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**MASTER OF BUSINESS ADMINISTRATION**  
**MASTER THESIS**

**EXPORT PERFORMANCE OF SME'S IN TURKEY**

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**T.C. YAŞAR ÜNİVERSİTESİ**  
**SOSYAL BİLİMLER ENSTİTÜSÜ TEZLİ YÜKSEK LİSANS TEZ JÜRİ SINAV**  
**TUTANAĞI**

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## **ABSTRACT**

Export is the driving force of developing countries' economies. Also, it has a supportive effect on reducing current account deficit and increasing the supply in country.

In Turkey, while improving export options, the aim is to develop SME's economic situation and include them into export economy. Especially during past 20 years, there had been a lot of studies and practices to develop export and increase the participation of SME's into international economy. Export incentives are one of the main support system for SME's export.

The aim of this thesis was to create a pathway for SME's which wants to start export and develop their export capacity and analyze the effectiveness of export incentives for SME's. It mentioned SME's importance and export operation processes and the necessary information to start export. By this study the aim is to support SME's to enter international market with minimum risk and show them alternative financial options.

Keywords: Export, SME, process, international market, export incentives

## ÖZET

İhracat, gelişmekte olan ülke ekonomilerinin başlıca itici güçlerinden sayılmaktadır. Dış borçların azalması, ülkedeki üretimin artması gibi faktörleri de destekleyici bir etkisi vardır.

İhracatın geliştirilmesiyle beraber, KOBİ'lerin ekonomide daha fazla pay sahibi olması ve ihracata katılmaları da hedeflenmektedir. Özellikle geçtiğimiz 20 yıllık sürede hem ihracatın geliştirilmesi, hem de KOBİ'lerin uluslararası ekonomiye dahil edilmesi yönünde birçok çalışma yapılmıştır. İhracat teşvikleri de bu desteklerin başında gelmektedir.

Bu çalışmanın amacı, ihracata başlamak isteyen veya ihracatını geliştirmek isteyen KOBİ'lere bir yol haritası çizmek, onların ihracat kapasitelerini arttırmak ve sağlanan ihracat teşviklerinin verimliliğini incelemektir. Çalışmada KOBİ'lerin ihracat yapmak için izlemeleri gereken aşamalar ve süreçler anlatılmış ve Ekonomi Bakanlığı tarafından verilen ihracat teşvikleri detaylı bir şekilde incelenmiştir. Bu sayede, ihracat kararı verecek veya vermiş olan KOBİ'lerin uluslararası pazarlara minimum riskle girmeleri ve değişik finansal alternatifleri kullanmaları hedeflenmiştir.

Anahtar kelimeler: ihracat, KOBİ, süreç, uluslararası pazar, ihracat teşvikleri

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## ABBREVIATIONS

ARGEFAR	Ege Üniversitesi İlaç Geliştirme Ve Farmokokinetik Araştırma Uygulama Merkezi
AWB	Air Waybill
CFR	Cost and Freight
CIF	Cost Insurance Freight
CIM	International Convention on the Transport Of Goods by Railway
CIP	Carriage and Insurance Paid to
CITES	Convention on International Trade In Endangered Species
CIV	International Convention on the Carriage of Passenger and Luggage by Railway
CMR	Convention Merchandises Routers
CPT	Carriage Paid to
CU	Custom Union
DAP	Delivery at Point
DAT	Delivery at Terminal
DDP	Delivery Duty Paid
DFIF	Destekleme Fiyat Ve İstikrar Fonu
DTM	Dış Ticaret Müsteşarlığı
EFTA	European Free Trade Association
EMC	Export Management Company
ESCS	European Coal and Steel Community
EU	European Union
ETC	Et cetra
EXW	Exworks
FAO	Food and Agriculture Organization
FAS	Free Alongside Ship

FBL	Negotiable FIATA Multimodal Transport Bill of Lading
FCA	Free Carrier
FCR	Forwarder Agents Certificate of Recipient
FCT	Forwarders Certificate of Transport
FIATA	An International Association of Forwarding Agents
FOB	Free on board
GDP	Gross Domestic Products
HS	Harmonized System
IBP	İhracatçı Birlikleri Platformu
ICC	International Chamber of Commerce
IGEME	İhracat Geliştirme Merkezi
L/C	Letter of Credit
OAİB	Orta Anadolu İhracatçı Birlikleri
PAAMK	Pan-European Mediterranean Cumulation
Pg	Page
SDTS	Sektörel Dış Ticaret Şirketleri
SME	Small-Medium Sized Enterprises
TİM	Türkiye İhracatçılar Meclisi
UNCITRAL	United Nations Commission on International Trade Law
USA	United States of America
VAT	Value Added Taxes
WTO	World Trade Organization

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## **INTRODUCTION**

Exports play an important role in economy, influencing the level of economic growth, employment and the balance of payments. Turkey as a developing country has major problems about account deficits. The government needs to create alternatives to eliminate this gap and increase the export value.

Turkey's aim to increase the export value to 500 billion dollars in 2023. To reach this goal, Turkey needs SME's to join export economy. Covering the period 2007-2013, in the 9<sup>th</sup> development plan, policies are already determined for SME's to play a more effective role in export effective support applications' development.

In thesis we will mention the steps and processes when SME's decide to export and detailed information about export supports given by Ministry of Economy.

First section mentions definition of export, export types, market research alternatives, export documents and delivery terms. Second section mentions export strategies included finding customers in abroad and distribution channels. Third section mentions pricing strategies, objectives and tactics. Fourth section mentions SME's role in Turkey which includes general economic information about Turkey, export outlook, SME's role in economy and export. Then there are detailed information about export incentives given by Ministry of Economy and problems about using these incentives.

At last, discussion section makes assumptions about problems occurred while using these incentives and suggestions to solve these problems.



## **CHAPTER I: EXPORT PROCESS**

### **1.1 Definition of export**

Being committed to domestic markets became insufficient and this deficiency was supported by economic relations with other countries. So, in 1980's, Turkish economy has started opening to the world. From then, period is in the process of reconstruction.

Companies in Turkey must also adapt themselves to the world by the wind of internationalization. The information age has made it much more difficult to trade and companies are forced to compete harder. A lot of companies in the world can enter different markets at the same time they have become stronger to upset competitors; with robust strategies. In order for a sale to be an export it must have the following features:

- Sales to be made to a foreign country
- Bilateral and multilateral trade agreements with the obligation to adapt to the conditions imposed
- The question of foreign money in transaction(trade)
- The transport of goods

Considering globalization in the sense of the continued feasibility and of profitability, export is regarded as a necessary asset. In addition, export among other market entry methods carries the least risky method in capital, advertising and finance.

#### **1.1.1. Export reason of SME's**

SME is defined as enterprises that work according to "small and medium-sized Enterprises Definition, qualifications and Classification Regulations". They have less than the number of 250 employees and annual net sales or fiscal balance sheet not exceeding 12 million USD (T.C.Sanayi Bakanlığı [TCSB], 2011:24). SMEs are enterprises which are dynamic, innovative and have a potential of making use of opportunities on time (Işık and Delice, 2007:77). SMEs are business organizations that can adapt to these changes and develop themselves. They are capable to get a market share and growth.

But the lack of export information and experience leads to increase perceived risk regarding export (Akyol and Tanyeri, 2011:37). SMEs consider foreign markets as dangerous and unpredictable so they prefer continuing to work with domestic markets which they know and are familiar with. According to 2009 data, 59% of total exporters in Turkey are SMEs (Türkiye İstatistik Enstitüsü [TUIK], 2009). However, to reach the government's export objectives, SMEs have a more crucial role on export which is 500 billion dollars export value in 2023.

In our country, as the SMEs' importance is increasingly understood, SME subsidy policies and tools are unsatisfactory. The lack of sufficient resources, the lack of capital accumulation, unfavorable general business environment, inconvenience of the challenges of macroeconomic fluctuations, continuously high inflation rates, high tax rates , the high level of cost of the input in the production , challenges in adjusting technological developments and innovations , inefficiencies in producing new products and technology affects small and medium-sized enterprises' ability to compete with the European Union and other developed countries negatively (T.C. Başbakanlık Devlet Planlama Teşkilatı [DPT], 2007b:1).

Covering the period 2007-2013, in the 9<sup>th</sup> development plan, policies are determined for SME's to play a more effective role in export effective support applications' development, expediting access to financing, renewal of the technologies and supports other than financing (TCSB, 2011:36).

Turkey has a constantly growing, thriving economy. But this growth is not equal in each region. SMEs will have some contributions at this point. They have a fairly crucial role in reviving trade in removing regional development differences, spreading the property to the base, creating opportunities of employment and strengthening the democratic life.

SMEs that are also manufacturers within national borders in the changing conditions of competition need to extend the limits of their markets. Business organizations manufacturing in the country start looking for export opportunities when competition increases market shrinkage happens this cause's idle capacity to occur, when they are aware of the potential market opportunities in abroad and there is a demand for their product, then they start to export (Eroğlu, Gül and İnce, 2008).

There is a strategy that can try to explain why SMEs have a tendency to export. Based on the original studies of the hypothesis, we can say that there are two strategies that describe the behavior of the export.

Proximity Approach: These business organizations export to the markets where the perspective of culture is and geographically closest to them.

Global approach: It is an international process that considers the world market as a single entity and separates it into the horizontal segments, aims at a homogeneous product/service to a restricted group regardless of where they are (Zucchella, 2000:5).

If SMEs are successful in domestic markets, the chance of success in the foreign markets is highly likely. Basically, by going abroad they can increase sales and profits, reduce the commitment to domestic market and the seasonal differences, increase the life of end product that is about to complete its life, spread the commercial risk and in this way can be less affected by the fluctuations in the markets. In addition, exporters can take advantage of tax privileges and other funding support provided for them ([http://www.adam-europe.eu/.](http://www.adam-europe.eu/))

By opening into foreign markets they are able to speak authoritatively in international trade and develop their own commercial opportunities. At the same time by selling abroad, the surplus capacity can reduce unit costs and have the economy of scale. By making production they can use facilities more efficient and increase employment and their profitability as well as being helpful to reduce the countries' foreign trade deficit. International production and marketing activities are reasonably complicated, more risky and far from certainty than the domestic market (Akat, 2009:33). Firms in the international markets need to have information about the activity. That's why it is essential to research in detail before exporting.

### **1.1.2. Preparing a business plan**

Like every other commercial action, export involves risks in its own way. Some of them are sales may be less than estimated, competition may be more than estimated, there may be problems encountered on payments and collection. However if SMEs act carefully, they will not be affected by the risks significantly.

But first, business organizations should investigate whether it is ready to export or not. As both internal and external factors re researched, a report should be prepared,

and after that a written export report plan should be prepared according to objectives of the business organization. Written plan is both for the implementation to be more encouraging and recording the actions is more systematic. First step is to inquire whether the business organization is ready to export or not.

To decide whether the business organization is ready to export or not, there are tests and questions prepared by the Ministry of economy and various institutions. Answering the questions in these tests is helpful as, they allow administrators to see what needs to be corrected. The most important decision to make is if the organization has an exportable product or not, if there is, it will be decided whether the financial and human resources are enough to market this product. To decide whether the product is suitable or not, buyers' and targeted markets' requirements should be considered. The questions as to what are the expectations of the buyers, which need should the product meet must be answered clearly. If the currently manufactured products meet the requirements, the business organization can use the most suitable product or products as exportation for the target market it aims at. If there are changes to be made about the product, a research should be done on how to do it. To modify the product; is there enough resources, does it need new technologies, are the employees competent should be checked.

If this manufactured product is not suitable for the targeted market, the reasons should be researched. What is the buyer profile; demographic, cultural and economic factors must be analyzed and if it is possible reproduction should be altered in progress ([www.export.gov](http://www.export.gov)).

Preparing this plan will allow, what is expected from exports, what needs to be done to reach objectives, the necessary information one should have about the market, the implementation of the strategies, necessities to use in financing, human resources and other information in advance. Export plan is a good tool in terms of self-assessment of the organizations. By making SWOT analysis, they can see their status on the market, can evaluate opportunities and threats better, and can learn to use their strong points to their own advantage.

In an ideal export plan; there should be company assessment, sectoral evaluations, identification of your product or service, market analysis, market entry strategy, and financial analysis ([www.kosgeb.gov.tr](http://www.kosgeb.gov.tr)).

### **Company assessment**

The company's vision, mission and objectives.

- Are these goals in accordance with exporting? Are administrators on the same page on export idea?
- Are products suitable for export? If not, what needs to be altered?
- Is the company's financing, production, human resources sufficient for export? How much is the production capacity? Can it be developed?
- Why is the company successful in the domestic market?

### **Sectoral Evaluation**

- What is the product's internationally accepted name? What is the GTIP number?
- What is the market share of the product in the world? Where are the largest buyers and sellers? What is the profile of the buyers?
- In what direction is the sector's trend? Is it growing or losing ground?

### **Market analysis**

- Which countries are aimed at? Why were these countries preferred? According to what criteria was the market research made, which resources used? Are they reliable?
  - Are selected countries' political, economic, environmental, demographic characteristics in consistent with the product?
  - What is selected countries' import regime? What are quotas, tariffs, tax obligations? Is there an embargo to the product?
  - Are there product packaging, branding, labeling requirements? If there are, what are they?
  - Which distribution channels should be used in selected countries? Which strategy should be followed?
  - How will logistics be supplied? What are the shipping facilities in the preferred country? If there are, will ports, railways be used? Are these lines safe?

- Who are the competitors? What are the similar, divergent aspects of the product? How can it be differentiated?

- Who are the customers? What are their characteristics? Why were they preferred?

### **Price Analysis**

- What is the product's export price? According to what, was the price determined? Was the cost analysis made? Is the price compatible within the entered the market? Is it flexible?

### **Marketing**

- How to do the product marketing? Ways of advertisement?
- Is the sample produced? Can it be supplied?
- Can buyer visitation be made?
- Can trade fairs be used? Which Sectoral / Comprehensive General Trade fairs are suitable for the product promotion?

### **Operations**

- How to perform the operation? Who's or are responsible for?
- Transport facilities?
- How is the inventory management? Will it work according to inventory or to order?
- What are the legal obligations of the operation the country performed? Which documents will be used, insurance, inspection, contract conditions?
- How is the timetable? Is there enough time between order and delivery?
- How will the risk control be performed? Is there's an alternative plan?

## **1.2. Export Process**

### **1.2.1 Applications to become an exporter**

A person must be a member of Exporter Union associated with the product to export when a person becomes a member of one of the 58 export unions united on 22 principles in Turkey, one is considered as exporter.

There is no need to get any document or permission (certificate) to become an exporter. In this context, those who wish to become a member of Exporter Unions General Secretary, Trade Registry newspaper and evidencing that a single tax

identification number and notarized signature of the owner is required. Those who carried the process of membership in accordance with the application of Export Regulations and application of notice can then realize their export.

### **1.2.2. Types of export**

#### ***1.2.2.1 Export dependent on Prior Authorization***

The exportation of issuance goods in accordance with the international agreement, the laws, the decrees and the other legislation related to a certain authority, practiced by means of maintaining export legislation of the provisions by related authority after getting permission from related authorities.

#### ***1.2.2.2. Export dependent on Registration (Registered Export)***

Export of registered goods, is determined by the bulletin of the official statement by the Under secretariat. Before the export of the registered goods lists, customs declaration forms must be recorded by Exporters' Association General Secretariat. Customs Declaration Form registered by Under secretariat of Exporter's Associations are limited to 30 days which may not be extended from the date of endorsement. However, export to countries that have quantity restrictions on products from our country registration time of custom declaration forms may be less than or more 30 days can be determined by Undersecretaries in our country.

#### ***1.2.2.3. Consignment export***

Applications on consignment export are made to related Exporters' Association Secretary-General. Within the scope of matter and / or arrangements, requirement of consignment export can be determined by Undersecretaries with regards to country's policy; after receiving Undersecretaries' opinion, demands of goods apart from this is concluded directly by Exporters' Association Secretary-General.

Customs declaration forms approved on consignment by Exporters' Association Secretary-General should be lodged in thirty days to Customs Administration. Exporters inform Exporters' Association Secretary-Generals on goods sent on consignment after outright sale within thirty days, along with the firm's sales invoice or the copy of it (that is arranged by the firm itself and )with the other necessary documents.

The export of the goods sent on consignment's outright sales must be made within one year from the date of export. That period may be extended for two more

years by Exporter Unions General Secretariat if there is a valid reason. In case of the goods sent on consignment cannot be sold within the time limit; the goods should be brought to the country according to the customs legislation.

#### ***1.2.2.4. Exporting Imported Goods***

Issuance of new or used goods into free circulation is made within the framework of general principles under the customs legislation. However, the legislation of supported exports, included investment legislation the return provisions of the customs legislation and source are reserved.

#### ***1.2.2.5. Export to Free Zones***

Exports to free zones are subject to export regulations. However, the legislation provisions of domestic processing rules, value-added-tax applications, Export Credit Bank of Turkey applications are reserved.

#### ***1.2.2.6. Export without cost***

The goods that may be exported without cost are specified below.

