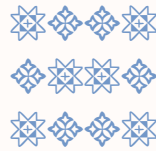




TURKISH-SYRIAN BUSINESS PARTNERSHIPS, PART II

An Opportunity in Progress

September 2020



preface and acknowledgements

In June 2018, Building Markets released a report on Turkish-Syrian business partnerships and the economic opportunity they present for Turkey's economy. This report is a follow-up to that research and has two key objectives. First, to review achievements since June 2018, including the integration of Syrian-owned enterprises into the Turkish economy; and second, to explore new prospects for facilitating relationships between Syrian and Turkish business owners. Building Markets prepared this assessment through desk research and semi-structured interviews with 11 stakeholder institutions. This included analysis of data collected from several trade associations and chambers of commerce and industry. Interviews and data analysis took place between June and July 2020.

According to Turkey's Foreign Direct Investment Law (2003), companies established in Turkey by foreign nationals are afforded the same rights and privileges as all other Turkish businesses.¹ This means all businesses in Turkey are, in effect, Turkish businesses. For clarity, this report will refer to businesses owned by Syrians (whether under temporary protection or migrants) in Turkey as "Syrian businesses" and businesses owned by Turkish citizens as "Turkish businesses," but they are the same before the law.

Building Markets, headquartered in New York, United States, is a non-profit organization that creates jobs and encourages economic growth in crisis-affected countries by connecting local micro, small and medium-sized enterprises (SMEs) to new opportunities. Through its

approach, the organization has built a network of over 25,000 local SMEs, including 2,200 Syrian owned enterprises, assisted those businesses in winning \$1.3 billion² in contracts, and helped create over 70,000 jobs.

This report was researched and written by Karolin Kuyumcu, who led the field data collection and analysis. Additional research support and writing were provided by Güler Kaya, Robia Islam, and Fatima Kamran. Building Markets gratefully acknowledges the organizations that contributed their time, experience, and insights to this report. Building Markets would particularly like to thank the contributions of stakeholders who agreed to be interviewed, as their insights played a critical role in informing this report.

Photos in this publication were taken by Gate of Sun, a Syrian-owned SME. In cases where businesses were not available for photography, they made images available to Building Markets for use in this document.

Any case studies or best practices that would strengthen this report are welcome and can be submitted along with any questions and comments to reports@buildingmarkets.org.



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executive summary

Since the onset of the Syrian civil war in 2011, over 5.6 million refugees have been uprooted from their homes, seeking safety in neighboring host countries and beyond. Ousted by turmoil, refugee populations are forced to quickly adapt and assimilate into unfamiliar environments within their new countries. At the same time, host economies bear an enormous resource burden when taking on refugees that can have significant economic and social impacts. This presents an opportunity for host and migrant populations to leverage their respective capabilities, including through employment and entrepreneurship. Evidence has shown that this can be a win-win by driving economic growth and creating jobs while also integrating refugees into their new countries.

In Turkey, now home to 3.6 million refugees,³ the story of Syrian businesses is one of success and promise. Since the Syrian civil war began, Syrian entrepreneurs have bootstrapped their way to starting nearly 10,000 registered firms that are reinvesting into the local economy, including serving as suppliers of goods and services to the Turkish public and private sectors. They have also successfully contributed to the Turkish market by bringing with them new products and services, client networks, and niche skills in the manufacturing and trade industries that have paved the way to new export destinations across the Middle East and North Africa (MENA) region.

In 2018, Building Markets published the first report in this series, entitled “Turkish-Syrian Business Partnerships: A Nascent Opportunity.” Now in 2020, this follow-up report, “Turkish-Syrian Businesses Partnerships: An Opportunity in Progress,” further explores the current landscape of Syrian businesses in Turkey, highlights progress, and shares insights from key Turkish stakeholders in the business ecosystem.

Key Findings include:

- Although there are thousands of Syrian enterprises operating in Turkey, partnerships between Turkish and Syrian SMEs have remained limited in number and scope. However, perceptions are beginning to shift, and the mutual benefits of cooperation are increasingly recognized by Turkish and Syrian entrepreneurs and local business stakeholders.
- Stakeholders report that Syrian enterprises possess both advantages (e.g. multiple languages, international networks, export capacity) and disadvantages (e.g. lack of local market experience, unfamiliarity with regulations, and low technology use) that affect their competitiveness in the Turkish market and as attractiveness as partners to Turkish companies.
- Contributions of Syrian businesses in Turkey and opportunities for Turkish-Syrian business partnerships are seen as: 1) New products for the Turkish market and revival of industries; 2) Increased export activities by penetrating the Arabic-speaking Middle East and North Africa (MENA) region; 3) New customer habits and demands; and 4) Unique and efficient production skills.
- With the pandemic negatively affecting both Turkish- and Syrian-owned enterprises, partnerships are also recommended as a mutual opportunity to recover from the crisis.
- Mutual trust, credibility of the business, and common language are identified as essential and related components required to develop a successful partnership.

