary) without any delay and remedy any shortages and/or replace defective or damaged parts to the extent of its obligation to do so under this agreement.

e) If the distributor pays a penalty delayed delivery and it is clearly indicated in its purchase order to AKSA that the project concerned is under penalty for delay and AKSA delivers after the date confirmed in its order confirmation and the delay in delivery is attributable to AKSA. Then the distributor shall be entitled to request AKSA to take over such penalty.

f) Distributor shall not remove, alter or obliterate any trademarks trade names, patent identifications or symbols placed upon products delivered to distributor.

ARTICLE 11: DISTRIBUTION OF PRODUCTS.

a) The distributor shall meet the demand for the products in the territory.

b) The distributor shall resell in the territory either directly or indirectly through authorized dealers.

c) Distributor shall not directly or indirect sell products to any customer outside the territory.

d) The distributor shall commit his authorized dealers and his customers not to resell the products outside the territory. Furthermore, the distributor shall commit his authorized dealers to oblige their customers not to resell the products outside the territory.

e) For any sales for which the endues is outside the territory distributor shall pay AKSA a service fee of reasonable amount of distributor's net per invoices from the sale. This service fee is to assist in support of products by the distributor in country of end use.

f) The distributor undertakes to ensure that all spare parts sold in the distributor's workshop and in the workshops of his authorized will be AKSA made products or such third party products as have been approved by AKSA to their procurement. AKSA will withhold its approval only in such cases where the use of such parts would affect the reliability and safety of the products.

ARTICLE 12: STOCKS

Distributor agrees to maintain adequate stocks of products in line with anticipated sales and provide the necessary storage capacities and financial funds. Stocks held shall be adequate to cope with fluctuations both in sales and factory, deliveries. Distributor agrees that after sign of this agreement it shall purchase from AKSA at least - - \$. amount of products.

ARTICLE 13: MARKETING SALES PROMOTION AND PUBLIC RELATIONS

Based on systematic marketing strategies, the distributor undertakes to implement effective sales promotion campaigns and carry out adequate public relations work which shall be coordinated with AKSA. This also applies to advertising and promotion programs undertaken by the distributor in collaboration with his authorized dealers.

ARTICLE 14: REPORTS

- a) The distributor agrees to provide AKSA with all necessary information on business data, legal regulations, taxes, customs duties etc. relating to the object this agreement. In particular, the distributor undertakes to keep AKSA informed about the market situation and business trends in the territory by means of regular reports.
- b) The distributor will submit a balance sheet including a profit and loss account certified by an audit upon request. AKSA will treat any such information as confidential.
- c) The distributor agrees to allow AKSA's representatives free access during the working hours to all premises used for the activities under this agreement.

ARTICLE 15: AFTER-SALES-SERVICE AND WARRANTY

- a) The distributor undertakes, in agreement with, AKSA to perform maintenance for all products in his territory in conformance with AKSA's general guidelines or specific instructions and to use solely genuine parts from AKSA.

b) The distributor agrees to provide warranty for all products in the territory at least to the extent defined in this article. The distributor will ensure that the authorized dealers will provide the same scope of warranty cover to customers.

c) A warranty claim can only be accepted by AKSA if accompanied by sufficient documentation to allow AKSA proper assessment of the case. In cases of accepted warranty, AKSA shall, at its own option recondition all parts found to be defective free of charge or supply new replacement parts ex works. Any further claims are excluded.

d) The warranty period for products will be 12 months after the date of equipment's start-up, or is 14 months after the date of shipment.

e) The warranty shall not cover normal wear, damage caused by improper storage, handling or treatment, faulty erection or putting in to operation over loading, the use of unsuitable fuels, oils etc., faulty construction work and foundations, unsuitable building ground, chemical, mechanical, electrochemical or electrical influences or any other circumstances which may arise through no fault of AKSA.

f) The distributor may only claim the AKSA warranty if.

a) AKSA has been advised in writing of the claimed defect immediately as described in this article.

b) The distributor has observed the instructions issued by AKSA, in respect of the handling and maintenance of the equipment and in particular has duly carried out any specified checks.

c) Further claims of the distributor, especially claims for damages that have not been caused to the equipment itself, shall be excluded. This exclusion of liability shall not apply to cases of intended or gross negligence of AKSA's executive personnel nor to cases in which AKSA is held liable according to the "law of product liability" for personal or property damages to privately used objects due to faults of the equipment.

ARTICLE 16: TRAINING

a) The distributor shall employ suitable skilled personnel and have it attend training courses at AKSA and its own facilities such training at AKSA will be free of charge. All incidental expenses being to the distributor's account.

b) The distributor shall provide regular training for its own skilled personnel and that of his authorized dealers.