- Gifts sent or received by individuals or corporate entities ; samples in agreed quantities, commercial and publicity goods, goods that have been imported for re-use or recycling and packing materials
- Issued goods that have been properly exported without charge before, the appropriate parts of the commercial customs and traditions, exported goods are guaranteed with shortage parts that must be replaced within the warranty period
- Mission members, foreigners working in Turkey, Turkish citizens to go abroad due to the transfer of household, civil servants on duty going abroad permanently or temporarily, as long as their status has been authenticated by the relevant authorities, the goods and vehicles that they'll take with them, or sent to them.
- Non-resident corporate entities, foreign tourists and non-resident Turkish citizens' goods and vehicles that they'll take with them, sent to the their names of the goods and vehicles,
- Public institutions and organization, municipalities and universities' properties and vehicles that are to sent in accordance with their tasks or agreements.
- In the case of war, earthquakes, floods, epidemics, famine and disaster, humanitarian aid supplies which will be sent by public institutions and organizations,



municipalities and universities, public benefit associations and foundations along with Red Crescent,

- Issues that are beyond the above-mentioned reasons, must be submitted to the Under Secretariat Foreign Trade (General Directorate for Export), resulting in a final decision will be taken by the relevant customs authorities or the General Secretariat of the Union of Exporters)

In order to obtain permission for the free export of goods specified in point1 and 2 the cost of about 250,000 (thousands of U.S. dollars) and the goods specified in point 4 and 5 regardless of the monetary value and amount needs to be submitted to the appropriate customs control.

- In order to obtain permission for the free export of goods specified in point1 and 2 the cost of about 250,000 (thousands of U.S. dollars) and above must be submitted to the appropriate General Secretariat of the Association of Exporters.

The General Secretariat of the Union of Exporters must give the applicant one copy of the free permits, as well as a copy to relevant customs authorities.

Free export license applications are valid for one year.

- For points 3 and 4 free exports are permitted directly by the customs office. However, pursuant to point 4 if the goods are not carried by the passenger and are sent before or after the passenger documentation is were bought in goods Turkey, if a vehicle transported the vehicle number in the register and registration with the tax authorities are necessary.

In the context of point 4, corporate entities, foreign tourists and Turkish citizens who have settled abroad and living abroad that intend to take with or send the goods or vehicles under the law of Article 11/1-b of value-added tax are entitled to the export of the desired product and vehicle free with permits given by the appropriate Customs offices upon presentation of sales slip from the buyer.

As for the receipt or receipts for the purchase, or a certified copy is sent to the Turkish Statistical Institute which is then sent to the Under Secretariat of Customs.

Exports of goods prohibited by Legal Decree and the International agreements are not allowed to be exported free. Goods that require special permit cannot be exported without first obtaining the approval of the respective authorities.

In order to export the goods that require price stabilization fund premiums submitted for free exports you need a bank receipt which shows that you complied for a payment, you will need to submit the bank receipt. Only the cost of goods fob, which does not exceed 1,000 U.S. dollars, shall be deducted from the DFIF.

On goods listed in Annex of Registered goods and having a value of FOB above 1.000 thousands of U.S. dollars, must be registered for the free export. It is impossible to use the export subsidies in the free export of goods on the subject. Free export within the scope of regulations above is not subject to the provisions of the standards and technical regulations on products. Within the scope of points 1,3,4,5and 6 of exports made under subparagraphs, shall not be required to be members of the Union of Exporters ([www.tim.org.tr](http://www.tim.org.tr)).

#### ***1.2.2.7. Export with commercial leasing***

Requests for export by commercial leasing are submitted to general secretary of exporters' association that the export is a member and in the region with the lease contract signed with the overseas company or organization including type of goods to be leased, technical specifications, G.T.I.P, quantity, unit price, value, term of lease, price and term and method of payment, place of delivery and 1 copy of application form for the export by commercial leasing completed (<http://www.egegumruk.com/>).

#### **1.2.3 Market Research And Target Market**

Market research is a process aiming to obtain basic knowledge and intelligence to determine potential internal and external markets ([www.uluslararasiticaret.org](http://www.uluslararasiticaret.org)).

Nowadays, one of the main problems that exporters meet is to collect necessary and certain data to manage the dynamics of the market (...) one of the most important barriers in front of the increase in internationalization and opening to foreign markets is the lack of information, which causes decreasing success, and even becomes an obstacle for them to start export (Akyol and Tanyeri, 2011:37).

Usually SME's don't make any market research (Karagöz, 2008:90). The managers of SME's mostly prefer to use their own observations instead of making market research. In fact, not using experts for marketing and (...) stuck in limited markets are important marketing problems for SMEs (Ayık and Keskin, 2008:476).

Fast technological changes and the globalization of the world market bring the results which play an important role of shaping export market opportunities to become successful in foreign markets, these changes must be predicted and develop proper strategies (Tabak and Tanyeri, 2004:84).

Market researches help to reduce those risks and making rational decisions. In the mean time it provides reducing the marketing costs by measuring the efficiency of marketing methods and choosing the right methods

Market research searches the answer of these questions:

- Who are the customers?
- Where do they exist?
- Who are the main players?
- How is the market divided in sections?
- What are the demand models?
- What are the market behavior models?
- What is the demand for which product and quality (Which product and at which quantity they are demanded?)
- What is the size of the market?
- What are the market prices?
- What are the trends in market?
- What are the distribution channels? ( [www.uluslararasiticaret.org](http://www.uluslararasiticaret.org))

### ***1.2.3.1 Resources of market research***

As a basis there are 2 types of market research

#### ***1.2.3.1.1. Desk research (secondary market research)***

Before starting desk research, the needed information must be determined. Researcher must go forward step by step and the gathered information should be analyzed carefully. Desk research involves gathering information from sources that already exist, such as libraries and market reports (<http://www.icaew.com/>).

Desk research has advantages like gathering information in a fast way, low-costed research, and provides researcher a prediction. But also has disadvantages like the gathered information is too general, it may be not updated and hard to check its correction (T.C.Ekonomi Bakanlığı [TCEB], 2012:14).

In order to make a proper desk research these steps should be followed:

Define the aim and work definition: The aim is to determine the countries that product may be sold and its potential customers. With desk research, researcher finds out the competition model of country, size of market, cultural, economic and geographical differences ,the detailed information of target markets to evaluate wants and needs of customers, compare and learn the constructed of targeted markets (TCEB, 2013a:9).

Categorization of product: For an efficient market research, the international code number of products must be found. In our country foreign trade statistics based on “harmonized system nomenclature’ and prepared with 12-based. Harmonized System codes can be found from Customs Management or Exporters’ Information Platform from application sources Harmonized System code guide.

After that, these questions should be answered: to which countries the product exported, which countries export this product, from where this product is imported, what is the size of market, what is the trend of the product in the world market (TCEB, 2012a:13).

### **Demographical data**

Population of a country can give a general opinion of consumer market. These are the population data that affects market demand:

- Total population
- Distribution of population
- Urban-rural population ratio
- Age distribution of population
- Gender distribution of population
- Family structure and features
- Education-profession groups, labor-non-labor distribution of population

### **Geographical data**

Working with foreign market, geography should have considered. Conditions of that country, transportation ways, and temperature measurements may affect exporters’ storage, package, and transportations operations. Also, the export product may need some modification according to the importer country’s conditions (TCEB, 2012a:16).

### **Social-economical data**

Population does not create demand on its own. Economic and social statues of population effect demand. Exporter must be sure about the consumer group he wants to sell his product and create a marketing strategy for that. It is meaningless try to sell an expensive product to lower-income group. National income per capita, gross national income, average labor salary, import-export amount, consumes spending, current account deficits etc. data may help to exporter.

Also, answers of what is the inflation rate, how does market and monetary regulations work are useful to know (T.C.Başbakanlık Dış Ticaret Müsteşarlığı [DTM], 2006a:20).

### **Cultural Data**

Religion, language, habits are effective factors on demand. It is an advantage to know the importer's country's cultural features. Life style, beauty perceptions are different in every culture. This information provides to integrate exporter's marketing strategy to importer country. It is important to figure out external markets are way too different from internal markets cultural differences shouldn't be ignored.

### **Technological-industrial data**

Technological development of a country effects its communication, transportation, distribution channels and also the exported-product. Amount of exported-product production in importer country, ability to produce that production, is it enough or is it dependent other countries, production capacity of other competitors, labor force of country, labor ratio, and total turnover etc. should be considered.

### **Political and legal data**

International relations are very important in international trade. Any small political crisis may cause major loses. Before the export activity, exporter should observe all the internal and external relations of importer country. It may be risky to work with a country with internal political problems. Or if the operation is going to happen, safe distribution channels and ways should be chosen.

Legally, these data's should be analyzed:

Tax regulations, commercial laws, legal restrictions, import-export regulations, especially, the import regulations or any other restrictions of importer country should be

considered. Otherwise exporters' product may stick in custom, or return back from custom. And it will cost a lot for the exporter. Other important factor is the support mechanism of private sector in importer country. Role of the government n private sectors relations, its effectiveness should be researched.

What is the importers attitude to foreign product import is government trying to reduce quotas, custom taxes and other commerce barriers. Also exporter should learn if is the country a member of WTO, can it play with custom walls anytime they want, can it forbid import? Working with economically and politically stabled countries may reduce the trade risks (DTM, 2006a:20).

### **Consumers**

When exporter is ready, he should search his buyers. There are different ways to find buyers. Some of them will be mentioned in market research. But most useful ways are working with old customers, if company exported before, or if it is new in market using chamber of commerce, ministry of economics, secretary of foreign trades' buying posts, or using b2b sites, or connecting with buyers directly from search engine results or sectoral web pages.

### **Competitors**

Exporter should define its competitors before entering the market. Exporter should learn if they are selling the same product, or the target market is same. Exporter will be one step forward from competitors if he can answer why consumers should choose his product. He should give some difference by his product or service, so that he would be the chosen one. Exporter may follow a different price strategy or if it is not possible, he could search other market opportunities. How many competitors are in market, origins of competitors must be learnt.

There are a lot of sources to use while making a desk research. These are:

### **Internet**

Internet is a source that you can have information about international markets, international trade, products, production methods, inventions about product and production etc. In addition; you can have information about statistics, company lists, governmental and private co operations and international bilateral agreements. Companies had recently discovered that internet is a useful resource to market their

products to foreign countries. Internet is a cheaper way to market services and products to worldwide market (Melemen, 2006:197). Many countries publish resources include product info, sector reports, statistics, buyer-seller posts, experiences of other exporters for SMEs, that have started export recently and try to broad their target market, these are accessible from internet too.

In Turkey, exporters can access to resources which are published by ministry of economy, chambers of commerce, association of exporters, undersecretary of foreign trades. In fact, to follow sales trends in target countries, b2b websites can be used. Suppliers and/or buyers' demands can give estimate results.

### **Published official statistics and reports**

As we mentioned before under the internet title, reports that published by government or private institutions provide more certain results, annual, 10 or 20 year period export data of statistic institutions can be analyzed. In addition, exporter can access various countries' foreign trade ministries, United Nations, world trade organization's and local chambers of commerce's published resources

**Table: 1 Websites Of Official Reports And Data's**

<a href="http://www.dtm.gov.tr">www.dtm.gov.tr</a>	Under secretariat of Foreign Trade
<a href="http://www.ibp.gov.tr">www.ibp.gov.tr</a>	Exporters' Information Platform
<a href="http://www.egebirlilik.org.tr">www.egebirlilik.org.tr</a>	Aegean Exporters' Associations
<a href="http://www.izto.org.tr">www.izto.org.tr</a>	Izmir Chamber of Commerce
<a href="http://www.tim.org.tr">www.tim.org.tr</a>	Turkey Exporters Assembly
<a href="http://www.tobb.org.tr">www.tobb.org.tr</a>	Union of Turkish Chambers and Commodity Exchanges
<a href="http://www.ebso.org.tr">www.ebso.org.tr</a>	Aegean Region Chambers of Industry
<a href="http://www.kosgeb.gov.tr">www.kosgeb.gov.tr</a>	Küçük ve Orta Ölçekteki İşletmeleri Geliştirme ve Destekleme İdare Baş.
<a href="http://www.hazine.gov.tr">www.hazine.gov.tr</a>	Under secretariat of Treasury
<a href="http://www.mfa.gov.tr">www.mfa.gov.tr</a>	Ministry of Foreign Affairs
<a href="http://www.ubak.gov.tr">www.ubak.gov.tr</a>	Ministry of Communications
<a href="http://www.eximbank.gov.tr">www.eximbank.gov.tr</a>	Turk Eximbank
<a href="http://www.tika.gov.tr">www.tika.gov.tr</a>	Turkey Cooperation and Development Agency
<a href="http://www.gumruk.gov.tr">www.gumruk.gov.tr</a>	Customs and Trade Ministry
<a href="http://www.tuik.gov.tr">www.tuik.gov.tr</a>	Turkey statistical agency
<a href="http://www.state.gov/r/pa/ei/bgn">www.state.gov/r/pa/ei/bgn</a>	U.S. Bilateral Relations Fact Sheets
<a href="http://www.odci.gov/cia/publications/factbook">http://www.odci.gov/cia/publications/factbook</a>	Central Intelligence Agency
<a href="http://www.wto.org">www.wto.org</a>	World Trade Organization
<a href="http://www.worldbank.org/">http://www.worldbank.org/</a>	World Bank
<a href="http://www.un.org">www.un.org</a>	United Nations

In addition, exporter can access various countries' foreign trade ministries, United Nations, world trade organizations and local chambers of commerce's published resources.

### **Guides**

Countries tempted to increase export, publishes export guides to help local companies. As an example, Turkey aims 500 billion dollars-export in 2023.and for that reason, government should inform companies. So that, resources like İhracatçının yol haritası, 100 Soruda Dış Ticaret, 10 Adımda İhracat are being published by Ministry of Economy and Under secretariat of Foreign Trade.

#### ***1.2.3.1.2. Field research***

Primary market research (field research) includes data collected researcher himself. Primary data is hard to collect but it gives more trustable results than secondary data. Mostly it is used when the secondary data isn't enough. There are several ways to make a field research:

- One-to one interviews with distribution channels.(importers/wholesalers)
- Researcher may observe consumers behavior or make a face-to face research.
- Researcher may interview with potential buyers.
- Researcher may observe competitors' stores.
- Researcher may visit fairs, exhibitions etc.
- Researcher may visit markets, or similar retailers' stores
- Researcher may interview with professional associations.
- Researcher my interview with industrialists who use exporter's product as input.
- Researcher may interview with exporters product's local producers and see their factories.
- Researcher may visit showrooms.
- Researcher may interview with producer/importers associations.
- Researcher may interview with foreign trade development institutions.
- Researcher may interview with related public institutions (TCEB, 2012a:28).



### **1.2.3.2. Evaluating data:**

After making a desk research, important step is to evaluate the data. All the collected data may not be useful so, according to Cem Kozlu (2011) *Uluslararası Pazarlama, İlkeler ve Uygulamalar* book ,while eliminating data, these factors should be considered:

- Scope: Is resource examine the subject widely and detailed?
- Level: Is resource is scientific enough?
- Emphasize: Is resource emphasizing the subject? Is it processing the subject deeply?
- Actuality: One of the most important facts while making desk research is the actuality of that resource. A company, who tried to enter new markets, should have updated data. It is not possible to be sure about a 10 year old desk research's' actuality. Old data only provides very general and restricted information.
- Accuracy: Is data verified from first degree resource? Who collected data and how? Is resource objective?

## **1.3. Export Documents**

### **1.3.1. Custom declaration**

It is a document that is filled in line with the customs legislation, confirmed by the relevant exporters association and then submitted to the customs administration. Uniform Customs Declaration is arranged in 8 issues.

Information Recorded in Customs Declaration Form:

- Declaration
- Sender/Exporter
- Forms
- Loading Lists
- Number of Items
- Number of Cups
- Reference Number
- Receiver
- Financial advisor/Public Accountant
- Country of Destination

- Country with which trade is conducted
  - Agricultural Policy
  - Affirmant
  - Country of Origin
  - Country of Export
  - Identity of the Vehicle in the exit and name of the Country that it is registered
  - Container
  - Delivery Method
  - Identity of the mobile Vehicle that is going to cross the border and name of the Country that it is registered
- Country that it is registered
- Foreign Exchange and Total Invoice Amount
  - Foreign Exchange Rate
  - Quality of the Transaction
  - Way of Transportation at the border
  - Domestic Way of Transportation
  - Place of Loading
  - Financial and Banking Data
  - Customs Administration in the exit
  - Place where the item is located
  - Description of the Cups and Items
  - Code of the Items
  - Code of Country of Origin
  - Gross Weight (kg)
  - Regime
  - Net Weight (Kg)
  - Quota
  - Abstract of the Declaration
  - Supplementary measurement
  - Additional Information, Submitted Documents, Preliminary Permits
  - Calculation of Taxes
  - Postponement of the Payment

- Type and Code of the Warehouse
- Place and Date ([www.tim.org.tr](http://www.tim.org.tr)).

### **1.3.2. Invoices**

#### ***1.3.2.1. Commercial Invoice***

The most important collection document is probably the *commercial invoice*, which describes the goods in detail and lists the amount owing by the foreign buyer. Exporters' invoice must accord importers' country's regulations.

Invoice is the first prepared document before sending the goods. These invoices are often used by governments to determine the true value of goods when assessing customs duties ([www.unzco.com](http://www.unzco.com)).

Usually it is ordered both English and Turkish (amount of copies can change according to agreement.) Commercial invoices are prepared by exporter with seal of ministry of finance and/or with notary approve. According to importers' demand, commercial invoice can be approved by chamber of commerce ([www.tim.org.tr](http://www.tim.org.tr)).

Must include:

- Date of issue
- Names and addresses of the buyer and seller
- Contract or invoice number
- A description of the goods and the unit price — the total weight and number of packages
- Shipping marks and numbers
- Terms of delivery and payment (<http://www.tradecommissioner.gc.ca/>).

#### ***1.3.2.2 Proforma Invoice***

Proforma invoice is the first step of international commerce. It defines the offer price .It includes name, specification of product, amount, price, payment and delivery terms, and the transportation. Importer gives the order according to proforma. After acting on the behalf of payment terms it becomes a certain sale. Proforma definition should be written on invoice. Also it is used to start a L/C order. Importer should give the order between the dates which are written on proforma invoice. After that proforma becomes commercial invoice. Proforma does not create any financial obligation for both sides.