1. SYRIAN BUSINESSES IN TURKEY

As of July 2020, 9,041 companies with Syrian owners are registered in Turkey, accounting for approximately 562 million USD of capital.⁴ Between 2011-2018, Syrians in Turkey established more than 10,000 companies employing on average 7 people, 60% of whom are Syrians. Syrian entrepreneurs provide a living for 7% of the Syrian community in Turkey.⁵

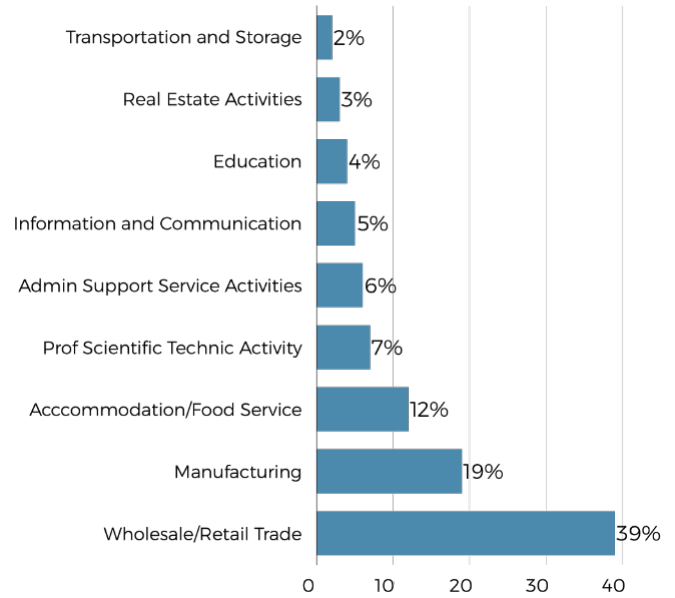
Since 2016, Building Markets has surveyed and established a network of over 2,200 Syrian-owned SMEs in Turkey. As part of that work, the organization has gathered valuable insights on the characteristics, capabilities, and challenges of these businesses. Based on this data:

1. The majority of businesses operate in the Wholesale/Retail and Manufacturing sectors.
2. Over 80% of businesses are micro-sized (employing 1-9 employees.)
3. Their most reported challenges are: competition (27%), government laws/policies/bureaucracy (10%), high taxes (10%).
4. Almost 45% of these businesses have had an international client in the past 6 months, and 31% currently export their goods/services.

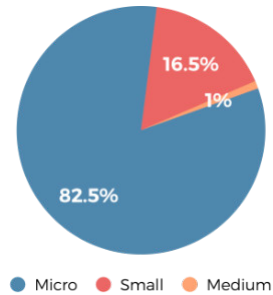
2. TURKISH STAKEHOLDER VIEWS ON SYRIAN BUSINESSES

Although there are thousands of Syrian enterprises operating in Turkey, partnerships between Turkish and Syrian SMEs have remained limited in number and scope. According to the 'Private Sector Survey' conducted by the United Nations Development Programme (UNDP) in 2018, "partnership" is defined by the ownership structure of a business based on shareholder nationalities. Of the 300 Syrian-owned enterprises surveyed for that research, only 3.7% had partners who were Turkish. This low level of

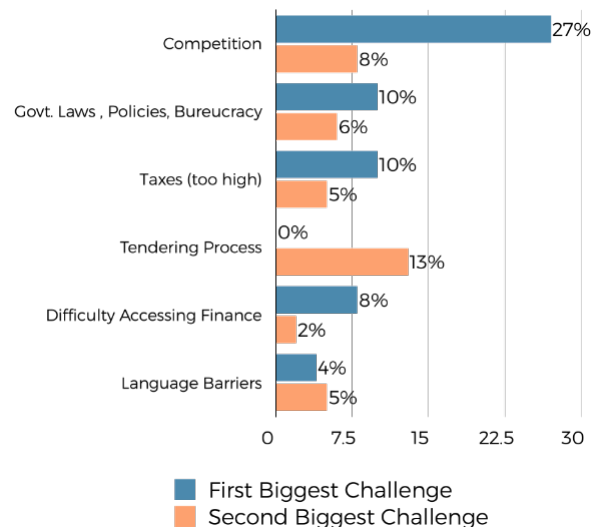
1. Primary Sector Breakdown (%)



2. Enterprise Size (%)



3. Biggest Challenges in Next 6 Months (%)



collaboration was attributed to the minimal interaction between the two business communities. In addition, Turkish economic actors have not always welcomed Syrian businesses due to economic challenges, competition, and high unemployment levels.⁶ However, as Syrian enterprises have begun to chart a course in the Turkish economy, perceptions are beginning to shift. For example, the export-oriented approach of Syrian businesses was cited in the UNDP survey as a driving motive for the Turkish private sector to employ Syrians or partner with Syrian enterprises.⁷

Turkish companies are looking for new initiatives and prospects for accessing and expanding markets. Business associations, which were once opposed to partnering with Syrian enterprises, are now more open to explore areas of collaboration. Given that SMEs account for 73.5% of employment in Turkey, it is understood that Syrian companies are important in integrating the influx of refugees and providing jobs.⁸

2.1 Recognizing Contributions

Stakeholders interviewed for this research acknowledged the benefits of greater integration of Syrian businesses in the Turkish market and opportunities for Turkish-Syrian business partnerships in the following four categories: 1) New products for the Turkish market and revival of industries; 2) Increased export activities by penetrating the Arabic-speaking MENA region; 3) Created new customer habits and demands; 4) Introduced unique production skills.