ARTICLE 17: DURATION OF AGREEMENT

a) This agreement will come in to force on being signed by both parties and will run for a definite period of time, lasting from to

b) If no engine is sold within a calendar year this agreement will expire at the end of such calendar without any given notice of cancellation.

c) This agreement may be extended by both parties.

ARTICLE 18: CANCELLATION OF AGREEMENT

This agreement may be canceled at any time by either party giving 3 months prior notice in writing.

ARTICLE 19: CANCELLATION WITHOUT NOTICE

a) Regardless of the provisions in article 18 either party may cancel this agreement for important reasons, without giving any prior notice, if the other party.

- Defaults provisions of this agreement despite warnings in writing; or.
- Fails to obtain or has withdrawn from it any permit or license to transact the business under this agreement ; or.
- Suffers any serious impairment of its business reputation or its economic basis (e.g. bankruptcy or composition proceedings are opened, execution is levied upon the assets of any partner or shareholder because of insolvency, cheques or bills of exchange are protested on account of insolvency) ; or.
- Is experiencing difficulties in his company in respect of personnel, corporate structure or financial resources that cannot be resolved within a reasonable period of time and which affect the performance of essential provisions of the agreement.

b) AKSA shall have the right to cancel this agreement without any prior notice if a change of the distributor's corporate organization (firm, legal form, ownership, shareholder, management etc.,) occurs.

ARTICLE 20: PROCEDURE ON CANCELLATION OF AGREEMENT

a) Upon notice of cancellation of this agreement the distributor shall without any delay.

- Cease to sell products and act AKSA's distributor for the products.
- Cease to use in any from whatsoever AKSA's trademarks and the name as an authorized service center for the products:
- Upon request, assign to AKSA or any third party named by AKSA any uncompleted orders against a compensation of 10 percent on distributor's sales price;
- Upon AKSA's request make available to AKSA or any third party named by AKSA any unsold unused products that are in satisfactory condition and at that time listed on AKSA's spare parts catalogues. The repurchase price for such unused products shall be the original purchase price paid by the distributor.
- Return immediately all information and materials furnished by AKSA, in particular all specific equipment and special tools, technical and commercial literature.
- Pay to AKSA or any third party named by AKSA such amounts as will cover the anticipated costs for after-sales services such as warranty claims to be handled free of charge on previously sold products.

b) The distributor shall have no claim of whatever nature against AKSA as a result of any cancellation of this agreement, except as provided for in this article.

ARTICLE 21: FORM OF AGREEMENT, EARLIER AGREEMENTS TO BE VOID

- a) Any changes amendments and notice of cancellation of this agreement shall be in writing. The annexes hereto shall form an integral part of this agreement. This agreement constitutes a full statement of the understanding reached and no verbal collateral arrangements exist.
- b) Should any particular formalities be required for this agreement to be valid in any country, the party to this Agreement concerned shall take all necessary action without any delay and at its own expense.
- c) This agreement upon entering into force by having been signed the parties hereto supersedes any earlier agreements between the parties on business relations covered by this agreement.

ARTICLE 22: ASSIGNMENT

The distributor's rights and obligations under this agreement shall not be assigned except with AKSA's prior approval in writing.

ARTICLE 23: PARTIAL INEFFECTIVENESS

Should any individual provisions of this agreement be ineffective on legal grounds or impossible to be performed. This shall not prejudice the effectiveness of the remaining provisions of the agreement insofar as any individual provisions of the agreement should be or become ineffective or impossible to be performed under the law of part of the territory, this shall not prejudice the effectiveness of such provisions.

In the remainder of the territory AKSA and the distributor undertake if possible to replace any legally ineffective provision by an alternative one of equivalent economic impact.

ARTICLE 24: NON EXERCISE OF RIGHTS

Should either party to this agreement fail to exercise any right under this agreement this shall not be construed as a waiver of such right which it may exercise at a later date.

ARTICLE 25: LIABILITY

Each party shall bear its own entrepreneurial risks arising out of this agreement and its performance consequently. AKSA will not assume any responsibility of whatever nature for expenditures incurred by the distributor in performing this agreement or for any commitments entered into by him in this connection. no provisions of this agreement shall be construed as creating any third party rights against AKSA.

ARTICLE 26: GOVERNING LAW

This agreement is deemed made in Turkey, and shall be governed by and construed in accordance with the laws of Turkey. Any dispute which cannot be resolved amicably by the parties shall be adjudicated in Turkey; except AKSA may at its discretion, institute an action in the territory against distributor.