### ***1.3.2.3. Original invoice***

It is an invoice prepared after the sales transaction. It is the document that shows sale operation is certain. Usually, original invoice is sent to importer by exporters' bank ([www.tim.org.tr](http://www.tim.org.tr)).

### ***1.3.2.4. Freight Invoice***

Freight refers to the carriage price of the good in sea and/or internal water carriage. When exporter gets responsibility to pay freight (CIF, CFR...) on bill of lading there should be a statement written freight prepaid. This invoice shows that freight is paid by exporter before the shipment. It is an obligatory document for these delivery terms because importers bank demands the invoice ([www.oaib.gov.tr](http://www.oaib.gov.tr)).

### ***1.3.2.5. Consular Invoice***

These are invoices in which origin, unit price and value of the good are approved by the Consulate of the country where the good is delivered.

### ***1.3.2.6. Legalized / Certified Invoice***

Legalized Invoice is provided when the foreign buyer's commercial invoice that is made out by the exporting company, is approved by the Consulate of the importing countries.

### ***1.3.2.7. Special invoice***

This document is prepared to ensure that the exemption of Value Added Tax is implemented in sales conducted with foreigners.

### ***1.3.2.8. Detailed invoice***

Detailed invoice is issued by the seller or sender to demonstrate the amount of goods of different types and values placed in various cups ([www.tim.org.tr](http://www.tim.org.tr)).

## **1.3.3. Movement certificates**

### ***1.3.3.1. Certificate of Origin***

A certificate of origin is a document that is required in certain nations. It is a signed statement as to the origin of the export item. Certificate of origin are usually signed through a semiofficial organization, such as a local chamber of commerce. A certificate may still be required even if the commercial invoice contains the information ([www.unzco.com](http://www.unzco.com)).

Some countries (i.e., numerous Middle Eastern countries) require that certificate of origin be notarized, certified by local chamber of commerce and legalized by the commercial section of the consulate of the destination country ([www.export.gov](http://www.export.gov)).

This information must be included:

- Sender
- Receiver
- Type of the goods, properties
- Package information
- Number of boxes
- Model and serial number of boxes
- Gross and net weight of goods
- Unit price of good
- Price of goods (FOB, CIF...)
- Name of vessel and shipping date
- Port of loading or destination
- If the product is changed in Turkey and that's why its origin is Turkey, it should be defined on document(DTM,2007:14).

#### ***1.3.3.2. A.TR Movement Certificate***

It is a document for importer to use custom privilege of the country where products will be delivered. It has to be approved and filled form -which is taken by local chamber of commerce or chamber of industry- by exporter or its representative.

This is a free movement document for goods between turkey and EU community countries to benefit custom privileges of Turkey. It is regulated with 2002/4616 no 24.07.2002 dated rule. This document is prepared 5 copies. One copy goes to chamber of commerce (white copy); one stays at exporter (green copy).Other copies are used in custom operations. Custom Union includes industrial products. But some agricultural goods are in this scope too. But agricultural products are not in the Custom union like tomato paste, vegetable and fruit cans, juices, cheese, dried and frozen foods and meat products. Commerce of these products is being done with EUR certificate.

#### ***1.3.3.3. EUR.1 Movement Certificate***

It is prepared for exports to EFTA countries, ECSC goods, countries that Turkey has free trade agreement and agriculture goods sent to EU. It provides custom privileges and it can be taken from local chamber of commerce. After approved by chamber, it is submitted to custom management. It includes agricultural products export to EU and European coal and steel community products. This document is also prepared by chamber of commerce. It is prepared 5 copies. One copy (white) stays with chamber of commerce, original copy stays with exporter others are used in custom operations.

#### **1.3.4. Certificates**

##### **Suppliers' Declaration**

This document is used with A.TR Movement Certificate and demonstrates the origin of the good which is subject to the Pan-European Mediterranean Cumulation.

##### **EUR-MED Movement Certificate**

This document demonstrates the origin of the goods exported to the countries that are parties to the PAAMK (Pan-European Mediterranean Cumulation).

##### **Phytosanitary Certificate**

The exporter of herbal products has to supply Phytosanitary Certificate in order to prove that the products are immune from disease and dangerous elements. It is prepared by Ministry of Food, Agriculture and Livestock and branches in cities.

##### **Conformity Certificate**

The agricultural products which take place in technical arrangement in foreign trade and standardization regulations are subject to compulsory quality control in exporting. The purpose of this application is maintaining credibility and creating stable markets for traditional agricultural products in foreign countries.

##### **Seedless Raisins Certificate of Analysis**

Firms that export sultana to USA, Canada and Australia are required to obtain an analysis report for the lead residue and pesticide which should be taken from Izmir Institute of Public Health, Izmir Provincial Directorate of Agriculture or Aegean University Pharmacokinetic drug development research and application centre's laboratory (ARGEFAR).

### **Natural bee honey analysis certificate**

During the stages of honey exports and imports certificate of analysis of natural bee honey is one of the compulsory documents asked at the customs. The purpose of the application is to prevent export and import of fraudulent and adulterating honey.

### **Stock Exchange Registration Statement**

In exports of agricultural products, declaration registration of the stock market is one of the documents which should be submitted to the customs administration.

### **Convention on international trade in endangered species**

CITES Certificate is attached to customs declaration forms in case animal and plant species that are becoming extinct are exported.

### **Harvest document**

This document approved by the Ministry of Agriculture and Rural Affairs, Provincial Directorate of Agriculture states bulbs are either nourished or produced.

### **Origin document**

This document approved by the Ministry of Agriculture and Rural Affairs, Provincial Directorate of Agriculture, is required to receive permission for exporting natural bulbs acquired from state forests

### **Forest/Monopoly *Shipment***

In order to export forest products this document is arranged from the production site.

### **Helal Certificate**

This document is requested by Muslim countries in importing meat to prove animal slaughtering is realized in line with Islamic rules.

### **Industrial Quality Assurance Certificate**

This document refers to Industrial Quality Assurance Certificate given by the Ministry of National Defense.

### **Good manufacturing practice**

This document is given by the Ministry of Health to pharmaceutical manufacturers in order to prove that in every stage of production quality control is assured.

### **Industry Register Certificate**

This document is given to industrial enterprises, enterprises serially and continuously running repairs, power stations producing electricity and other types of energy and construction places that are subject to the 6948 numbered Industrial Register Law.

### **Type Approval Certificate**

This document is given solely to automotive manufacturers by the Ministry of Industry and Trade.

### **Radiation Certificate**

This document is prepared by Turkish Atomic Energy Authority in response to demand of exporting companies in order to submit to the authorities in importing countries.

### **Boycott/Black List Certificate**

As countries which are in the state of war with each other or have their political relations interrupted, trade partners declare that they are not associated with the black list.

### **Certificate of Analysis**

In case it is necessary independent authorities and institutions make an analysis of the sample of goods especially chemical goods.

### **E1 laminate flooring document**

This document demonstrates that amongst the components of laminate flooring, there aren't any elements harmful to health or even such elements appear the amount is suitable with international standards.

### **Expertise report**

If customs administrations have doubts on exported or imported goods, expertise report on the price, amount, quality, commercial practice and related matters is prepared.

### **ATA Carnet**

This Carnet is provided to increase international commercial and cultural activities by assuring that goods are temporarily exempted from taxes ([www.tim.org.tr](http://www.tim.org.tr)). An ATA Carnet, a. k. a., "Merchandise Passport," is a document that facilitates the temporary importation of products into foreign countries by eliminating tariffs and



value-added taxes (VAT) or the posting of a security deposit normally required at the time of importation ([www.export.gov](http://www.export.gov)).

#### **Inspection Certificate**

This document is provided by an inspection company to determine whether the dispatched good is in conformity with the order of importer.

#### **Kosher Certificate**

This document shows that the products are in conformity with Jewish rules. This certificate is particularly requested in exporting food products to Israel.

#### **Forest Stewardship Council**

Consumers are guided not to purchase wooden products acquired from forests that are becoming extinct. In this regard, the usage of certified timber is proliferating. This certificate is given by Forest Stewardship Council.

#### **Kimberly Process Certificate**

In the shipment of rough diamond, each loading has to be realized in conformity with Kimberley Process Certificate System.

#### **Health Certificate For Animal Export**

This document is necessary when exporter sells living animal, animal products, seafood products. These documents show that these products are clean and do not dangerous for human health. It is given by Ministry of Food, Agriculture and Livestock and branches in cities.

#### **Certificate Of Inspection**

For fresh fruit and vegetables, cotton, vegetable oil dried fruits and legumes inspection is an obligation for export. This document is given by Standardization in Foreign trade group chairman.

#### **Carpet Expertise Report**

In our country it is forbidden to export old antique pieces. To determine if exporting carpets are antique, this expertise report is given by chamber of commerce.

#### **Insurance Policy**

This document is prepared before the definite insurance by the companies with more than one loading. Insurance policy documents the insurance contract and demonstrates the right and duties of insurer and insurance consumer ([www.tim.org.tr](http://www.tim.org.tr)).

### **1.3.5. Bills of lading**

This document is the receipt given by the shipping company to the shipper for goods accepted for carriage by sea. If in negotiable form it also conveys title to the goods and the goods will only be released by the shipping company at destination against surrender of a signed original of the bill of lading. Finally, the bill of lading evidences a contract of carriage.

These information must be written on bill of lading:

- Shipper's signature
- Shipper's full name or commercial name
- Type of goods, measures, weight, model and other properties
- Date and place of issue
- Number of copies

#### ***1.3.5.1. Short form bills of lading***

One of the three functions of a bill of lading is to provide evidence of the underlying contract of carriage by sea which comes into being with the reservation of space on board a ship. The shipping company's terms are usually given in full on the reverse, but with the short form bill this is not the case. The essence of the "short form" is the complete removal from the reverse of the bill of lading of the "small print" which gives details of the contract of carriage. Definition is: "bills of lading issued by shipping companies or their agents who indicate some or all of the conditions of carriage by reference to a source or document other than the bill of lading".

#### ***1.3.5.2. Bills of lading (Liner)***

These are issued by shipping companies in respect of goods carried on regular line vessels with scheduled runs and reserved berths at destination. Such means of transport has possible advantages over tramp vessels which do not necessarily adhere to a very strict schedule and may make unscheduled calls at various ports on the way to the ultimate destination. Shipping lines serving the same routes or destinations may form a conference, within which agreements are made over such matters as the terms and conditions of bills of lading, freight rates, and sometimes of sailing and use of berthing facilities ([www.fao.org](http://www.fao.org)).

#### **1.3.5.3. Road waybill (CMR)**

The CMR (Convention Merchandises Routers) consignment note is an internationally approved and recognized non-negotiable transport document used when goods are travelling by road through or to countries which are parties to the CMR. The contracting countries are Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Finland, France (including overseas territories), Federal German Republic, German Democratic Republic, Gibraltar, Greece, Hungary, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, United Kingdom (including Northern Ireland) and Yugoslavia. As well as its function as a receipt and delivery document, the note provides written evidence that goods are being carried under the terms of the CMR.

#### **1.3.5.4. Air waybill**

An air waybill (AWB) is a document made out by or on behalf of the shipper which evidences the contract between the shipper and the carrier(s) for carriage of goods over routes of the carrier(s). The AWB can be in the form of an:

- Airline air waybill, with pre-printed issuing carrier identification
- Neutral air waybill, without pre-printed identification of the issuing carrier in any form ([www.iata.org](http://www.iata.org)).

The waybill is a receipt only and not a document of title and the goods are delivered to the named consignee without further formality once customs clearance has been obtained. If the third original document is in the hands of the shipper this can be surrendered to the airline before delivery is made to the consignee.

#### **1.3.5.5. Rail consignment note CIM/CIV**

Specifies the standard way international carriage of freight by rail is to be performed so as to ensure the integrity of the contract of carriage. Goods will be released to the consignee, upon application and normal proof of identify, by the rail authorities at destination or by delivery direct. Control over the goods would be arranged in the same way as for an air consignment. The rail consignment note should bear the stamp of the station of departure and the date of departure ([www.fao.org](http://www.fao.org)).

### ***1.3.5.6. FIATA documents (FCR/FCT/FBL)***

#### ***1.3.5.6.1. Forwarder Agents Certificate of Recipient***

The FCR (forwarding agent's certificate of receipt) is a blocking document similar to the consignment note used by railways. With the FCR, the forwarding agent certifies that he has received the shipment for irrevocable transport to the designated recipient. The shipment can be revoked only if the original document is returned. The wording of the forwarding agent's certificate of receipt must be authorized by the FIATA, and prepayment instructions must follow Inco term regulations. The FCR is a letter-of-credit document.

#### ***1.3.5.6.2. FCT forwarders Certificate of Transport.***

By issuing the FIATA FCT document to the consignor, the freight forwarder certifies that he has assumed responsibility to dispatch the delivery of specific goods according to instruction he has received from consignor as indicated in the document. This document arranged full set to promissory. Goods will be delivered in return submitting original FCT to receiver at delivery point.

#### ***1.3.5.6.3. FBL Negotiable FIATA Multimodal Transport Bill of Lading***

This document, developed by an international association of forwarding agents called FIATA, is a sellable ocean bill of lading for combined transports using several means of transport, which are also known as multi-modal or intermodal transports. The issuer, usually a forwarding agent, is liable for losses and damage with two special drawing rights (the World Bank's universal unit of account) per kilogram. Or he is liable in the manner that the person who caused the damage would be if this blame can be clearly ascertained. The FBL is recognized by the International Chamber of Commerce as a document eligible for letter-of-credit procedures (<http://www.dhl-discoverlogistics.com>).

### **1.3.6. TIR carnet**

The TIR Carnet is a customs transit document used to prove the existence of the international guarantee for duties and taxes for the goods transported under the TIR system, within the limit of the amounts specified by the contracting parties and under conditions stipulated in the TIR Convention (<http://www.iru.org/>).

### **1.3.7. Weight note**

This document refers to the net and gross weight as well as volume of the goods that are declared by the exporter in export declaration, customs declaration and bill of lading.

### **1.3.8. Packing list**

It is arranged by the seller to designate the type and number of the goods inside the packages ([www.tim.org.tr](http://www.tim.org.tr)). These documents set out details of the packing of the goods. These are required by the customs authorities to enable them to make spot checks or more thorough checks on the contents of any particularly package. The packing list has no details of cost/price of the goods; the specification does have these details.

### **1.3.9. Form A**

Turkey has special custom privileges with these countries: Belarus, Japan, Canada, Russia Federation, Ukraine, and New Zealand. While trading with them Form A should be prepared.

## **1.4. Export delivery terms-incoterms**

Among the titles that exporters and importers spend time when selling, item's type, price and payment type are upon first. When exporters calculate price they have to consider the delivery term that importers requested. The price topic, which is substantial and takes long time, is easily concluded and written into contracts with Inco terms that International Chamber of Commerce (ICC), has published (Özkan, 2012:1).

The Inco terms rules are an internationally recognized standard and are used worldwide in international and domestic contracts for the sale of goods. First published in 1936, Inco terms® rules provide internationally accepted definitions and rules of interpretation for most common commercial terms.

INCOTERMS 2010 rules formally recognize that they are available for application to both international and domestic sale contracts (Caner, 2010:227).

The rules have been developed and maintained by experts and practitioners brought together by ICC and have become the standard in international business rules setting. Launched in mid-September 2010, Inco terms® 2010 came into effect on 1 January 2011. They help traders avoid costly misunderstandings by clarifying the tasks,

costs and risks involved in the delivery of goods from sellers to buyers. Inco terms® rules are recognized by UNCITRAL as the global standard for the interpretation of the most common terms in foreign trade (<http://www.iccwbo.org/>).

Inco terms® provide a common set of rules to clarify responsibilities of sellers and buyers for the delivery of goods under sales contracts. They apportion transportation costs and responsibilities associated with the delivery of goods between buyers (importers) and sellers (exporters) and reflect modern-day transportation practices. Inco terms® significantly reduce misunderstandings among traders and thereby minimize trade disputes and litigation ([www.export.gov](http://www.export.gov)).

Inco terms® 2010 are the updated version of Inco terms®. Inco terms® 2010 have been developed as a result of an extensive review of current shipping practices and trends in an effort to keep up with the rapid expansion of world trade. The key drivers for this update include: a need for improved cargo security, changes to the Uniform Commercial Code in 2004 that resulted in a deletion of U.S. shipment and delivery terms, and new trends in global transportation.

The two main categories of Inco terms® 2010 are now organized by modes of transport. Used in international as well as in domestic contracts for the first time, the new groups aim to simplify the drafting of contracts and help avoid misunderstandings by clearly stipulating the obligations of buyers and sellers ([www.export.gov](http://www.export.gov)).

#### **1.4.1. Group 1. Inco terms® that apply to any mode of transport**

##### ***1.4.1.1. EXW Ex Works***

EXW (Ex Works) EXW represents the minimum obligation for the seller (as opposed to DDP). The seller fulfills his obligation to deliver when he places the goods at the disposal of the buyer at the seller's premises or at another named place (works, factory, warehouse, etc.), not loaded, not cleared for export. The contractual shipper on the waybill should be the buyer.

##### ***1.4.1.2. FCA Free Carrier***

Free Carrier means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller's premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

#### ***1.4.1.3. CPT Carriage Paid To***

Carriage Paid To means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination.