1. New products for the Turkish market and revival of industries:

Stakeholders reported that Syrian businesses have made active contributions to the textile, food, shoes, carpet, handmade furniture, and machinery sectors. Some of the products they introduced have been new to the Turkish market. For example, traditional Syrian food items and sweets, or unique designs in fashion and furniture. While others, such as soft soap, already existed but have been adapted and innovated.

STAKEHOLDER QUOTES

“In 2011, the factories of soft soap⁹ in Nizip, Gaziantep were closed down. Now, Syrians try to rejuvenate soft soap production, and they built around 30 factories. One of them exports to eleven different countries, including Japan, Holland, and Canada. This is a good example of the value of Syrian entrepreneurs.”

“One of our members in Hatay, a furniture manufacturer, could not find Turkish craftsmen specialized in handmade carved furniture, so he assembled a Syrian team. He now produces furniture for both domestic and foreign markets.”

In terms of the revival of industries with Syrian businesses' contributions, shoe manufacturing is the leading example cited by stakeholders. According to estimates, 20%-25% of Syrian enterprises operate in shoe manufacturing and trade, with their presence most prominent in Gaziantep. Shoemaking has become one of the vital manufacturing sectors creating employment in Gaziantep. Stakeholders also noted that women's and girls' shoes are now more prominent products in the city's footwear industry, which they believe can be attributed to Syrian SMEs.

Table 1: Footwear Export Statistics Turkey¹⁰

Year	US\$	Country Rank
2010	422,322	29
2011	471,635	29
2012	575,960	26
2013	757,790	24
2014	760,472	25
2015	708,085	23
2016	743,741	23
2017	811,658	23

Currently, 20% of the footwear needs in Turkey are fulfilled in Gaziantep, following İstanbul.¹¹ According to the export figures of Turkey, the shoe industry has significantly and gradually grown between 2012 – 2017. Since Syrians began to migrate to Turkey, the country rose six ranks from 29 in 2011 to 23 in 2017, with regards to its share in world footwear exports (see Table 1 above).

2. Increased export activities by penetrating the Arabic-speaking MENA region: Syrian investment in Turkey has penetrated new export destinations mainly in the MENA region. Syrian businesspeople came to Turkey with their networks, especially from Gulf, Arab, and North African countries. As a result, the volume of exports from Turkey has increased significantly to countries such as the Kingdom of Saudi Arabia. By collaborating with Turkish businesses, Syrian entrepreneurs introduced Turkish products and businesspeople to the Arab market. Moreover, they acted as cultural and commercial intermediaries between Arab and Turkish businesspeople.

A SUCCESS STORY: SAM AKSESUAR

Established in 2012 in Gaziantep, with its origins going back to 2010, Sam Aksesuar produces accessories for shoes, slippers, belts, and bags. The company's founders are experienced in the sector and previously owned a factory in Syria. "Turkey has granted us new opportunities that we had never heard about while we were in our home country. It is a strong economy, and the market is very diverse and expansive", they noted. Despite facing difficulties in understanding Turkish laws and regulations as well as keeping up with local competition, the company was able to overcome challenges through market research and the assistance of mentors.



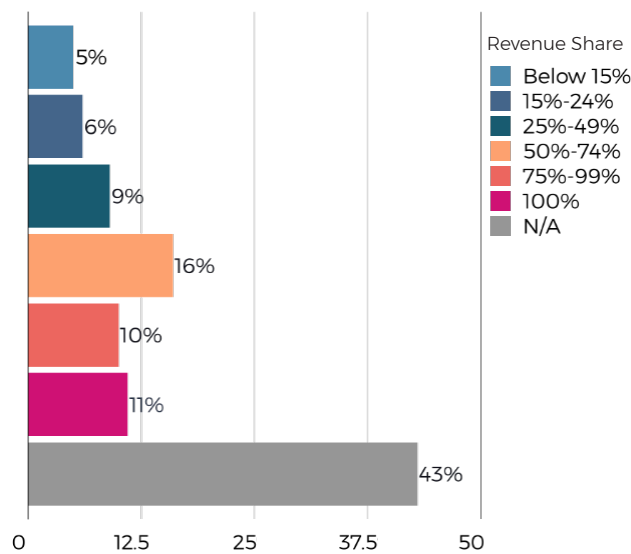
Due to the COVID-19 pandemic, Sam Aksesuar temporarily shut down, but the business is once again running and growing. Manager, Usman Usman said, "Alongside increasing our personnel, we are upgrading our machines and equipment in the factory to be able to expand our production capacity to meet market demand locally and abroad."

Currently, Sam Aksesuar exports to Algeria, Iran, Iraq, Morocco, Syria, and Tunisia, and is focused on increasing its exports and wholesaler partners in Turkey.