The English version of this agreement shall be the only authentic and binding one. If a translation is required by law in the territory, such translation shall be construed and interpreted so as to be in perfect accord with the construction and interpretation of the English version.

Istanbul ; / / 200

..... / / 200

Aksa Jeneratör Sanayi A.Ş.

APPENDIX F :

AFTER SALES SERVICE AGREEMENT (if used)

AKSA JENERATÖR SANAYI A.S.
EVREN MAH. KOÇMAN CAD.
NO:2 34540 GÜNEŞLİ - İST. TÜRKİYE
(Hereinafter called Principals)

AND

(Hereinafter called After Sales Service Agency)

HAVE AGREED AS FOLLOWS

01) AKSA JENERATÖR SANAYI, who is engaged in the design, manufacture and sale of, certain standard generating sets in Turkey is the Sole exporter of their products under the brand name of 'AKSA'

AKSA JENERATÖR SANAYI has appointed AS THEIR AGENT for the sale of AKSA GENERATORS.

02) The period of the Agreement shall begin on for a period of one year and shall be automatically extended on yearly basis unless either party gives notice in writing to the other party of its intention for non-renewal at least three (3) months prior to the expiration of the specified agreement.

03) The Territory is to cover Other Territories may be added to this Agreement by mutual consent.

04) PRICES:

All the prices quoted to the Agent will be given in on F.O.B. Istanbul basis. The Principals will provide the Agent a max. of 30 days notice of any variation to its published price list for the products covered by this Agreement.

05) PAYMENT:

Irrevocable and confirmed Letter of Credit payable at sight in Turkey with of all usual and customary shipping document.

06) AKSA shall, from time to time and free of charge furnish Agency with English Language brochure and manuals that AKSA considers useful for sales promotion of the products in the TERRITORY.

07) The PRINCIPALS agree for a 12 months warranty for the 'AKSA' generators against manufacturing defects from the date of sale of the AKSA generators to the end user.

If the causality of large scale of defects shall arise, AKSA shall investigate the case and taken appropriate action to solve the defects as quick as possible.

08) This Agreement shall be interpreted according to the laws of Turkey. In case of any dispute between the PRINCIPAL and the AGENT, such dispute shall be settled under the Rule of Reconciliation and Arbitration of the International Chamber of Commerce, by Arbitrators appointed in accordance with its rule. There shall be no appeal upon the notified judgment.

09) English text of this AGREEMENT is intended as the original text.

10) In the event of any breach of agreement the parties to the agreement may terminate the Agreement by giving a three (3) months written notice.

.....

AKSA JENERATÖR SANAYİ A.Ş.

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- GÖKYİĞİT Harun, “Dış Ticaret Politikamız ve Süreçleri”, Arıkan Yayınları 2003.,
- Çiğdem Toker, Ankara Article 2005
- Doç. Dr. Hüseyin ÖZGEÇMİŞ, Muğla ÜNİVERSİTESİ.

06 June - 06 Sept. 2004 : Turkish Airlines JAMF (Jet Airplanes Maintenance Fundamentals. "General Technical Training" (255 Hours)

05 Oct. - 24 Dec. 2004 : Istanbul Technical University Continious Training Center M.I.S. (Management Information System) (108 Hours)

28 Feb.-05 May 2005 : Istanbul Technical University Logistics and Supply Chain Management Expertise Course (120 Hours)

30 Sept.- 31 Nov. 2003 : G.L.S. Consulting – Air & Sea Freight Trainings (64 Hours)

15 June – 07 Sept. 2005 : Academy Tech Computer Training Center (110 Hours) WEB DESIGN & Programming Course

19 – 30 June 1997 : Cummins NT Series Engine Train. (Peterborough – ENGLAND)

16–17March 2001 : Leadership by MESS John Deere-Hema Endustri A.S.)

Attendant Courses

1982 - 1984 : Limasollu Naci England and Turkey Courses (5 months)

1985 - 1990 : Piano, Guitar and Kanoun Private Lessons

1987 - 1988 : Şampiyon Typing Course (F Clavier - 8 months)

1986 - 1988 : Turkish - English Cultural Association (24 months)

1987 - 1989 : Bevim Computer Courses (14 months) / Basic, Cobol, RPGII, Hardware) Çöz-bim Data Processing Ltd. (8 months)

Activities

C.P.L. (Commercial Pilot Licence - FAA), Professional Music (Electronic Music Traineer).

Music Books Written (About Electronic Music, Software and M.I.D.I.)

Computer Programs

Databases, MS Office, Desktop Advertising and Music Application.

Hobbies

Tennis, Swimming, Professional Music and Computer (Software and Hardware)