#### ***1.4.1.4. CIP Carriage and Insurance Paid To***

Carriage and Insurance Paid to means that the seller delivers the goods to the carrier or another person nominated by the seller at an agreed place (if any such place is agreed between parties) and that the seller must contract for and pay the costs of carriage necessary to bring the goods to the named place of destination. The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

#### ***1.4.1.5. DAT Delivered at Terminal***

Delivered at Terminal means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes a place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

#### ***1.4.1.6. DAP Delivered at Place***

Delivered at Place means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

#### ***1.4.1.7. DDP Delivered Duty Paid***

Delivered Duty Paid means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport

ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities (<http://www.iccwbo.org/>).

**1.4.2. Group 2. Inco terms® that apply to sea and inland waterway transport only**

***1.4.2.1. FAS Free Alongside Ship***

FAS means that the seller in principle delivers when the goods are placed alongside the vessel (e.g. on a quay or a barge) nominated by the buyer at the named port of shipment. The seller has to clear the goods for export. The buyer organizes the main international transport, although if it is commercial practice, or at the buyer's request, the seller may again organize transport at the risk and expense of the buyer.

***1.4.2.2. FOB Free on Board***

Free On Board means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.

***1.4.2.3. CFR Cost and Freight***

CFR equally has two 'critical points'. Delivery, and thus passing of risk, occurs in the port of departure, when the seller places the goods on board the vessel (as in FOB). On the other hand, the seller pays the freight until the port of destination. In other words, sea carriage is for the account of the seller, but occurs at buyer's risk.

***1.4.2.4 CIF Cost, Insurance, and Freight***

Cost, Insurance and Freight means that the seller delivers the goods on board the vessel or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel. The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

The seller also contracts for insurance cover against the buyer's risk of loss of or damage to the goods during the carriage. The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have



more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

## CHAPTER II: EXPORT STRATEGIES

### 2.1. Opportunities for finding customers online

Nowadays, the internet is no longer used only for entertainment but has become a communication network. Using the internet effectively is a great opportunity to improve their sales network for SMEs. Especially being aware of developments in a foreign country, being able to communicate with foreign entities can be used to respond more quickly to customer needs.

With increasing competition conditions, in order to enhance the competitiveness of enterprises, more emphasis is given to the use of electronic commerce. Increasing market share is getting more and more difficult for SMEs. For these enterprises to construct new distribution channels and to expand in new markets is both tough and an expensive job (Türkmen and Songur, 2010:241).

Researches show that, in general reasons to use foreign trade were identified as speed, cost, communication, and new customer and market opportunities (Kara and Coşkun, 2012:184). Internet allows companies a wide range market in abroad and gives them a new perspective. By using the internet SMEs can work on these issues:

Introducing the companies' activities: Through the company's web site publicizing the company and the possibility to receive feedback directly from the customer that enables making contact with potential partners is an inexpensive method.

Introducing the product or the service: Demonstrating export oriented product or services on the website will give those who visit the site an overview of product/service. This is less expensive than other advertising mediums. It also allows more feedback from people searched.

Researching Foreign Markets: As explained in the internet market research part, internet is a wide source to obtain information within the context of different countries, international markets, products and production methods. In addition, information of statistical nature, the list of companies and private organizations may be obtained (DTM, 2006a:25).

SMEs should have an access to the internet to perform this task. Essentially, a well-organized web site is a good starting point for foreign trade.

Web site ownership is the most important need of a company engaged in foreign trade. Also it is understood that companies first research the addressee on the web and if the company hasn't got a website, company is perceived as unreliable (Kara and Coşkun, 2012:187).

A web site has to have in at least the following information:

- Company's profile, organization, objectives, vision and mission
- Information on company's products
- Contact Information
- Order form or a message system for communicating
- If available, job offers of the company and the human resources department
- Products' images, photos of facilities'
- If any, received certificates, documents,
- If any, references can be written

Internet is a cheap and an effective method for SMEs enabling them to find customers in the international market. But it can't be decided if a buyer is serious or not from a web site. Confidence is a key element in using e commerce.

It can be said that the most important problems prevent the development of e-commerce is, due to lack of confidence customers do not prefer the company, using a method which is not used commonly in the sector and with the lack of technical infrastructure, and we can say that there is a need for education (Türkmen and Songur, 2010:241).

Resources of finding customer on the internet are various. Information can be gathered from websites about companies in the sector, yellow pages and sales are some of these sources.

Additionally, if information is gathered by Undersecretaries, companies in the same sector engaged in importing in that country, can have access to their data. Or merchandise requests can be examined from your own chambers of commerce.

### **2.1.1. Fairs**

In a predetermined and specific time period, trade fairs and exhibitions are physical location where commercial purposes of goods and services exhibited, introduce potential buyers with sellers and establish new business connections. Fairs and

exhibitions are very important promotion tools that have functions such as bringing together buyers and sellers, presenting product, measuring the response of the buyer, finding potential customers and new distribution channels (DTM, 2006a:29).

Between the best and the most effective publicity tools, fairs offer many facilities to exporters. Facilities at the top of the list are:

- Introducing potential customers with companies
- Establishing a direct contact with inter-enterprise
- Forming cooperation with foreign partners, promoting products and services effectively
- To strategize by seeing the products and services' quality and prices in the same and similar sector
- Opportunity to have the chance to know the latest high technology

Attending fairs bring advantages to companies in terms of retail, communication and strategy. Buyer and seller have the opportunity to meet although it is for a short-time these fairs where products are demonstrated and meet have characteristic of a sales center ([www.oaib.org.tr](http://www.oaib.org.tr)).

#### ***2.1.1.1. Types of Fairs***

Fairs are large sophisticated organizations in which industrial, agricultural, and commercial products and services pertaining them are exhibited, technical developments are introduced, and information is exchanged , the area where buyers and sellers meet and thus having an important role in the development of the country, in stores a specific and a large number of goods. They open in predetermined time and specific location and are especially established in important industrial, agricultural and commercial centers.

In a general classification international fairs can be divided as general fairs where goods and services from all sectors can be exhibited and special fairs where a specific product or a product group or of goods and services on sector basis are exhibited. However, it requires a detailed classification because of having been important developments in the fields of fairs in time and increasing level of specializing.

##### ***2.1.1.1.1. General Trade Exhibitions***

Overall goods for consumers of all kinds, agriculture and industrial goods can be demonstrated in general fairs. Because they are open to the public, this fair also attracts

visitors from the business community. In addition, beside the general purpose of trade, fairs in terms of being open to all ages and tastes of consumer are places where consumer goods and consumers should be included and new products are introduced and exhibited. The most important problem in general fairs is to pull potential customer into booth. Since these are crowded, only some of the visitors are bona fide customer. This kind of fairs considerably decreased amongst fairs. In some of the fairs organizers keep a specific day of fair days open only to businessmen.

#### ***2.1.1.1.2. General Consumer Fairs***

They are the fairs where a wide variety of consumer goods are exhibited. The main purpose of participation of these fairs is to meet current and new customers and also to introduce products to consumers. General Consumer Fairs virtually aim at promotion as well as offer sales opportunities.

#### ***2.1.1.1.3. General Industry Fairs***

These types of fairs cover many aspects of industry branches and exhibit a wide range of industrial products. These fairs need more space, a long and difficult period of study than other fairs and for this reason their numbers are less than other fairs.

Since both General Consumer Fairs and General Industry Fairs exhibit a wide range of products, nowadays they increasingly lose their importance and are less preferred by firms.

#### ***2.1.1.1.4. Special Fairs***

These fairs are specialized in various degrees. Generally they are open to businessman and some of them partially to other visitors. Special fairs are organized only for consumption goods or industry goods or services on sector basis and constitute a majority amongst all fairs.

Due to attracting the attention of businessmen on a lot of the products on display, Special Fairs are considered to be the most important one amongst other fairs. A company participating in this kind of fair, either from the country that organizes the fair or from other countries very high chances of making commercial connections and encountering with a large number of importers. Special fairs are great for companies trying to penetrate the market to find agents or and increasing the sales.

#### ***2.1.1.1.5. Solo Fairs***

Solo Fairs are fairs which a country participates on its own. Organized in various countries, our country's fairs "Turkish Export Products Exhibitions" and "Turkish Weeks" are examples of this type of trade fairs and exhibitions. If targeted visitors come to the fair, without other countries' and of firms' competitiveness, quite successful results can be achieved ([www.oaib.org.tr](http://www.oaib.org.tr)). Participation in a trade fair requires a good preparation. First of all, which fair is appropriate should be determined, according to that preparations should be made. Before participating a fair:

- Target group should be determined.
- Publications, brochures for the fair should be prepared.
- Information of companies participating in fair should be obtained and brochures should be sent.
- Exhibition catalog entry should be done.
- Necessary promotion and advertising activities should be done.
- Personal contacts must be made (DTM ,2006a:31).

In comparison with internet marketing, trade fairs are more expensive and time-consuming promotion method. However some opportunities can be lost because of inaccessibility of reaching right customer on the internet. Fairs are places where buyer and seller find opportunity to meet one on one. Feedback from the fairs is healthier. Researches show that most of the buyers while making purchasing decision, they first of all use information obtained from the trade fairs (DTM, 2006a:33).

#### ***2.1.1.2. Cost of Fairs***

Costs vary according to the trade fair to attend; generally the overall spending on items is as follows:

- Stand costs
- Exhibition products
- Transport
- Personnel Costs
- Promotion Costs
- Promotions

Fairs organized by individual participation- Fairs organized by national participation. Also the Ministry of Economy provides subsidies to the companies for participating at trade fairs.

## **2.2. Distribution channels in international markets**

### **2.2.1 Definition of distribution and distribution channels**

Business organizations that turn towards the international markets no matter how well organized with other marketing activities must be diligent if they cannot manage distribution channels which transport products to consumers(buyers),if because of faulty distribution the price increase and their product will not be sold (Akat, 2009:141). Selecting distribution channels is a tough work for companies. It is not only difficult to change but initial wrong decisions may give poor results (Osman and Westgerd, 2005:4).

Basically distribution is the movement of goods and services from producer right up to the final customer at the right place and at the right time. As for distribution channel during delivery, it is a followed route that goods and services follow from producer right up to the final customer (DTM, 2006b:5). Behind the internationalism process of many exporters, intermediaries have an entrepreneurial role (Peng and York, 2001:341). Intermediaries help clients search for new opportunities to trade, new sources of products, new materials and design and new ways which supply and demand can be integrated (Muthuvelayutham and Karuppasamy, 2012:70).

Small and new ventures use intermediaries to sell their goods and services across national borders. SMEs use intermediaries to overcome knowledge gaps, find buyers and reduce the risk related with entering new markets (Hessels and Terjersen, 2007:4).

The nature of distribution channels and actors varies country to country. And exporters have to deal with differences in every new market (Velasquez, Sanchez and Blake, 2012). For example in some countries like Japan and South Korea, export intermediaries handle almost half of the total exports (Hessels and Terjersen, 2007:5).

Therefore, target country's distribution channels in the target market should be investigated thoroughly; the most appropriate distribution system for this system should be established (Mucuk, 2009:335).

For business organizations launched for international marketing, time, place and the benefits of ownership created is provided with determining right distribution channels with their effective management (Sari, 2007:90). Distribution channels effectiveness is related with the export performance of SMEs (Kuswantoro et al., 2012:58).

- The importance of determining the distribution channels can be listed thus:
- Marketing channels' decisions effect the price the final customer will pay: In international marketing appropriate distribution policies will affect the price of the final product. Any use of the intermediaries will also reflect on the price of the product.
- Policies regarding channels are related to production decisions: Fluctuation in production can be prevented by choosing appropriate distribution channels.
- While selecting channel, development process can be slow and expensive. Developing and building distribution channels are long processes. It can slow down putting the product on sale or it can cause delay penetrating the market.
- In determining international marketing channels, fluctuations in economic activities also have importance. Exporter can maintain efficiency in multiple markets and economies of every country are different from each other. Any of the fluctuation in one, will affect the others. The use of appropriate distribution channels can prevent unfavorable influence (Akat,2009:143).

Before choosing distribution channel, exporter should determine the target market. He should identify customers he wants to sell to and should follow a distribution policy for them.

It was mentioned that distributors have more advantage on international products with stock. Distributors having more storage than the other intermediaries can stock merchandise in large quantities and they can sell a part of it and stock the rest. Durable consumer goods, white goods and the goods etc exporter should decide on the intermediaries after considering the opportunity of stocking.

If producer sells products to distant countries or prepared bulk orders it is better to choose intermediaries working with stock. If the time of delivery is long there will be a matter of waiting for each order. When intermediaries working with stock use up theirs, they can order more when necessary.



If the firm wants to keep products and sales policies under control, firm can prefer intermediaries as sales agents or sales representative they don't have authority on policy. Thus it can also be involved in marketing activities.

If company is to work with intermediaries with the authorization, shared promotion policy can be demanded. Distributors will prefer to work with local advertising agents for the product advertising. Producer can demand to be involved with advertising activities and to run a shared project.

Choice should be made by studying which intermediary is more effective in which area. It should be investigated whether the agent operating nationwide or a limited region. The agent's experience, physical resources and reputation helps us identify how effective the intermediary is (Akat, 2009:146).

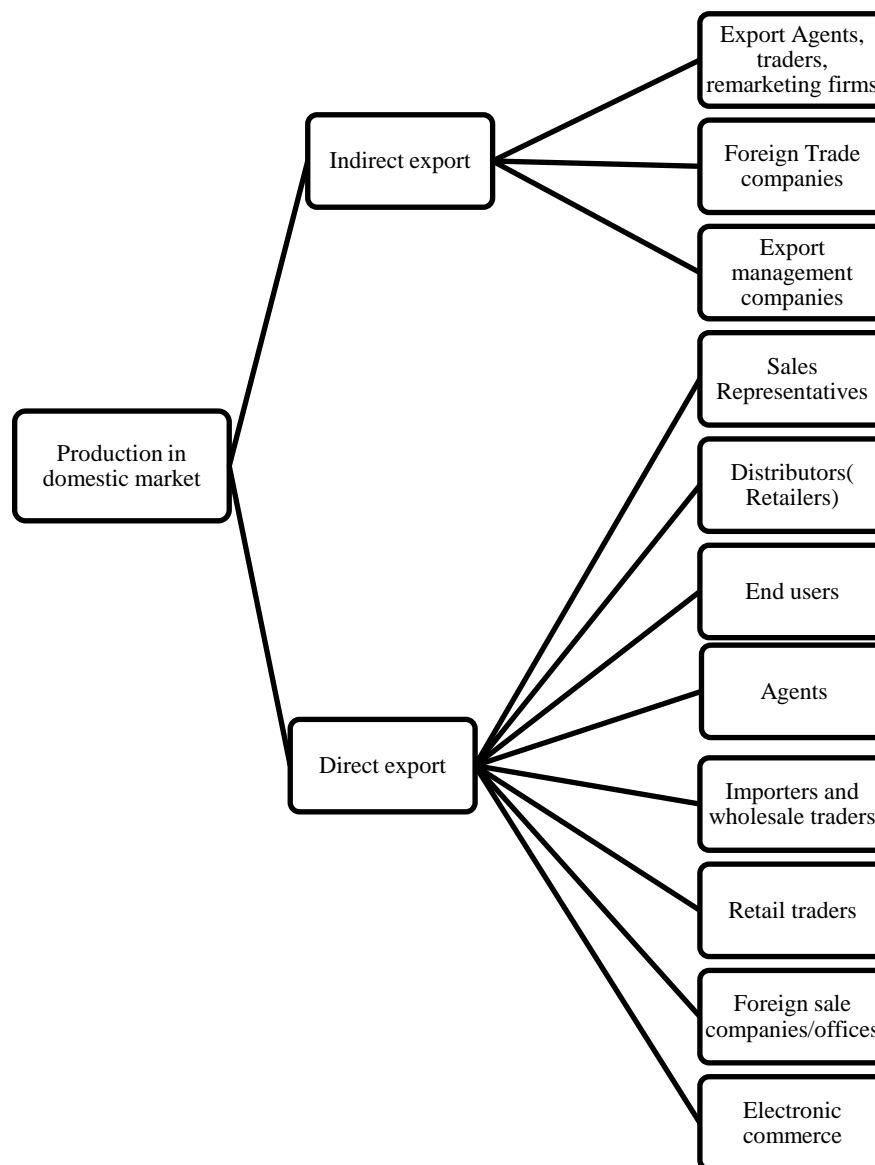
Distributor's human recourse will affect the success of the in the market. Before choosing the distributor, the size of services and activities should be investigated.

Image is very important for a distributor. If the firm uses marketing and advertising positively and if has the image of successful merchant that is reliable and has high-quality goods, this will increase the chance to be chosen.

Also these factors should be considered in order to decide if the distribution will be done direct or indirect.

- Characteristics of the Market
- Characteristics of the finished good
- Characteristics of the distributor
- Characteristics of the firm
- Characteristics of competition and environment (Akat, 2009:147).

**Figure 1: Distribution Channels**



## **2.2.2 Distribution Channel Options**

### ***2.2.2.1 Indirect Exporting***

In indirect exporting, company exports through intermediaries operating domestically. It is generally used by companies who want to export but does not have sufficient resources. In indirect exporting, intermediary company is responsible for operating export transactions and producers are not in contact with overseas buyers (DTM, 2006b:11).

By means of indirect exporting, SME's can concentrate on production instead of learning technical and judicial aspects of exporting. Also with experience and information gathered on indirect exporting, managers gain trust and turn towards export directly (Ulaş, 2004:184).

Indirect exporting is less risky and has less resource cost than direct exporting. Especially for companies with low export volumes the use of export intermediaries offers a proportions possibility for initial exports (Ruhdorfer and Hienerth 2010).