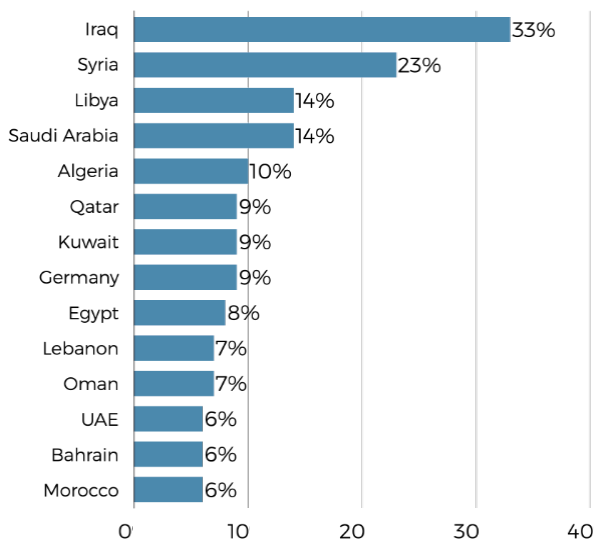
Usman advises that when starting a business in Turkey it is helpful to seek a partnership with a Turkish entrepreneur, and to hire Turkish employees, because it can provide the business with the local knowledge required to operate and succeed in Turkey.

This observation by stakeholders is also demonstrated in data from Building Markets' network where 31% of Syrian SMEs are exporters. Of these, at least 16% mention that between 50% - 74% of their revenue comes from exports. Further, 10% state that exports compose more than 75% of their revenue and 11% declare their revenues come entirely from exporting (see Graph 4 below).¹² Their top two export destinations are Iraq (33%) and Syria (23%) (see Graph 5 below).¹³

4. Share of Exports in Total Revenue (%)



5. Destination of Exports (%)



3. Created new customer habits and demands:

Syrian enterprises have diversified the Turkish marketplace, especially in the southern provinces bordering Syria. The Syrian community's consumption habits resulted in new products such as Syrian coffee, desserts, and clothes being introduced to the market. In addition to creating and meeting their own demand, Syrian enterprises have facilitated mutual commercial and cultural exchanges, as Turks have also become their customers. Some of the Syrian manufacturers adapted traditional products to local habits and needs. Demographics and gastronomy of the region supported new restaurants serving Middle Eastern cuisine and new products like Syrian desserts adapted to Turkish taste.

A SUCCESS STORY: AL MUHTAR TATLILARI

Established in 2013 in the historic Fatih area of Istanbul, Muhtar Sweet first made a name for itself by handcrafting all types of Damascene kunefe and Arabic-style ice cream.

As the first company in Turkey to specialize in making traditional Syrian sweets, Al Muhtar has greatly expanded its processes to include cookies among other desserts, and opened a new, state-of-the-art production facility in Istanbul.

The company now employs 36 people, and exports to the United States, Canada, the United Kingdom, all of Europe, and the Arab states.





A SUCCESS STORY: SOUQ AL ANADOL

Souq Al Anadol is an e-commerce and e-marketing company that demonstrates how a Syrian-led company, in partnership with Turkish manufacturers, can bring “Made in Turkey” products to the forefront of the international market. Through the company’s wholesale website, Souq Al Anadol displays products from thousands of Turkish businesses to international clients who are looking to import.

Around three years ago, the owners of Souq Al Anadol noticed that foreign companies were facing difficulties in tracking the origins and costs of the products they were purchasing. They decided to start a business in Gaziantep that would provide clients with access to nearly the full breadth of the Turkish market, with negotiable price offers. To facilitate business-to-business (B2B) e-commerce and foreign trade, the company provides a full range of services to its clients with product quotations, translation and legal consultations, inspections of goods, shipping, and more.

Last year, the company opened a branch in Istanbul, which according to Saleh Al Abdullah, co-owner, has been a defining factor in the company’s success. “I

really feel like we made it after we opened our new branch. Istanbul is the economic capital of the country, and since we came here, we have achieved 70% higher sales.” Initially struggling to come to terms with the unfamiliar rules and regulations of doing business in a new country while also working out air freight logistics, for which nearly 80% of their business depends, Saleh Al Abdullah attributes the success of their company to remaining adaptable in all situations. In order to concentrate on finding and addressing the right types of customers who are interested in Turkish goods, Souq Al Anadol has employed the use of targeted online sponsored advertisements and created Turkish, English, and Arabic versions of their webpage to extend their reach globally. In spite of the COVID-19 pandemic, Saleh Al Abdullah is quite optimistic about the future. When asked what is next for Souq Al Anadol, he revealed plans to scale warehousing and staff. “I aspire to be a global trademark like Ali Baba, where we bring every sector and product to our website and can reach customers from everywhere in the world.”

4. Introduced unique and efficient production skills:

Syrian manufacturers, who are accustomed to producing with minimum machinery and investment, are adept at decreasing production costs. With 99% of the Syrian private sector traditionally consisting of family businesses, production know-how is continuously improved and transferred from generation to generation, resulting in unique capabilities.