#### ***2.2.2.1.1. Distribution Lines in Indirect Export***

**Exporting agents, overseas commission agents, (merchants, remarketing firms)**

Exporting agencies are companies which are specialized in the market or generally on a particular sector (DTM, 2006b:12). They take orders and do research on external markets on behalf of represented customer and get a specific commission, they move on behalf of the represented foreign customer (Sari, 2007:19). Agents generally do not have responsibility of (personal property) goods and delivery and they do not keep goods in stock. Good foreign agents or representatives can research market, advice on financing and transportation options, provide access to potential customers, help with the custom problems, supply information about local business, laws and procedures (<http://www.tradecommissioner.gc.ca/>).

#### **Domestic commission agents**

These distributor agents are the Citizen of the country engaged in exporting, they are self-employed people. When exporting is made this way; exporter is selling to a customer domestically and the agent markets this product abroad through his own means. And commission agent through his own means markets this product abroad.

#### **Piggyback marketing**

In this method generally a well known exporter uses his own distribution channels while marketing another company's goods abroad. In this manner, maximum benefit is derived from already established distribution channels.

### **Foreign Trade companies**

These are companies that operate as the manufacturer's own export department. At the same time by taking over the ownership of the product they can make their own export.

### **Sectoral foreign trade companies**

Since 1980, the export-oriented foreign expansion strategy in our country enterprises has been used to increase the country's exports, in order to guide companies, various models are carried out. The most recent model used is Sectoral Foreign Trade Companies. It is established by a consortium of SMEs who unite from same branch of production in order to export. For the SDTS technical, financial benefits and so on is also paid by the state from production till actual exporting. These organizations have aim of SME's opening up to the world market and to increase their chance of the competition at home and abroad with EU SME organizations (Ulaş, 2004:184). Because of resource inadequacies SMEs cannot export, it is useful for the development of export, gaining together must be encouraged to develop their exports through sectoral foreign trade companies (İlter, 1999:32).

### **Export management companies**

An export management company can act as the export department for producers of goods and services. EMC s usually specialize by product or by foreign market or sometimes both. Because of their specialization the best emc have well-established networks of foreign distributions and know their products perfectly. One disadvantage of using EMC may cause losing control foreign sales (<http://new.export.gov>).

### **Exporters' Associations**

The most important benefit of these associations is while individual firms' operations may fall behind especially on financial matters, one company can make operations on behalf of its member firms, and community. It helps the company which cannot supply a large order by itself but by combining with other members and they can get a larger order.

#### ***2.2.2.2. Direct Export***

In export, business organization fulfills all the export transactions at home without using distributors by itself. This involves selling directly to your target

customer. By this solution the business will retain its full margin but it also requires a large financial and human resource commitment (<http://www.sdi.co.uk/>). In direct export, manufacturers must have information on transportation, documentation, international payment arrangements. Thus, initial cost will be higher than indirect export.

#### ***2.2.2.2.1. Types of Intermediaries in Direct Export***

##### **Sales representatives**

They are commission firms that act and work as the representative of the exporting company in the foreign markets. They don't take over personal property and keep goods in stock.

##### **Distributors**

Distributor is a merchant who purchases goods from exporter and resells them for a profit. Usually they provide support and service for the product relieving the exporter of those responsibilities (<http://new.export.gov>). Distributors generally keep goods in stock and provide a sufficient number of spare parts. Distributors provide a more powerful way for exporters to be represented in the market and they are valuable for products that specifically require service after sales, spare parts supply (DTM, 2006b:15). However, it is important to check if the distributor also sells products which compete with manufacturer's product. Thus in choosing a distributor channel one should consider not only today's competition but also dynamics in time (Karafakioğlu, 2012:295).

##### **Commercial Agents**

Agents are entities which provide customer to companies in the target market it represents, and they also negotiate sales and sales conditions on behalf of the customer. They work in the similar way as sales representatives at home. They do not generally have goods in stock.

##### **End users**

End users exporter may sell their products or services directly to end users in foreign countries. The buyers may be foreign government institutions, hospitals, schools or they may be businesses. The buyers can identified at trade shows, fairs or international publications (<http://new.export.gov>).

### **Importers and wholesalers**

Exporters can make their sale directly to importers in the target market or to wholesalers. However this makes it hard to control the distribution channels for exporters (DTM, 2006b:18).

### **Retail traders**

Retail entities have a large amount of branches and larger volume sales. Exporters can prefer to export directly to these retailers but as retail traders sell their goods at lower prices, they may try to buy the goods at lower prices. However on the other hand they can also order large amounts of goods. Exporter should consider these in price policies.

### **Foreign sale office/companies**

Foreign sale offices conduct distribution abroad and penetration activities. They do the marketing for the goods they bought from manufacturer abroad. Foreign sale companies have also the same role but have different methods.

### **Electronic commerce**

Electronic commerce is the sale of goods and services on the internet. It is an appropriate and a low cost method for SMEs. This new trade technique also has an effect on sectors. E-commerce is carried out by the help of distributors that provide fast delivery but it requires a specific infrastructure.

## CHAPTER III: PRICING

### 3.1 Definition of Pricing

Pricing is recognized as one of the most important tools to achieve a successful export operation. Export pricing is vital because it may have a powerful and immediate effect on firm's performance (Snieskiene and Pridotkien, 2010:1).

Pricing is always one of the most difficult decisions in marketing because of heightened competition, gray market activities, counter-trade requirements, regional trading blocs, emergency of intra-market segments, and volatile exchange rates (Musonera and Ndagijimana, 2008:1). But it is relatively easier to control and consequently it is easier to identify its effects on short term performance (Lages and Montgomery, 2001:12).

The traditional components for determining proper pricing are costs, market demand and competition. Each component must be compared with company's objective in entering foreign market. It is also important to take to account additional costs that are typically borne by the importer. They include tariffs custom fees, currency fluctuation, transaction costs, and value added taxes (www.export.gov).

While managers will encounter many of the same type of market forces in the international arena as at home, in each export market these forces have a different affect and a different constellation of components.

Successful price decision making is dependent on situational variables in dynamic environments (Myers, Çavuşgil and Diamantoplulos, 2002:175).

Before developing a price strategy these questions should be considered:

- What is the potential demand of exported goods?
- Is demand elastic or inelastic?
- Will a low-price strategy increase sales?
- What are competitors' behaviors against low prices?
- How is it possible to maximize profits? With low price-high sales volume or high price-low sales volume?
- Is price skimming strategy acceptable in market?
- Is low price strategy creates low quality image?
- Is company be able to set a lower price in international market?( DTM,2006c:37)

### **3.2. Pricing objectives**

The determination of pricing objectives is the starting point of pricing strategies (Snieskiene and Pridotkien, 2010:248). Pricing objectives are the strategic and economic goals desired by management in pricing of the product. Much of conflicting nature in pricing objectives may be attributed to temporal issues, in that short term objectives, from the pricing perspective are not easily synthesized with long term objectives. Individuals involved in the pricing of exports are interested in the long term survival of the firm, which in turn is reliant on the ability of the organization to adapt to a variety of environmental pressures and constraints (Myers, Çavuşgil and Diamantoplulos, 2002:169).

There are several pricing objectives that companies may use:

To protect market share, defense or improve: It requires balance between competitors and market. Company has to follow price trends carefully and set new strategies according to market needs.

To increase the market share: this is a common strategy for companies. If a company wants to increase its market share, first option is to reduce prices. Or for new entrants it is important to gain customers so they can use the same strategy as well.

To compare its prices to other competitors: This strategy needs to equalize prices with other competitors, means price is set by the market.

To reduce competition: This strategy is risky for whole market. This brings a price war between competitors.

To achieve target profits (return on investment): It is related with costs and market price.

To use production surplus :If a company has a short term strategy like using production surplus ,then pricing decisions are related with the marginal costs of export.

Profit maximization: pricing is related with sales volume and costs. Company aims to increase sales volume and profits with different pricing strategies (Akat, 2009:119).

To create high quality image: This strategy is mostly related to promotion strategies as well.



To survive: In high competitive markets companies need to change their strategies to survive. Prices can be very competitive and some of them have to get out of the market because of price reduction (DTM, 2006c:5).

### **3.3. Pricing strategies:**

Wide world, every company has different targets and different pricing strategies (Karafakioğlu, 2012:330). Appropriate pricing strategies are critical managerial decisions for success in foreign markets (Snieskiene and Pridotkien, 2010:248). Export pricing strategy as the means by which a firm responds to the interplay of internal and external forces that effect export pricing decisions in order to meet the goals of the export venture (Myers,Çavuşgil and Diamantoplulos,2002:169).

International experience is positively related to export performance and since pricing is a key factor in a firms overall marketing strategy, the perception of export pricing as a competitive tool will be partly determined by the firms experience in international markets and its emphasis on price versus non price benefits.

Managers need to identify key competitors and to analyze the price strategies of these competitors in the foreign market in order to develop a suitable marketing strategy. A direct comparison with other competitors allows managers to assess their firms' competitive advantage and to have a reference to develop a competitive pricing strategy to the different export markets (Lages and Montgomery, 2001:6).

#### **3.3.1. High-price strategy**

If a company sells a unique product or wants to create a high-quality image it may use high price strategy. But there are some factors to consider: The most important fact is high prices may reduce the consumption and invites competition. High price means high profit so it can attract other producers to use this opportunity. If price is extremely higher than costs per unit, other producers that may not very efficient and successful try to get in market and gain profit. Other fact is there is a possibility of losing trust of the customers because of high prices.

#### **3.3.2. Low price strategy**

This strategy can be used when there is a production surplus to sell, enter a market or stay in market. But this strategy may cause anti-dumping investigations.

### **3.4. Pricing tactics:**

#### **3.4.1. Market entry**

Exporter may use low price strategy to enter a new market. By the time it has a market share; company can increase its prices. But it is important to know market, consumer behaviors and competitors' behaviors across price strategies (DTM, 2006c:8).

#### **3.4.2. Penetration or low price**

This model uses a low profit margin to penetrate the market. It is designed to grab market share quickly. Penetration is used when prices are set first low in order to attract new customers (Musonera and Ndagijimana, 2008:196).

#### **3.4.3. Skimming**

It is useful when exporter sells a unique product or there is no competition in market. Exporter aims to sell its products to high-income level consumer group. This tactic gives a chance to exporter to reach target profit level quickly. So this tactic is especially used politically and economically unstable countries (Akat, 2009:135).

This is appropriate for some products to be prices as high as the market will bear. However few buyers are attracted and lower sales volume can be achieved when price is such high. This strategy is often used when a new product is introduced to new market and is in great demand (Musonera and Ndagijimana, 2008:196).

#### **3.4.4. Stay in market**

When exporter aims to increase its sales volume and endorsement, it can sell products on low price (DTM, 2006c:8).

#### **3.4.5. Psychological Pricing**

Exporter can use high price strategy to create a prestige on product (Akat, 2009:136).

#### **3.4.6. Early cash**

If a company has liquidity problem, it can use this tactic to gain cash. For example, company can make discounts for cash payments.

#### **3.4.7. Static pricing**

When exporter wants to sell products all markets with one price. But it is difficult to reach all customers with static price tactic.

### **3.4.8. Elastic pricing**

Exporter can set different prices for different markets. Price is affected by external factors; every market has different consuming habits so price should be elastic to adapt different markets.

### **3.4.9. Supplementary product pricing**

If products sales are related to another product to make profit, company may reduce the supplementary products price and increase main products sales (DTM, 2006c:9).

### **3.4.10. Competitors pricing**

To attract largest number of customers and generate consistent turnover, it may be necessary to set price not too high, not too low, just in the middle of other competitors (Musonera and Ndagijimana, 2008:196).

## **3.5. Factors effecting pricing**

Wide variety of organizational and environmentally specific factors influence export pricing. These are 6 groups of variables:

- Nature of product or industry
- Location of the production facility
- System of distribution
- Location and environment of the foreign market
- Regulatory framework
- Management attitudes (Myers,Çavuşgil and Diamantoplulos,2002:163).

Export pricing decisions are influenced by internal (ROI levels, cost reduction and sales volume requirements) organizational characteristics and external (customers, competitors, government regulations) environmental factors. Export markets are experiencing rapid rates of change, as technology, governmental regulations and economic foundation shift. Often this increases the differentiation across the markets (Snieskiene and, Pridotkien, 2010:251).

### **3.5.1. Controllable factors**

Costs: Costs create the floor price in pricing process (Kazimov, 2004:39).The computation of the actual costs of producing a product and bringing it to market is the core element in determining if exporting is financially viable. Many new exporters

calculate their export price by the cost-plus method. In that calculation the exporter starts with the domestic manufacturing costs and adds administration, research and development, overhead, freight forwarding distribution margins custom charges and profit (www.unzco.com).

- Product cost: The minimum requirement to enter a market is:  
cost per unit  $\leq$  international prices (or local prices) (DTM, 2006a:53)
- Sales and distribution costs: In export distribution and logistics costs are almost equal to production costs. With right choices, these costs may be reduced. Global marketing decisions about product, price and distribution differ from those made in a domestic context, in that environments within which those decisions are made are unique to each country, and pricing problems faced by exporters are distinct from those faced by purely domestic firms in that variables associated with both home and export markets must be integrated into managerial decision making (Myers, Cavusgil and Diamantoplulos, 2002:160).
- Marketing costs: Advertisement and promotion are important to introduce product in new markets. And these costs must be added to price. Exporter should set a budget for marketing.
- Quality of product and image: Quality of product effects price. As we mentioned in high price strategy, image of the product can be related with price

### **3.5.2. Independent factors**

Price level in target market: Market price creates the ceiling price level in pricing (Kazimov, 2004:39).

There are some market conditions that exporters cannot set their own prices. They have to adapt their prices to the market's price (DTM, 2006a:53).

Supply and demand in market: Market demand: for most consumer goods per capita income is a good gauge of market's ability to pay. Some products create such a strong demand that even low per capita income will not affect their selling prices. Also firms must consider the currency fluctuations that may alter the affordability of products

Net consumption amount = (domestic production) + (import amount)-(export amount)

Import consumption amount=import amount/net consumption x 100

If import amount is increasing in consumption amount that means there is a demand for imported goods. To set prices, price elasticity must be analyzed. If price is not elastic, increase in prices does not affect market share, but in other case market shares effects negative. The higher the income elasticity of the export demand, in particular product, the greater will exports role be in growth. The higher the price elasticity, the more competitive is world market for exports of the particular country.

In general it is found out that the price and income elasticity plays a significant role in determination of trade flows (Roshan, 2007:1327).

Competition: Competition between competitors effect prices. In perfect competition markets, market set price, so exporter should give a price under market level. But sometimes costs do not allow giving a low price. Then exporter needs to focus on marketing activities to make profit. In oligopolistic markets every producer should set prices considering with other competitors. Because these markets are very sensitive on price changes.

Market conditions: Different inflation rates between countries requires different price policies for each country. In countries with high inflation rates, price strategies should be short termed.

Exchange policy: It is intended to eliminate price differences between markets. But when exchange rates are used to make export prices more attractive for markets that exports going through, it becomes a tool of export subsidies. Current exchange rate, tax refunds, export credits, taxes put on exports, interest subsidies that effects export prices, on dollar export's input shows effective exchange rate of exports (DTM,2006a:54). A weak exporters currency will enable that firm to utilize price as a competitive tool. Those with weak domestic currencies often use price to build market share and combat competitors (Myers, Çavuşgil and Diamantoplulos, 2002:172).

Devaluation: devaluations occurred in economically developed countries effects export goods prices.

Politic legal factors: different legal and political policies in countries can affect export prices (DTM, 2006a:55). Import policies and trade barriers in import markets have a significant effect on export pricing

With increased tension between nations over trading policies such issues as intellectual property rights, on-tariff barriers and antidumping legislations have assumed considerable importance and have an obvious connection to export pricing (Myers, Çavuşgil and Diamantoplulos, 2002:177).

Social factors: Some countries relate imported goods prices to its social benefits. If governments do not find the benefits enough, it may not allow import consumption (DTM, 2006a:55).

### **3.6. Pricing methods:**

#### **3.6.1. Cost-based**

Cost plus is the most common used method because it is easy and meets costs. In this method cost per unit is calculated and put the wanted percent of profit on it. These are the main methods. Total cost price method: This method includes total variable costs, fixed costs, and a profit margin.

Direct cost price method: This method includes estimated costs and profit margin. Direct costs=raw materials direct labor force+variable factory costs

Marginal cost price method: It is similar to direct cost method. It is setting the price of a product to equal the extra cost of producing an extra unit of output (DTM, 2006c:20). Marginal cost pricing is a more competitive method of pricing a product for market entry. This method considers the direct out of pocket expenses of producing and selling products for export as a floor beneath which prices cannot be set without incurring a loss (www.unzco.com).

Breakeven point price method: Break even pricing is the practice of setting a price point at which a business will earn zero profits on a sale.

#### **3.6.2. Market based**

Demand based pricing: Demand-based pricing, also known as customer-based pricing, is any pricing method that uses consumer demand - based on perceived value - as the central element. If consumers' interest is high, prices get high vice versa.

Competition based: Competitor-based pricing involves the setting of prices based on what rivals are charging (DTM, 2006c:25). Going rate pricing: Leader companies set prices in market and other rivals adjust their prices according to leader's price. This is usually used in oligopolistic markets.

Sealed bid pricing: Companies set their prices under the rival's prices. aim are to give a lower price than competitors. This type of pricing is especially used in public procurements.

### **3.7. Pricing according to INCOTERMS:**

After deciding pricing policy, company should set exact prices. It should be done before deciding shipment type of product.