2.2 Resources that are Enabling Partnerships and Integration

Dedicated organizations, namely the Turkey-Syria Business Council established by Turkey's Foreign Economic Relations Board (Dış Ekonomik İlişkiler Konseyi - DEİK) and the Syrian Desk established by Gaziantep Chamber of Commerce (GCC) support Syrian entrepreneurs who are looking to invest in Turkey and who are interested in collaborating with Turkish enterprises. In 2019, the GCC's Syrian Desk was awarded the most unique project at the World Chambers Congress for its objectives to support

Syrian refugees through commercial relations and to increase collaboration between Turkish and Syrian businesspeople.¹⁴ Many stakeholders interviewed for this report stated that the 'Gaziantep model' should be replicated to other cities.

Overall, the integration process for refugee and migrant entrepreneurs is smoother in cities where local chambers and municipalities play an active role.¹⁵ Services offered through these initiatives strategically position Syrian entrepreneurs to integrate into the local market, providing them with the information, training, and networking opportunities needed to support their ventures and economic autonomy.

Despite the intentions of these stakeholders in the entrepreneurial ecosystem, the COVID-19 pandemic has temporarily shifted the focus for many companies. Entrepreneurs have been concerned with maintaining their operations rather than pursuing new investments, ventures, or partners. However, there are also opportunities for partnerships borne by this challenging time (see page 11).

THE GAZIANTEP MODEL

As a consequence of the increasing number of Syrian member companies in the Gaziantep Chamber of Commerce, the organization established the "GCC Syrian Desk" in 2016. Its purpose is provide better services for their Syrian members (totaling 12 Syrian member companies before 2011 and over 2,000 in 2020). The main services provided by GCC Syrian Desk are:

1. Understanding challenges faced by Syrian companies in Gaziantep by acting as a supportive actor to resolve them or refer them to relevant authorities.
2. Keeping their information up to date by individually communicating with them.
3. Establishing a new Arabic site on the GCC website.
4. Working as an information center by providing comprehensive business information needed in Turkey (registry procedures, new company establishment, member information, fairs, tenders, visa, banking issues, citizenship issues, etc.).
5. Having GCC Board of Directors meetings with Syrian businesspeople.
6. Offering language and capacity building training courses to Syrian businessowners and their employees.
7. Organizing awareness-raising seminars that cover relevant topics such as how to establish new companies in Turkey, work permit issues, social security system, the tax system in Turkey, foreign trade incentives and investment incentives, etc.
8. Organizing business visits to the Syrian city of Jarabulus to convene Turkish and Syrian businesspeople.

2.3 Trajectory of Syrian Businesses: 2018-2020

Most stakeholders, with the exception of one, thought Syrian enterprises operating in Turkey have made positive strides in their development from 2018 to 2020. This was attributed to the rise in the number of Syrian firms registered in chambers of commerce, and that businesses have become increasingly familiar with the Turkish market, dynamics of the economy, legislation, and the sectors in which they operate.

In 2018, donors and local actors started to reframe and address the Syrian refugee challenge in Turkey from short-term aid to longer-term, sustainable solutions that would create desperately needed economic dividends for refugees and the host economy. This has included investments in programs and strategies that support the integration of Syrian refugees into the local private sector. While many Syrians were already engaged in entrepreneurship, their success and this shift in perspective and

resources created an entrepreneur multiplier effect. Gradually, more and more Syrians became better informed about opportunities and open to cooperation with local institutions like KOSGEB and İşkur. Given the majority of Syrian refugees live in urban areas in Turkey, rather than camps, it is likely that many also started businesses out of necessity and need to support their families.

Stakeholders also reported that the establishment of associations has played an important role in the progress of Syrian businesses. Few existed before 2018, and ones that did, predominantly served as a platform to convene Syrian entrepreneurs rather than to support their success and growth in Turkey. Moreover, chambers, especially those in the southern provinces bordering Syria, have become increasingly aware of, and value, the economic contributions of Syrian businesses. This opportunity has incentivized them to create programs that cater to these entrepreneurs.

Table 2: Syrian Companies Established in Turkey¹⁶

Year	# Syrian Firms	Total Capital in Syrian Firms (USD)	Total Syrian Capital in Syrian Firms (USD)
2011	81	\$ 10,892,321	\$ 6,956,982
2012	166	\$ 18,926,667	\$ 12,622,458
2013	489	\$ 45,833,684	\$ 39,373,639
2014	1,257	\$ 102,782,043	\$ 89,698,139
2015	1,599	\$ 93,384,375	\$ 85,853,376
2016	1,764	\$ 90,377,815	\$ 81,744,376
2017	1,202	\$ 64,794,301	\$ 49,049,945
2018	1,595	\$ 89,487,344	\$ 56,243,465
2019	747	\$ 38,333,627	\$ 25,728,151
2020 (July)	141	\$ 6,944,368	\$ 4,893,40
Total	9,041	561,756,546	452,163,939

However, the pace of the growth in Syrian businesses slowed down in 2019, and the number of new Syrian companies fell to more than half. Stakeholders interviewed shared that the key reasons for this were: the economic hardship in Turkey, tax obligations, and difficulty with compliance with local legislation. Unlike in the past, a company can no longer continue to exist unless they have active business operations (i.e. starting a business for the purpose of buying property or acquiring citizenship, as has been speculated, is no longer tolerated).