There are some price factors effecting last price:

a-Production costs

b-Profit margin

a+b=Exworks price

c-Package and branding

d-Loading in factory

E-Transportation to ports, railways or airports

f-Costs of ports,airports,railways

g-Cost of documentation

h-Certificate of origin

a+h=FOB price

i-Insurance costs

j-Shipping or airway transportation costs

a+j=CIF price

k-Discharging fees in point of destination

l-Custom duties and other taxes

m-Custom clearance costs

a+m=Arrival price

n-Transportation to importers storage

o-Importer's profit

p-Distributors' profit

q-Retailer's profit

a+q=Consumer price(DTM,2006a:59).

## CHAPTER IV: SME'S ROLE IN TURKEY

### 4.1. Economic outlook of Turkey

Turkey has undergone a profound economic transformation since 2001. It has recorded a remarkable GDP growth rate of almost 6% in average during the period of 2002-2011. Thus, per capita income increased up to 10,500 USD in 2011, from the modest figure of 3,500 thousand dollars recorded in 2002.

Due to the global crisis, majority of the emerging markets suffered a significant slowdown in economic activity. Being an open and free-market economy, integrated with the global economic and financial system, Turkey was no exception.

Turkey was also adversely affected by the declining external demand and falling international capital flows.

Overall growth rates in 2008 and 2009 materialized well below the remarkable performance that was achieved between 2002 and 2007. However, Turkish economy bounced back and has achieved a growth rate of 9.2% and 8.5% in the years 2010 and 2011 respectively.

Today, Turkey is the 17<sup>th</sup> largest economy in the world with a GDP of about 800 billion dollars in 2012 ([www.mfa.gov.tr](http://www.mfa.gov.tr)).

#### 4.1.1. Export Outlook of Turkey

Due to the implementation of the liberalization process since the 1980s, the Turkish economy has experienced a period of substantial growth. Foreign trade, in respect of both exports and imports, has grown rapidly and notable changes in the structure of exports have been observed. In this regard, industrial products have gained prominence over agricultural products.

In 1996, following the establishment of a Customs Union with the European Union, Turkey's exports entered a new structural transformation process. Developments in recent years show that production and exportation have increased substantially in high-technology sectors, where goods include electrical and electronic machinery and equipment, as well as in the automotive industry. In this respect, it can also be observed that the export market share of manufactured industrial products has increased.

(<http://www.invest.gov.tr/>)



**Table 2: Foreign Trade Past 20 Years**

Years	Exports		Imports		Balance of Foreign Trade	Volume of Foreign Trade	Proportion of Imports Covered by Exports %
	Value Thousand \$	Change %	Value Thousand \$	Change %	Value Thousand \$	Value Thousand \$	
1994	18105872	18,0	23 270 019	-20,9	-5 164 147	41 375 891	77,8
1995	21637041	19,5	35 709 011	53,5	-14 071 970	57 346 052	60,6
1996	23224465	7,3	43 626 642	22,2	-20 402 178	66 851 107	53,2
1997	26261072	13,1	48 558 721	11,3	-22 297 649	74 819 792	54,1
1998	26973952	2,7	45 921 392	-5,4	-18 947 440	72 895 344	58,7
1999	26587225	-1,4	40 671 272	-11,4	-14 084 047	67 258 497	65,4
2000	27774906	4,5	54 502 821	34,0	-26 727 914	82 277 727	51,0
2001	31334216	12,8	41 399 083	-24,0	-10 064 867	72 733 299	75,7
2002	36059089	15,1	51 553 797	24,5	-15 494 708	87 612 886	69,9
2003	47252836	31,0	69 339 692	34,5	-22 086 856	116 592 528	68,1
2004	63167153	33,7	97 539 766	40,7	-34 372 613	160 706 919	64,8
2005	73476408	16,3	116774151	19,7	-43 297 743	190 250 559	62,9
2006	85534676	16,4	139576174	19,5	-54 041 498	225 110 850	61,3
2007	107271750	25,4	170062715	21,8	-62 790 965	277 334 464	63,1
2008	132027196	23,1	201963574	18,8	-69 936 378	333 990770	65,4
2009	102142613	-22,6	140928421	-30,2	-38 785 809	243 071 034	72,5
2010	113883219	11,5	185544332	31,7	- 71661 113	299427551	61,4
2011	134906869	18,5	240841676	29,8	- 105934 807	375748545	56,0
2012	152461737	13,0	236545141	-1,8	- 84083 404	389006877	64,5
2013*	151786976	-0,4	251649892	6,4	- 99862915	403436868	60,3

\*Data for 2013 was provisional (TUIK, 2013a).

According to the table, foreign trade of Turkey is increasing aggressively. From 2002 to 2008 export increased regularly but after 2008 there was a decrease because of the global financial crisis. But in ten years export market become 3.5 times larger compared to 2003.

#### 4.1.2. Recent Foreign Trade Data's

As a result of the economic reforms carried out during the last decade, both the volume and composition of the Turkish trade have radically changed. The volume of Turkish exports increased to 152, 6 billion USD in 2012 from 36 billion USD in 2002.

Also import increased to 236, 5 billion USD in 2012 from 51, 5 billion USD in 2002. The total trade volume accounted for 389.1 billion USD in 2012. Exports increased by 13.9% on an annual basis up to 152.6 billion USD. ([www.mfa.gov.tr](http://www.mfa.gov.tr)).

**Table 3: Export Forecasts of Turkey**

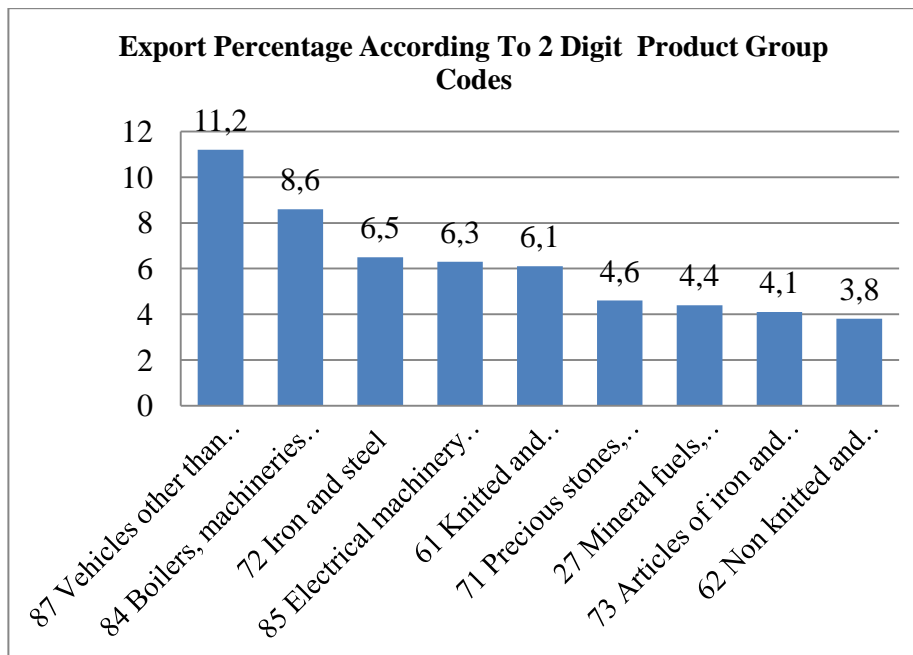
<b>Billion \$</b>	<b>2012</b>	<b>2013</b>	<b>2014*</b>	<b>2015*</b>	<b>2016*</b>
Exports	152,2	151,9	166,5	184	202,5
Imports	236,5	251,7	262	282	305
Volume of Trade	389	403,5	428,5	466	507,5
Balance of Trade	-84.1	-99.8	-95.5	-98	-102.5
Exports/Imports (%)	64.5	60.3	63.5	65.2	66.4

(TCEB, 2013b:24)

\*Forecast: Medium Term Program, Ministry of Development, 2014-2016

Although 2013 end year forecast was 153, 5 billion dollars, accurate export value stayed at 151, 9 billion dollars. 2014 forecasts are estimated as 166, 5 billion dollars. May 2014 export value is 62,092,992 billion dollars for now.

**Figure 2: Export Percentage According To 2 Digit Product Group Codes**

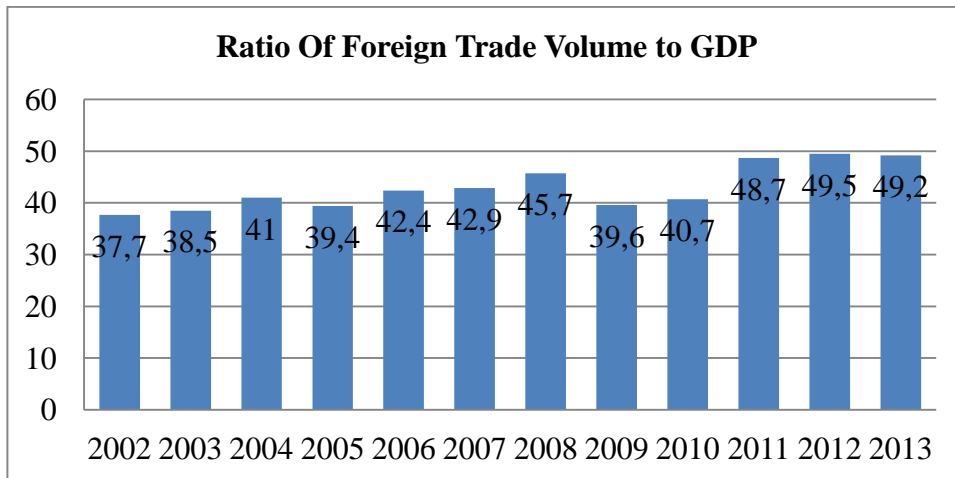


(TCEB,2013b:33)

For December 2013, “vehicles other than railway or tramway rolling-stock, parts thereof” has the highest percentage with 11.2% and then, “boilers, machineries and

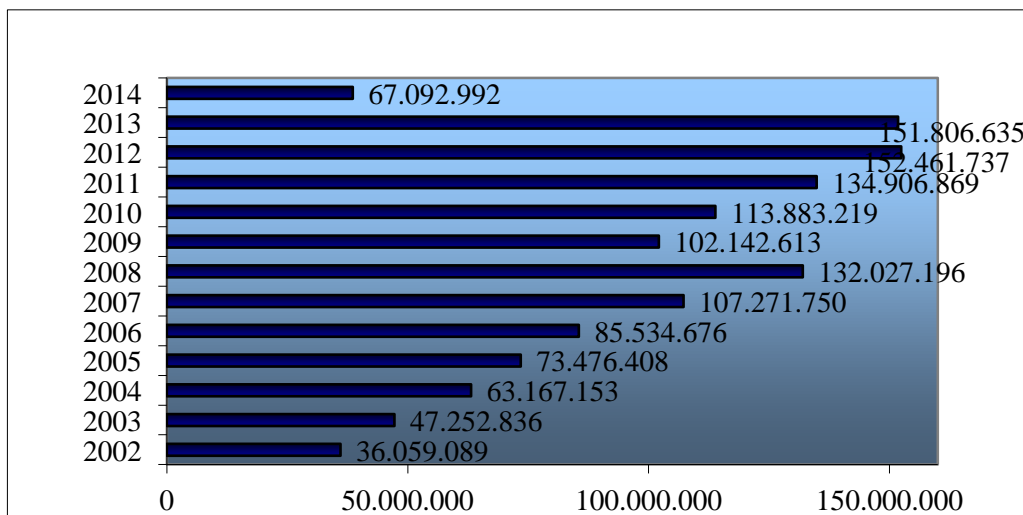
mechanical appliances, parts thereof” (8.6%), “iron and steel” (6.5%). “Electrical machineries and equipments, parts there of” (6.3%) and knitted and crocheted goods and articles thereof 6.1%.

**Figure 3:Ratio Of Foreign Trade Volume to GDP**



The ratio of foreign trade volume to GDP was 49,2% in 2013.Turkey’s integration to the international trade system is eminent (TCEB,2013b:26).

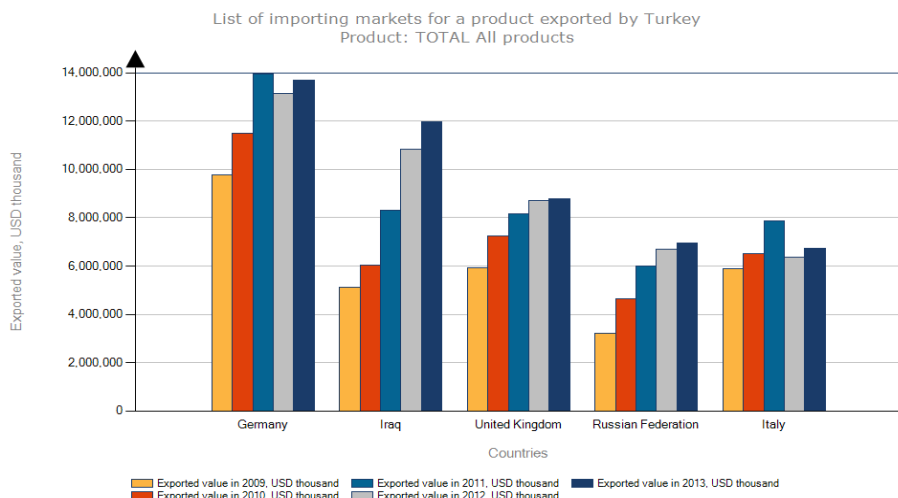
**Figure 4: Yearly Time Series Of Turkish Export(2002-2013)1000\$**



(TIM, 2014)

This graph shows the main buyers of Turkey in 2013.The most important importers were Germany, Iraq, United Kingdom, Russia and Italy.

**Figure 5: List of Importing Markets for a Product Exported By Turkey**



([www.trademap.org](http://www.trademap.org))

#### 4.2. Role of SME's

SME's are defined as enterprises which employ fewer than 50 persons and whose annual turnover or annual balance sheet total does not exceed 10 million euro.

**Table 4: SME categorization according to Financial Data**

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Small and medium size enterprises have become popular in the world especially since 1960s. The superiorities of SMEs as such:

- SMEs have a competitive structure.
- SMEs are more efficient.
- SMEs keep up with the new demands and new technology easier.
- SMEs' working styles are not monotonous or boring.
- SMEs are more enduring to the economic crisis.

- SMEs have a more successful role in increasing employment and arranging income (Keskin and Şentürk, 2010:118).

#### 4.2.1. SME's in Export

In Turkey Small and Medium-Sized Enterprises (SMEs) constitute 99.9% of total number of enterprises, 76% of employment, 53% of wages and salaries, 63% of turnover, 53.3% of value added at factor cost and 53.7% of gross investment in tangible goods.

**Figure 6: Percentage of Number of Enterprises, Employment and Value Added at Factor Cost by Size Class**



(TUIK, 2013b)

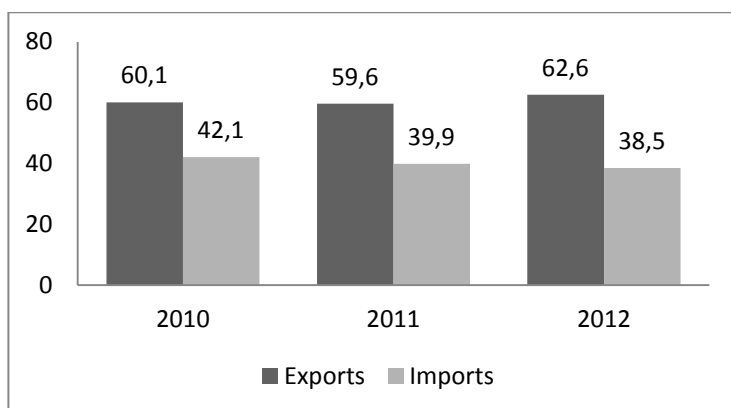
**Table 5: Ratio of SME's in Economy Compared to Selected Countries (2010)**

Country	% In Total Enterprises	% In Total Employment	% In Added Value
USA	98,9	57,9	50
Japan	98,2	66	49,3
South Korea	99,9	87,7	49,2
EU 27	99,8	67,4	57,7
Malaysia	99,9	65,2	31,2
Turkey	99,9	78	55

(TCSB, 2011:29)

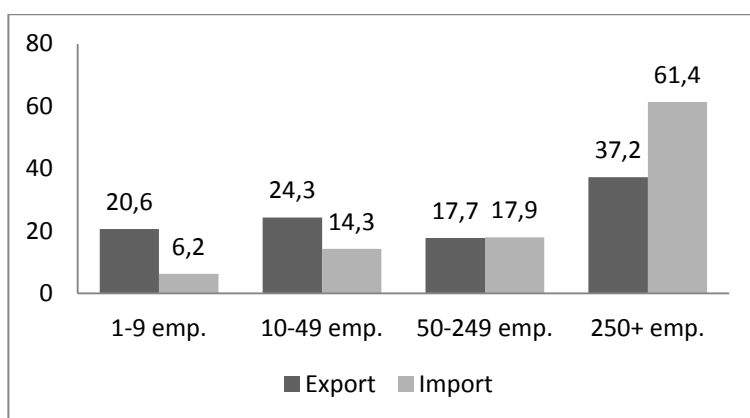
Competing to world, SME's in Turkey have more added value and employment ratio then other countries. Regarding Malaysia and South Korea are developing countries like Turkey, Turkish SME's have more important role in economy.

**Figure 7: The Proportion of SME's in Foreign Trade Statistics 2010-2012**



The proportion of the Small and Medium Sized Enterprises (SMEs) which had 1-249 employees was 62.6% for exports in 2012.

**Figure 8: Export Percentages due to employee number of SME's**



The rate of micro enterprises (1-9 employees) was 20.6%, small enterprises (10-49 employees) was 24.3%, medium-sized enterprises (50-249 employees) was 17.7% and large enterprises (250+) was 37.2% in exports.

The rate of micro enterprises was 6.2%, small enterprises were 14.3%, medium-sized enterprises were 17.9% and large enterprises were 61.4% in imports.

According to foreign trade by country groups, the proportion of exports to the EU and Asian countries made by the SMEs was 43.9% and 42.2% for 2012. The rate of the EU was 51.2% and Asian Countries was 37.9% in imports.

SMEs performed 92.9% of manufactured products exports. The proportion of the “basic metals” was 22.4%, “wearing apparel” was 12.9% and “textiles” was 8.7% for exports. SME's imported “chemicals and chemical products” as a rate of 16.2%, “basic

metals” was 13.8% and “machinery and equipment not elsewhere classified” was 12.4 % ( TUIK, 2013b).

**Figure 9: Trade by Main Economic Sectors and Number of Employees (%), 2012**

NACE Rev.2/Number of Employees	Exports (%)		Imports(%)	
	1-249	250+	1-249	250+
B-E: Industry	38.5	61.4	23.9	76.1
G: Trade	96.2	3.5	70.2	29.7
Others	75.4	23.7	26.9	72.7
Total	62.6	37.2	38.5	61.4

Note: Figures in table may not give the total value 100 because of unknown number of employees.

Industrial enterprises performed 57.8% of industrial products exports and trade enterprises performed 38.3% of it. Industrial enterprises exported industrial products as a rate of 95.8% and 2.1% agricultural products.

Industrial enterprises performed 52.4% of industrial products imports and trade enterprises performed 38.1% of it and enterprises in other sectors performed 9.4% of it. Industrial enterprises imported industrial products as a rate of 72.7% and 16% mining products and 3.4% agricultural products (TUIK, 2012).

### 4.3. Incentives

In the economic literature, the notion of "Incentives" refers to governmental policies or decisions in order to achieve a certain action. When governments want to develop or start up certain branches in their economy, they may give extra help in monetary aid or other incentives to make the 'incentive branch' desirable to manufacturers.

Incentives or Governmental Aid have important advantages. These are tax forgiveness, low rate government loans or outright money donations, energy cost discounts, free land, government subsidies to the capital and help in finding easy financing. Government has these aids in their fingertips and can inject these directly into the economy.

As foreign countries' economies start to take an importance within the country's economy; it brings the other area of function of the "Incentives" to the forefront. This

includes the help given to local manufacturers in order to make them compatible with the foreign companies as well as supporting the local manufacturers in the foreign markets (DPT, 2007a:1).

#### **4.3.1. History of SME incentives**

In the history of Turkish Republic, 1950 has been recorded as the pivotal point for the country as the country went into multiple party political systems; and, many liberal applications were instigated.

In 1967 the office of "Yatırımları ve İhracatı Geliştirme ve Teşvik Bürosu" (Bureau of Development for Investments and Exports, and Incentives for the same) was formed and attached to the Prime Minister's Office. After 1970, this Bureau was absorbed into Devlet Planlama Teşkilatı/ DPT (Department of Government Planning) and Teşvik Uygulama Dairesi (Application of Incentives). In the year 1971, the whole thing was turned over to the Ministry of Science, Industry and Technology. In 1980 the whole department was once again removed from the Ministry and turned over to the DPT Under secretariat.

Since 1980, industrialization based on exporting came into the forefront of industrialization policies. Certain definitive incentives were formulated to turn the local economic entities to exporting by updating their infra structure and increasing their capacity to enable them the opportunity to export their products (Şimşek and Yazıcı, 2004:126).

#### **4.3.2. Public Institutions Related With SME Policies**

- Ministry of Industry and Trade: Formulating policies for SME's and Industry, organized industrial sites, small industrial sites/areas, formation of and co-ordination of various technology enhancing regions and their progress, preparing strategies for the small business owners and crafts people to integrate the same.
- Ministry of the Treasury: Application of tax incentives.
- DPT (State Planning Agency Under secretariat): Coordination of Planning Board and preparation and application of yearly policies that pertain to SME's.



- State Treasury Under Secretariat: Designation of Investment Incentives and co-ordination of the implementation of the same, follow through as to how the government incentives are actually used.

- Under secretariat of Foreign Trade: Planning and organization of 'Free Zones, application of incentives and support to increase foreign trade.

- TUBITAK (Scientific and Technological Research Council of Turkey) Support and Reinforcement of Research and Development for private sector as well as public sector.

- KOSGEB: Preparation, running and co-ordination of KSEP (Small and medium business strategies and actions); SME's management abilities, institutional competency, Research and Development, as well as innovations capacities to be enhanced and supported; support of co-operation and collaboration between SME's.; to spread the culture of enterprise as well supporting entrepreneurs; providing international collaboration pertaining to SME's; providing support and access to financing and to financial markets for the SME's.

- Economical Co-ordination Committee: Providing co-ordination in establishment, application and updating of governmental policies for Government Incentives.

- TOBB (Turkish Chambers and Stock markets Alliance) and TESK (Confederation of Turkish Tradesmen and Craftsmen): Functions as liaison between KOBİ, tradesmen and crafts people in order to reflect the ideas and views of the members of the alliance, as projects are developed to enhance business's; forming sectoral platforms to seek answers to sector problems; providing research and solutions to problems pertaining to TOBB and craftsmen and tradesmen.

- Development Agencies: There are 26 agencies in Level 2 areas. Providing support for the same as well as regional supports and regional planning.

- TTGV: Turkish Technology enhancement foundation: Support for Research and Development as well as innovations for the private sector.

- Halk Bank: Provides credit to craftsmen, tradesmen and SME's.

- EXIMBANK: Support of manufacturers that manufactures for export with credit, insurance and guarantee programs.

- Kredi Garanti Fonu A.S.: Issuing surety bonds for the credits given to SME's from the banks.
- TESKOMB: Surety bond service for craftsmen and trades people who are given credits from Halk Bank.
- KOBİ Girişim Sermayesi ve Yatırım Ortaklığı A.S.: SME Enterprise and Investment Partnership Incorporated: By contributing capital to SME's, and being a partner to risks taken (TCSB, 2011:38).

#### **4.4. Incentives Given by Ministry of Economy**

##### **4.4.1. Incentive for International Fairs**

Authorized Institution: Under Secretariat for the Foreign Trade

Application time: Latest 3 months after fair

Firms that can benefit: Companies that organize fairs outside the country, companies and organizations that attend these fairs as well as individual companies that wish to attend the fairs

Purpose: To enable our companies to attend fairs held outside the country; and, by attending sectoral international fairs, marketing of the Turkish export products

**Table 6: Support Rate for International Fairs**

International Fair Support	Support Rate	Support Items	Maximum support
	SME:50% SDTS:75% Manufacturing organizations:75%	Participation fee given to fair organizers	\$7,500 per visit

In order to provide diversification for imports and to enable companies better access to what is known as target markets, they provide support of an extra 20 points in addition to the 50% support rate for the previously designated 15 target foreign fairs. As of 1 year of the effective date of this notification, they will provide an extra 10 points to the 50% support rate to the participating firms in the foreign fairs (2009/5 Sayılı Yurt Dışında Gerçekleştirilen Fuar Katılımlarının Desteklenmesine İlişkin Tebliğ).

#### 4.4.2. Incentive for Domestic Fairs

Authorized Institution: Under secretariat of the Foreign Trade

Firms that can benefit: Organizing firms

Purpose: This is a support/subsidy designed to introduce and promote the domestic fairs that are good enough to be on an international level. The support is to enable international participation in these fairs. The expenses for introduction, launching and promotion fees are being partially subsidized for the firms that attend these before and through the duration of the fairs. The companies and/or firms that are eligible are based on the criteria determined by the Under secretariat for the Foreign Trade.

**Table 7: Support Rate for Domestic Fairs**

Domestic Fair Support	Support Rate	Support Items	Maximum support
Domestic Fair Support	50%	All promotion/launching activities, 2 people/buyers or 2 countries important enough to be invited to the fair, transportation expenses, seminars, conferences	\$25,000.00
		Important buyers invited to the fair (2 buyers or 2 countries) transportation expenses	\$ 15,000.00
		Seminars or conferences	\$ 5,000.00

#### Supported Fairs:

- Textiles- readymade clothing - Carpet
- Leather goods (shoes are included)
- Transportation devices and their flank industries
- Food/nutrients and food technologies
- Electric/electronic industry
- Metal products industry
- Soil/land industry
- Construction equipment

- Furniture industry (95/7 Sayılı Uluslararası Nitelikteki Yurt İçi İhtisas Fuarlarının Desteklenmesine İlişkin Tebliğ).

#### 4.4.3. Incentive for Environmental Costs

Authorized institution: Under Secretariat for the Foreign Trade

Application time: 6 months after documentation

Firms that can benefit: Companies who are active in business and industry, companies that are active in agriculture or software sectors, DTSS (companies that do foreign business/companies that export), export companies in a given sector.

Purpose: While companies are engaged in business and industry, or agriculture or software, within the environment, quality of life and quality of human health must be considered. The provider of these quality assurances must be accredited institutions that can sign off on quality, environmental documents as well as security of human life, and property as well as lab analyses that pertain to agricultural products. The support or subsidy provides for a portion of all this documentation.

**Table 8: Support Rate for Environmental Supports**

Environmental Support	Support Rate	Supported Items	Maximum support
	50%	ISO9000 ISO14000 CE sign Internationally accepted other quality and environmental documents as well as security of human and property and trustworthiness of the company ISO 22000 Documents pertaining to agricultural products and as long as the there are POSITIVE RESULTS, lab. analysis reports.	\$25,000.00

Condition of Support: All expenses must be documented and are received from Türk Standartları Enstitüsü (Turkish Standards Institute) or other accredited organizations (97/5 Sayılı Çevre Maliyetlerinin Desteklenmesi Hakkında Tebliğ).

#### 4.4.4. Incentive for Employment

Authorized institution: Under Secretariat for the Foreign Trade

Duration of support: Max. 1 year

Firms that can benefit: Sectoral foreign trade companies

Purpose: The point is to help foreign trade companies (as dictated by DTM rules) hire highly educated managers and workers who have expertise in their fields so that they can do better in their relationships with foreign trade partners (2000/1 İstihdam Yardımı Hakkında Tebliğ).

**Table 9: Support Rate for Employment**

Employment Support	Support Rate	Supported Items	Maximum support
	75%	New manager with high education and expertise in the field	\$18,000.00
		New support workers with expertise in their field	\$9,000.00

#### 4.4.5. Incentive for Design

Authorized Institution: Under secretariat for Foreign Trade

Designated authority to apply: Export Associations

Firms that can benefit: Design Companies, Design offices, Alliances and Design Group alliances

Duration of support: Design companies and design offices- maximum 4 years

Purpose: Since it is an important phenomenon 'branding' is vital for companies planning on doing foreign trade. Hence, to support this process design groups, design companies, and their advertisement, marketing, employing, consulting expenses in foreign lands are being subsidized ( 2008/2 Sayılı Tasarım Desteği Hakkında Tebliğ).

**Table 10: Support Rate for Designers**

Design Support	Support Rate	Support Items	Maximum support
	50%	Advertisement, introduction, marketing, etc. activities geared towards foreign trade	\$300,000.00
		Offices or other stands to be opened overseas and office fixtures, etc.	\$100,000.00
		Gross rent expenses as well as expenses related to the renting of the same such as consultant fees, taxes, etc	\$200,000.00

		Fees related to patent, serviceable model and industrial design protection and registration as well as expenses related to the registration of the company's own brand	\$50,000.00
		The gross employment expenses for the designers that were hired.	\$150,000.00
		Any software, information bought or leased, consultation acquired that would make the companies more competitive in the international markets as well other expenditures will be covered	\$200,000.00

**Table 11: Support Rate for Designer Offices**

Designer office support	Support Rate	Support Items	Maximum support
	50%	Any activity geared toward foreign entities such as commercials, advertisements, launching of products, etc.	\$150,000.00
		Any offices that they may open in foreign countries and all office fixtures, fixed assets, decoration expenses	\$50,000.00
		Gross rental expenses and other secondary expenses in relation to the said rental properties such as taxes and consulting fees	\$100,000.00
		Patents, necessary expenditures in order to protect industrial design models and registering trade marks in foreign parts	\$50,000.00
		Gross employment expenses for the new hires for design offices.	\$200,000.00
		Any consulting fees, and any software that may have to be bought or leased that would enhance the competitiveness of the design offices international markets	\$100,000.00

**Table 12: Support Rate for Associations**

Design Support for Associations	Support Rate	Supported Items	Maximum support
	50%	Any or all activities geared toward international markets such as visual or written design material expenses, introduction of the same, brand promotion expenses, strategic consulting fees for the launching of the brand, any and all expenses related to promotion and advertisement of the brand	\$300,000.00

**4.4.6. Incentive for Market Research And Market Entry**

***4.4.6.1. Incentive for Market Research***

Authorized institution: Ministry of Economics- Export Directorate of General Management

Firms that can benefit: Firms which are engaged in industrial and trade/commerce

Purpose: This is a support to firms which are engaged in industrial and trading business and are looking for foreign trade. This support is given as an aid in expenses when these firms are traveling outside the country looking for new markets.

**Table 13: Support Rate for Market Research**

Support for Market Research in foreign Markets	Support Rate	Supported Items	Maximum support
	70%	Daily Transportations:\$50 Hotel fee:\$300	\$7,500.00 per visit

Number of Countries and Duration: Within one calendar year, maximum 10 trips; and 2 investigative trips to the same country is supported. One trip can be extended to 3 different countries at the same time if they are geographically close.

Duration reserved for the research trip in foreign lands is minimum 2 days and maximum 10 days not including travel time. The 2 day duration means, research and investigation should be done within those 2 days.

Application time: The application should be presented to the Ministry of Economics (export directorate of general management) office in the city that the firm is located in; or, to the Ministry's management centers as spelled out in Addition E. Firms must make their application within 6 months using the first payment date as a basis.

**4.4.6.2. Incentive for Market Entry**

Support for buying reports and consultation fees towards purchasing habits or abilities of foreign firms.

Authorized institution: Ministry of Economics, export directorate of general management

Application time: latest 6 months after first payment date

Firms that can benefit: Companies which engage in industry and trade

Purpose: In order to help with the expenses that occur when trying to formulate strategies and action plans in order to break into international markets. This might entail such things as preliminary reports and investigations based on sector, foreign company or brand based research, including financial and legal reports. These may be bought outright or have a consulting firm do the research and investigation.

**Table 14: Support Rate for Market Entry**

Support For Market Entry	Support Rate	Supported Items	Maximum support
	SME's 60% Associations 75%	All reports and information that were acquired from foreign consultants and legal fees in the acquisition of the same	\$200,000.00 per year

The subsidy for entering the foreign markets and market research are the programs that SME's are most interested in (TCEB, 2013c:63).

**4.4.6.3. Incentive for Sectoral Trade Mission and Procurement Committee**

Authorized Institution: Ministry of Economics export directorate of general management.

Application time: At least 3 months before the organization



Firms that can benefit: Firms that are engaged in industry and commerce

Purpose: To provide support for the expenditures made within the Ministry's coordination of sectoral trade missions and procurement committees.

**Table 15: Support Rate for Sectoral Trade Mission and Procurement Committee**

Support for Sectoral Trade Mission And Procurement	Support Rate	Supported Items	Maximum support
	50%	Transportation, hotel accommodations, max. 2 persons	Transportation \$ 50 /day Hotel accommodation: \$ 300/day \$ 150,000.00/ project

Provided Supports: Within the framework of Organizer firms, trade missions and procurement Committees are subsidized in some of their expenditures as follows:

Within one calendar year, maximum 5 sectoral trade missions and 10 procurement committees are subsidized for the organizational entity.

**4.4.6.4. Incentive for membership to international commercial web-sites**

Authorized Institution: Ministry of Economics, export directorate

Duration: Latest 6 months after membership

Firms that can benefit: Firms engaged in industry or commerce in Turkey

Duration of the support: Companies can make use of the subsidy for up to 5 e-commerce web-sites; and, maximum 3 years for each e-commerce web-site (2011/1 Sayılı Pazar Araştırması ve Pazara Giriş Desteği Hakkında Tebliğ).

**Table 16: Support Rate for Commercial Website Membership**

Support For Membership Fee For Commercial Websites	Support Rate	Supported Items	Maximum support
	70%	Expenditure for e-commerce web-sites' membership fees	\$10,000.00 per year

**4.4.7. Incentive for developing international competition**

**4.4.7.1. Incentive for training programs that are organized by educators**

Purpose: The purpose is to help/support/subsidize educational costs for companies that engage in industry, commerce and software within Turkey, in order to make them more competitive internationally.

**Table 17: Support Rate for Education**

Support For Educational Program	Support Rate	Supported Items	Maximum support
	70%	Domestic educational program within the context of the program that is no more than 60 hours.	\$20,000.00 per year

Authorized Institutions: Ministry of Economy

Firms that can benefit: Any firm/company engaged in industry and/or commercial activities or active in software sector incorporated, limited corporations, ordinary partnerships and co-operatives as spelled out in Turkish Commercial Code, Law 124; is eligible to apply for this subsidy.

Any training program can be realized with the participation of minimum 5 companies. Each company may send a maximum of 3 people to the training session.

Subjects for Training:

- European Union and World Trade Organization Legislation
- Solving of misunderstandings in Foreign Trade and International Arbitration
- Finance for Foreign Trade and Foreign Trade Accounting
- Pricing in Foreign Trade
- Legislation pertaining to Foreign Trade, Customs and Exchange
- Documentation used in Foreign Trade and mode/form of payments
- Contracts and delivery methods in Foreign Trade
- Supply chain management and Logistics
- International Marketing and E-Commerce
- Innovations and conglomeration
- Process management and Quality
- Fashion, Brands and Design

**4.4.7.2. Incentive for UR-GE Projects**

Purpose: The subsidy is to help pay for expenditures in certain projects that are approved by the Ministry for Organizations for Economic Co-operations.