In 2020, the number of new companies established entered a rapid decreasing trend. The COVID-19 pandemic has been a major setback in the development of Syrian enterprises. The positive evolution enjoyed during the years 2018-2019 regressed with the pandemic, and Syrian businesses have become more fragile than ever.

It was stated that Syrian enterprises were hopeful about the future before the pandemic, even more so than Turkish enterprises. However, they have become more pessimistic with COVID-19 disrupting exports, a significant source of revenue. According to an assessment carried out by Turkey's "Business for Goals Platform,"¹⁷ Syrian-owned businesses have been considerably more negatively affected than Turkish businesses of the same size. Eighty-one percent of Syrian-owned businesses reported that the pandemic had a "substantial impact" on operations as compared to 70% of their Turkish counterparts. Furthermore 38% of Syrian-owned businesses cited a freeze in operations in May 2020 compared to 30% of the Turkish enterprises surveyed. Similarly, according to research conducted by INGEV, refugee entrepreneurs are more adversely affected by the pandemic, and 54% state their turnover fell by more than 50% versus 34% of the Turkish entrepreneurs.¹⁸

Stakeholders report that the pandemic already resulted in the closure of many Syrian enterprises. Some canceled their registrations in order to save their investment by not paying taxes. Others continued their production with small portable machines at home.

Nonetheless, exports are still promising for Turkey, and recovery has come quickly post-lockdown. Gaziantep has achieved the highest June exports record of all time in 2020. In the first six months of 2020, there was a large increase in exports from the region to 186 countries (1st rank: Middle East countries 41.3%; 2nd rank: EU countries 19%; 3rd rank: Africa countries 15.4%).¹⁹ Considering Syrian-owned enterprises' focus on exports, the recovery of the export revenues in Gaziantep is a good sign for the future of the Syrian enterprises and Turkish-Syrian partnerships.²⁰

The pandemic has negatively affected both Turkish- and Syrian-owned enterprises. Partnerships should be considered as a mutual opportunity to respond to and recover from the crisis.

1. Joining forces might enable the survival of companies facing similar difficulties such as funding, saving, and seizing new business opportunities together.
2. The pandemic has triggered new trends and customer needs, necessitating new production capacities and collaborations to meet the demand. Companies took advantage of the slowdown in business to invest time in R&D and shift production. Stakeholders gave examples of a Syrian company in Gaziantep that was producing jeans and started to produce masks for a large company in İstanbul during the pandemic, and another that shifted its production to disinfectants.
3. Manufacturing of machines by Syrian enterprises is positively affected with the development of the local industry from assembling parts to production. Diversifying and localizing production can help manage supply chain risks. Before the pandemic, machine parts used to be imported primarily from China. If the parts were defected or broke down, the delivery time was delayed and caused production losses. Moving from China to the local market will help to overcome these problems and will lead to potential collaborations between Syrian and Turkish enterprises.



A SUCCESS STORY: ANANAS EPOXY EV

Ananas Epoxy Ev is a Syrian-owned furniture company that has navigated the obstacles of accessing local e-commerce sites and brought its products to consumers online, a strategy that has proved crucial with COVID-19. The company produces tables and other types of home and office furniture and household items, utilizing epoxy resin, stone and wood materials. Its founder, Abdulrahman Milli (pictured above), got his start in Turkey supplying tables to restaurants and later working at an interior design company, where he started experimenting with his current unique creations. His dream of owning his own company came true two years ago with the establishment of Ananas.

He has pursued partnerships with some of the big Turkish e-commerce sites, struggling with challenges like understanding contracts in Turkish language, meeting strict terms for a startup, and finding the necessary information to make his storefronts successful. His tenacity with e-commerce has paid off, especially with the pandemic: "Everything has moved online now, and thankfully we did too just in time," says Abdulrahman. Ananas continues to operate on these local sites while working on their export goals.

Following exports to the USA and Iraq, they are now developing an independent line for the Kingdom of Saudi Arabia. They are also looking at increasing their production capacity to meet the needs of a more diverse clientele base and creating higher-quality tables at lower prices. In addition to his plans for Ananas, Abdulrahman has founded "Ward", a new online marketing platform aimed at the Arab craftspeople in Istanbul, with the positive impact of helping them build new networks and promote their products. As he works with craftspeople and entrepreneurs, he advises them to never imitate other products, to be unique, and to bring new products to the market in order to realize higher sales.

The success of establishing Ananas in a new country, against all odds, is a source of not only livelihood but also pride for Abdulrahman: "I see this as a transformation on a personal level because I have spent my whole life working as an employee in various companies and fields, and now I am really proud that I can say that I have my own business, my own brand, and my own products that I market to customers in foreign countries."

2.4 Competitiveness

Stakeholders interviewed for this report stated that Syrian enterprises possess both advantages and disadvantages that affect their competitiveness in the Turkish market and as attractiveness as partners to Turkish companies.

ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none">• MENA market knowledge and experience as well as cultural proximity makes working with Syrian businesses an advantage for Turkish businesses looking to expand into the MENA region. Ninety percent of SMEs in Building Markets' Turkey network do business with the MENA region.• Language skills mean that Syrian businesses can help Turkish businesses become more global. Thirty-seven percent of SMEs in Building Markets' Turkey network speak both Arabic and English.• Export ability and current export connections, mean Syrian businesses have direct business relationships with Syria, as well as the Middle East, Gulf, and North Africa countries.• Unique manufacturing skills, especially in shoemaking, machinery, handmade carved furniture, soaps, and traditional sweets, can help Turkish partners bring new products to market.• Communities of Syrian people, who live close to each other and work together, mean that Syrian business owners can help Turkish businesses sell to their community in Turkey and in the diaspora, and respond to this subset of the market.• Cash transactions are familiar to Syrian SMEs and they prefer working in cash, which contributes to resilience during periods of crisis.²¹ Also, purchasing raw materials with cash rather than deferred payment allows them to purchase and produce at a lower cost.	<ul style="list-style-type: none">• Social prejudices against Syrians, which is exacerbated by high local unemployment, may hinder partnerships.²²• The Turkish language barrier, which hinders their access to the Turkish business world and prevents Syrian business owners from understanding local resources, making them dependent on their professional advisors. Syrian business owners tend to prefer communicating in Arabic.²³• Lack of experience in the local market makes it difficult for Syrian SMEs to reach or satisfy Turkish customers, and can lead to missed opportunities.• Lack of technological infrastructure makes Syrian businesses digitally weaker than Turkish companies (as many even lack websites). This has proven problematic during the pandemic as Syrian enterprises have had difficulty moving to online work and adapting their business models.• Lack of knowledge on Turkish certifications, standards and legislation can deter Turkish partners from doing business with Syrian enterprises.²⁴• Lack of awareness about and difficulty in accessing business incentives and SME support schemes may put them at a disadvantage when doing business.• Difficulty in financial inclusion and access to financial services, as banks comply with the international sanctions applied on Syria and are cautious with them. Syrian enterprises have trouble opening bank accounts, foreign trade in US dollars, and taking loans to grow.

2.5 How to Create a Successful Partnership

During the initial phases of Syrian integration into the Turkish economy, incidents such as fraud created a lack of trust between Syrians and Turkish business owners. However, over time, good examples have demonstrated how partnerships between these businesses can be mutually advantageous.

Stakeholders interviewed for this report reported that there were three essential and related components required to develop a successful partnership:

1. "Trust" is the bedrock of any relationships and must be in place for a partnership to take root.

STAKEHOLDER QUOTES

“In Gaziantep, Syrians produce machinery for making plastic carpets used in the mosques. They have created the complete supply chain: from machinery and raw materials to producing and distributing the final products. The price of this machine is 2-3 times cheaper than similar machines made in Japan.”

“The industry of machinery is exciting for partnerships. Syrian machine producers’ networks and orders are very different than Turkish producers’. There is potential for innovation in machinery if Syrian industrialists’ pre-existing client and product networks are combined with Turkish machine manufacturers’ local experience.”

Stakeholders noted that establishing trust demands transparency in organizational structure, branding, and client references.

2. It also includes “being registered” and “being a member of trusted institutions, associations, or platforms”. Memberships in an association supports the perception of confidence to the other party. It also brings in a broader business network, generates new opportunities, builds rapport and communication between parties, and can result in reliable references.
3. Developing a successful partnership includes establishing a “common language” including shared goals. Syrian and Turkish entrepreneurs not only speak different languages, their business culture and ways of communicating are distinct. To foster collaboration, partners need to see how they can benefit from one another and that requires understanding how the other company operates. “Socio-cultural proximity”, “sectoral match”, “win-win situation” are other features cited as essentials for a good partnership.

3. RECOMMENDATIONS

Whether opening up new export markets in the MENA region, expanding the footwear industry for girls and women, providing translation and language services to serve digital customers, switching production to masks to respond to the COVID-19 pandemic, or collaborating to create new demand in the food and beverage sector, there is no shortage of opportunities for Turkish and Syrian entrepreneurs to collaborate. Both bring unique and diverse skillsets, business experience, and talent.

That said, there are many obstacles that have prevented more partnerships from taking root. In addition to cultural, language and contextual challenges, Syrian- and Turkish-owned enterprises have typically operated in parallel markets within the same economy. Turkish enterprises also appear to mostly view Syrians as customers instead of potential, long-term business partners.