**Table 18: Support Rate for UR-GE projects**

Urge Support	Support Rate	Supported Items	Maximum support
	75%	Training needs analysis, Education and/or Consulting Programs	\$400,000.00/ project
		Employment support, 10 overseas marketing programs	\$150,000.00/ project
		Support for 10 foreign buyer firms/procurement committees program with a view to their purchasing from Turkey.(transportation, organizational expenses)	\$100,000.00 /project
	70%	Personal Consulting Program based on the Project.	\$50,000.00/ project

Authorized Institution: Ministry of Economics

Firms that can benefit: Collaboration/Co-operational Establishments, Turkish Exporters Congress, Turkish Union of Chambers and Commodity exchanges, Foreign Economical Relations Union, Union of Exporters, City Chamber of Commerce and/or Chamber of Industry, Organized Industrial Districts, Industrial Districts, Technology improvement Districts, Sectoral Producers Unions, Employers Syndicates, Sectoral Foreign Trade Businesses and all organizations, unions, etc. formed by manufacturers. All these organizations which act on behalf of their members are eligible (2010/8 Sayılı Uluslararası Rekabetçiliğin Geliştirilmesinin Desteklenmesi Hakkında Tebliğ).

There are 130 active projects as of the end of 2013 within the Urge Subsidy (TCEB, 2013c:63).

#### **4.4.8. Incentive for Promotion Brand Image of Turkish goods in Abroad and Turquality Program**

Turkish exporters' congress, all manufacturers Unions, all manufacturers associations strive to make their own sectors known in abroad. So, some of their expenditures are subsidized. Also companies which engage in industry and commerce have expenditures in 'branding' their products as well as domestic and overseas expenses within the capacity of the TURQUALITY program of the Union of Exporters; all

organizational efforts and expenditures of the Turkish brands to find a foothold and hang-in within the foreign markets; and, the activities and efforts to make a positive image for the Turkish Products'. To achieve this goal, many domestic and foreign expenses and efforts are incurred. The aim of this subsidy is to provide an aid to the companies and unions within international rules from Support and Price Stabilization Fund.

**Table 19: Support Rate for Turquality**

Turquality Support	Support Rate	Supported Items	Maximum support
	Companies:50% Exporter Associations:80%	<b>Exporter Associations:</b> All expenses pertaining to advertisement and introduction within their sectors <b>Manufacturing Associations and Unions:</b> All expenses to introduce and advertise within their sectors	\$250,000.00  \$100,000.00

Authorized Institution while overseas: Under secretariat of Foreign Trade/ Attaché or Counsel

Authorized application point: Ministry of Economics, General Directorate of Foreign Trade

Application time: 6 months

Firms that can benefit: Union of Exporters, Manufacturer Alliances, Companies that engage in commerce and industry in Turkey

Duration of Support: 4 years (Branding Support Program), 5 years (Turquality Support Program) (2006/4 Sayılı Türk Ürünlerinin Yurtdışında Markalaşması, Türk Malı İmajının Yerleştirilmesi ve TURQUALITY®'nin Desteklenmesi Hakkında Tebliğ).

**4.4.8.1. Incentive for Companies in Brand Support Program**

This program is the first step of Turquality program.Support rate is below.

**Table 20: Support Rate for Brand Support Program**

Brand Support Program	Support Rate	Supported Items	Maximum support
Brand Support Program	Companies:50 %	Patent, registration of utility model and industrial design	\$50,000.00/year
	Exporter Associations:80 %	Launching, advertisement and marketing	\$300,000.00/year
		Office/depot/store/restaurant/café rentals	
		Office/depot/store/restaurant/cafe basic foundation set-up	\$600,000.00/year
		expenditures//architectural concept	\$300,000.00/year
		Rental for department or a counter	
		Showroom rental/decoration	
		Certification	
		Franchise decoration	\$200,000.00/year
		Franchise rent	\$200,000.00/year
	Consultancy	\$50,000.00/year	
	Designer/cook/chef employment	\$50,000.00/store	
		\$50,000.00/store	
		\$500,000.00/year	
		\$200,000.00/year	
75%	Development Road Map	\$200,000.00/Support duration	

**4.4.8.2. Incentive for TURQUALITY® Program**

Any firm that switches from "Brand Support Program" to "TURQUALITY Support Program" may not benefit from the switch for more than 72 months.

**Table 21: Support Rate for Turquality program**

Turquality support:	Support Rate	Supported Items	Maximum support
	50%	Patent, registration for utility model and industrial design registry	-
		Launching, advertisement and marketing	-
		Office/depot/restaurant/cafe rental	-
		Store Rental	-
		Office/depot/restaurant/cafe basic founding expenses	\$200,000.00/unit
		Counter Rental	-
		Foundation expenses for store	\$200,000.00/store
		Showroom rental/decoration	-
		Certification	-
		Franchise decoration	\$100,000.00/store
		Franchise rental	\$200,000.00/store
		Consultancy	-
		Designer/cook/Chef employment	-
Development Road Map	\$200,000.00/support duration		

(<http://www.turquality.com/destekler/marka-destekleri>).

**4.4.9. Incentive for Opening Branch In Abroad And Promotion Activities**

Firms that can benefit: Firms that engage in industrial and commercial business as well as Business Alliances doing business in Turkey

Duration of support and supported units: 4 years and 15 overseas units

Duration of Application: within 6 months of payment documentation

**Table 22: Support Rate for Opening Branch In Abroad and Promotion Activities**

Support for opening branch in abroad and promotion activities	Support Rate	Supported Items	Maximum support
	60%	Commercial or industrial firms or companies that operate overseas or their branches with an organic tie to the mainland (Turkey); as well as,	For store \$120,000.00 /year
			For showroom, storage or desk

	50%	units that are operated by Business Alliances' rental expenditures  Commercial Firms or units that have an organic tie to these firms and operate overseas. Rental expenditures for these branches or units.	\$100,000.00/year  For store:\$100,000.00/year For showroom. Storage or desk \$75,000.00/year
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In Turkey, it is stipulated that to prove an organic tie with the mother firm to the overseas unit: It is stipulated that the Company/firm is a partner as a corporate entity, All the partners of the firm is also a partner to the overseas firm, All partners with at least a 51% partnership in the firm is also a partner to the overseas unit which was established in the name of the mother company,

In the case of the company being publicly traded; after the public trading is deducted, the main partner or partners with 51% ownership be a partner to the overseas unit (2010/6 Sayılı Yurt Dışı Birim, Marka ve Tanıtım Faaliyetlerinin Desteklenmesi Hakkında Tebliğ).

**Table 23: Support rate for Promotion Activities**

Support For Promotion Activities	Support Rate	Supported Items	Maximum support
	60%	<ul style="list-style-type: none"> <li>- All promotion, advertisement and marketing expenditures for products made/grown in Turkey, for countries that do not have an overseas unit AND</li> <li>- With the <u>condition</u> that the firm(s) already have registered or have applied for a brand recognition registration in the foreign country for the products made in or grown in Turkey that already has a domestic brand recognition documentation: all expenses related to marketing, introducing and advertising will be considered</li> <li>- If there are no foreign units for the company; however, if there is a domestic brand registration document; and if the company had already applied for brand recognition registration within the foreign company or had already obtained a brand registration, then all expenses accrued to present, advertise and market the Turkish product will be subsidized</li> </ul>	<p>For the foreign countries where there are overseas units/branches max. \$150,000.00 per year</p> <p>\$250,000.00/year</p>

#### **4.4.9.1. Incentives for Foreign Patent Activities**

The brands that companies have which are already registered domestically are supported up to 50% and maximum \$ 50,000.00 per year. For Target Countries and BROP (Regional Competitiveness Operational Program) cities information as below:

Authorized Institution: Ministry of Economics

Documents arranged outside the country must be approved: Any Commercial Consultancy or Commercial Attaché.

Application for the Support: General Secretariat of the Association that the firm belongs to.

If the (brand registration in abroad) effort is being made on a sectoral basis towards pre-determined target countries, then the support rate is increased by 10 based points. Within the scope of this support i.e. BROP: if the firms or Business Alliances have main offices within the BROP cities, then the subsidy may be increased by 10 based points.

**Table 24: Support rate for foreign Patent Activities**

<b>Support for Brand Registration Activities in abroad</b>	<b>Support Rate</b>	<b>Supported Items</b>	<b>Maximum support</b>
	50%	For those companies that already own a brand name registration domestically, registering the same and protecting them overseas	\$50,000.00

#### **4.4.10. Export Refund for Agricultural Products**

This decision was made/actions taken to ensure the competitiveness of our country's agricultural produce in international markets and to increase the potential of exporting the agricultural products.

Support is provided for agricultural products returns within the Support and Price Stabilization Fund Framework; in the export of the produce listed below.

Exporting firms are permitted to transfer up to 65% of their refunds to companies whose produce they bought or within the capacity of the activity of the



company's efforts to export the goods (2013-4 Sayılı Tarımsal Ürünlerde İhracat İadesi Yardımlarına İlişkin Tebliğ).

The supported agricultural products are as follows:

**Table 25:Export Refund for Agricultural Products**

Items	HS CODE	Refund Amount	Amount Limit	Maximum Payment Rate
Poultry Animals(except giblets)	02.07.	350tl/ton	41%	%15
Eggs	04.07.00	30tl/1000 unit	65%	%10
Honey	04.09.00	120tl/ton	32%	%5
Flowers and seedlings of flowers	0603.11,12,1314,15,19	370tl/ton	40%	%10
Vegetables	07.10(except 071010)	145tl/ton	45%	%12
Dried vegetables	07.12	670tl/ton	40%	%10
Fruit	08.11	140tl/ton	45%	%8
Olive oil	15.09	50tl/ton	100%	%2
Lunch meat made from poultry animals	16.01.00.99,1602.31,32	450tl/ton	50%	%10
Prepared or Canned fish	16.04	450tl/ton	100%	%5
Concoctions with chocolate and cacao essence	18.06	215tl/ton	48%	%6
Pasta, macaroni products	19.02	120tl/ton	32%	%10
Tea cookies, multi-layered waffles, readymade cakes	19.05.31,32,1905.90,45,19.05,90.60.00.14	215tl/ton	18%	%8
Frozen fruits and vegetables	20.01,20.02,20.03,20.04,20.05,20.06,20.08	135tl/ton	100%	%8
Preserves, marmalade, jams	20.07	115tl/ton	35%	%5

Fruit Juice	20.09	270tl/ton	15%	%12
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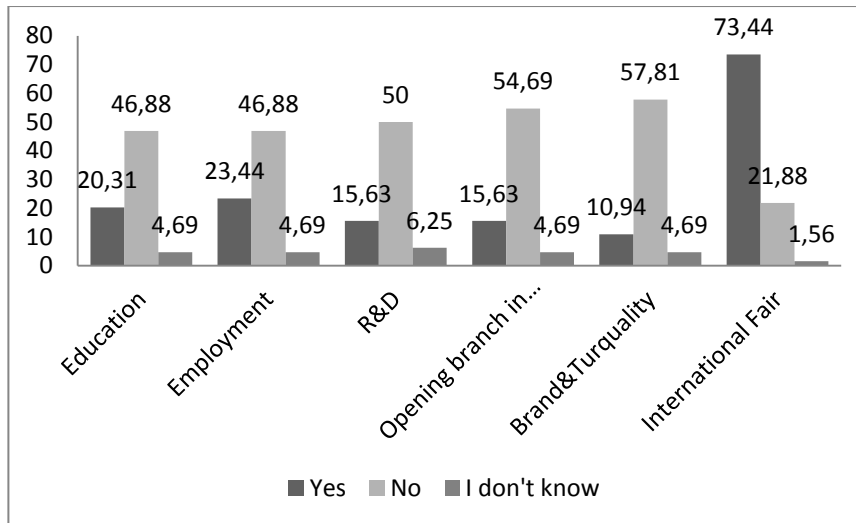
#### 4.5. Problems About Usage Of Incentives:

SME's have various problems in using incentives. Primarily many SME's are unaware of many of the Incentives available to them.

According to various researches, it is revealed that many SME's do not avail themselves of these incentives. Even though there has been an increase in the incentives programs, many SME's seem to have a problem in taking advantage even though they have a need of them. In proportion, relatively small amount of SME's make use of these Incentives; of these very few get to use all the available support (Erdil and Kalkan, 2005:104).

Various data has been obtained from Mehmet Akça's research in Gaziantep, as to which incentives are used by the SME's (Akça, 2011:120).

**Figure 10: Usage Percentage of Export Incentives in Gaziantep**



As seen, usage of these incentives is relatively low. We might be able to list the problems associated with this, in the following manner:

- **Disorganization in Incentive Policies:** In our country, the biggest problem in these government support programs is found in the application/enforcing. There are more than 10 agencies that execute these aids independently. There is a lack of coordination between these many agencies. This lack causes waste of community resources as well as making the incentives programs unsuccessful in application.

- **Lack of information in the statistical database:** The most basic element in the success of a government program is based on the information on the data base being healthy and up to date. The aid programs that are based on the changes that occur in economic and social frameworks can only be steered healthily if the information is up to date and correct. Because of this, the information on the statistical data base is very important in order to use the Incentives Programs as well as determining where they must be used.

- **Lack of Resources:** Another important point about the effectiveness of incentives is the need for resources. Budget cuts, fiscal policies being observed within the stability program, and the fact that these subsidy programs are based on selectivity causes delays during the determination process. This creates the problem of causing the fund to be severely under portioned.

- **Variety of the Incentive Subsidies:** Increasing the variety of incentive programs will also help re-direct the power of the program. Other than economical growth and stability, there are problems like unemployment, immigration, and to remove the economic imbalances between regions. In order to carry out the public policies in a healthy manner, there is a need for various public aid programs particular to a region. It would not be effective to use the same public aid in all economic and social problems. For example: aid programs that forgive taxes or subsidizes some of the taxation is not going to help out very small businesses that has a very low tax base and minimal capital. Therefore, it would be more productive to give cash aid as well as incentives that would help during formation of the establishment to cut costs would be more helpful to making the establishment profitable.

- **Inability of the Legislation to recognize Social and Economic Problems:** All applications of the Incentives move within the very narrow confines of the law, because changing of law is very difficult in our country. The changes that occur in economics and social life take a long time to be reflected in law; hence, editing of the legislation may take a long time. This situation causes delays and inefficiency in the application of the subsidies.

- **Bureaucracy:** When we examine the application of Government aid programs and the related administrative framework, we see that the problem appears to be an area

of conflict between various government institutions about responsibility and command. Whereas it should be an important public inducement and used effectively.

- **Application being run by Central Administration Units:** Mostly, the central administration sits at a table and by using macro economic variables in order to decide on the incentives. It is very difficult to see if these incentives' effects on a micro base and to determine whether these aids actually do what they were designed to do. Central administration has limited chance of control and inspection. In other countries, local administrations and non-governmental organizations seem to be very effective and successful in preparing and administering these sectoral and local aid programs (DPT, 2007a:68).

#### **4.6. Discussion:**

Resolving of these problems will help SME's to have more information and to be able to get more use out of these subsidies. Suggestions for these problems are:

- More meetings and meetings should be organized to keep more SME's informed. The amount of uninformed SME's need to be reduced.

- The Subsidies must be administered to from one establishment. This will reduce bureaucracy, stop the chaos and the SME's will be able to have more access to the subsidies in an easier manner.

- A regulating agency should be formed to control the disbursement. And, the resources should be allocated fairly.

- It is necessary to reduce the condition of usage for the subsidies. This will enable access to more of the SME's.

- Application and procedure to get the Incentives should be simplified and the use of incentives by the SME's should be supported. This way, mistakes made in application forms will not hinder the SME's from getting the incentives aid. At the same time, this action will help reduce time spent in the application for the subsidies and will increase efficiency in the SME's own business.

- Ministry of Economics as well as other Government Agencies which disburse Incentives needs to have more qualified personnel that are able to consult the SME's. In

this manner, SME's will reach personnel they can consult with which will speed up their solution to their problems.

- Notifications should be written in a more understandable language. SME's should be informed about the changes within the subsidy programs.

- The Incentives Programs should be up-dated within the needs of the SME's; Incentive Programs in the European Union and other countries should be examined and programs that are more integrated to the world should be created.

- There should be more statistical information gathered in order to aid the SME's; and, these should be reported periodically in an orderly manner.

## CONCLUSION

Small and medium enterprises (SMEs) occupy unique position in most of the countries especially in a developing country. In our country, as the SMEs' importance is increasingly understood, SME subsidy policies and tools are unsatisfactory.

The aim of this study to emphasize the importance of SME's in economy and, create a vision for SME's which decided to start export or courage them and analyze the effectiveness of export incentives. The findings of this data were obtained by desk research and they are presented shortly and summarized in the last section.

This study defined problems of export incentives usage by SME's during export operations. The biggest problems are lack of knowledge about the incentives, bureurocracy, complexity of applications and long documental operations. According to the research, assumptions have been done and suggestions were made to solve these problems which are:

The amount of uninformed SME's need to be reduced, supports must be administered to from one establishment, a regulating agency should be formed to control the disbursement, It is necessary to reduce the condition of usage for the subsidies, application and procedure of incentives should be simplified and the use of incentives by the SME's should be supported, notifications should be written in a more understandable language, incentives Programs should be up-dated within the needs of the SME's and there should be more statistical information gathered in order to aid the SME's.

As a result, government should re-arrange SME's policies according to their needs and demand. More field research should be done and SME's should be listened so that policies should give solutions for their problems and they will able to join economy more and increase export capacity of Turkey to reach 2023 export value.

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