However, there is growing evidence of Turkish and Syrian entrepreneurs finding each other and collaborating. This has been made possible by local business entities and other organizations that are

responding to this demand and opportunity. The Gaziantep Chamber of Commerce's Syrian Desk is just one example. The Chamber had 12 Syrian member companies in 2011 and now has more than 2,000 in 2020, and the Syrian Desk's services are more needed than ever. Increased efforts like this will encourage further progress in other provinces where Syrian and Turkish entrepreneurs can work together to develop local economies. This will be critical for both Syrian and Turkish populations as Turkey contends with the continued strains of hosting the world's largest refugee population.

The following recommendations are summarized under five categories and emerged throughout conversations with stakeholders.

1. Chambers of commerce and industry across all provinces can:

- Promote case studies and stories of successful partnerships at events and through other marketing and communications.
- Organize presentations to support businesses' search for partners and investors.
- Arrange regional or sectoral B2B events to allow for dialogue about the importance of forging partnerships to overcome common challenges and meet shared goals.
- Develop and centralize an information database to inform local, Syrian and refugee-owned businesses about the latest B2B and networking events organized by different associations and organizations.
- Establish a specialized and dedicated unit to highlight Syrian enterprises' potential and provide services in networking and training opportunities (e.g. the Gaziantep Model). This type of a support structure will drive the future of Syrian-owned SMEs to better integrate into the Turkish market.
-

2. Government economic stakeholders can:

- Provide consultancy on quality certificates and standards.
- Provide incentives to Syrian enterprises to stimulate digitalization to survive impacts of the pandemic.
- Communicate successful examples of Syrian-Turkish business partnerships and Syrian entrepreneurs creating jobs in Turkey. This will shed a positive light and overcome cultural and social prejudices.
- Take proactive steps to secure Syrian business people's investments in Turkey (e.g. citizenship).
- Communicate laws and regulations in Arabic on an accessible portal to help Syrian enterprises comply.
- Use the inspection mechanisms for informative and educative purposes rather than deterring Syrian enterprises from operating.
- Develop incentive programs to help Syrian businesses access finance.
- Reduce bureaucracy on travel permits, work permits, and employee quotas.

3. International Community stakeholders can:

- Support capacity and inclusive programs and services of chambers of commerce and industry.
- Increase the number of grants to Syrian enterprises, especially to the ones affected by COVID-19.
- Support organizations that focus on refugees' livelihoods and local employment by working with SMEs.

4. Regional development agencies and business support offices for small business development (KOSGEB), technological research (TÜBİTAK) and employment (İŞKUR) can:

- Steer Syrian entrepreneurs to invest in the right sector and location, add value and innovation, spur local development, and avoid direct competition with Turkish businesses.
- Provide consultancy to Syrian businesses that improves access to incentive programs.
- Support Syrian businesses to become sustainable companies and develop their capacities in strategic planning, HR, branding, and financial management.
- Share export market intelligence with Syrian enterprises on an active and regular basis.

5. Syrian and refugee led enterprises and business associations can:

- Be active members of local associations and organizations, like chambers of commerce and industry, TİM, Turkey- Syria Business Council, etc.
- Actively attend events such as fairs and matchmaking and networking meetings, including virtual ones.
- Shift mindsets and attitudes on integration into the Turkish system and diminish distrust.
- Consider developing Turkish skills to overcome the barrier to doing business with Turkish partners.



A SUCCESS STORY: ALNEMER ARGE

Alnemer ARGE, based in Istanbul, provides clients with technology solutions and digital development services. Its founder, Alaa Alnemer, came to Turkey in 2012 after studying software engineering at Aleppo University, and continued his studies in Istanbul. As a student, he started working on software related projects in the private sector, which led to his business. “It was a huge opportunity to start a project here and succeed, especially since we are not in our homeland,” says Alnemer about the impact of entrepreneurship on his life. When he successfully bid on a tender by the Küçükçekmece Municipality, a local government in Istanbul, a growing partnership was born, providing digital solutions to the first center fighting drug addiction in Turkey. The company had early challenges in learning to navigate public bureaucracy and working with a large client, but Alnemer says that they relied on their service quality and gained valuable experience.

Looking ahead, the company is planning on expanding the team and focusing on R&D, especially in artificial intelligence. Alnemer’s advice for other Syrian entrepreneurs: “Learn the regulations and become familiar with the business culture as soon as you start your company.”



annex

Eleven in-depth stakeholder interviews were conducted between June and July 2020. In addition, quantitative analyses were done using Building Markets' database of 2,022 formal, Syrian-owned SMEs. Building Markets identifies businesses for interviews if they are small or medium sized and

legally registered in Turkey. While there is no specific restriction on location, surveys are focused on regions with high Syrian populations, namely the six provinces that host nearly 96% of new Syrian-owned businesses – Istanbul, Gaziantep, Mersin, Hatay, Bursa, and Şanlıurfa. Businesses can be from any sector.

Institutions Interviewed

TEPAV - Economic Policy Research Foundation of Turkey

Gaziantep Chamber of Commerce

Gaziantep Chamber of Industry

İpekyolu Development Agency

Ankara Chamber of Industry

İstanbul Chamber of Commerce

DEİK - Foreign Economic Relations Board

TÜSİAD

UNDP

TÜRKONFED

Business Development Consultant to UNDP

Syrian Businesses Featured

Alnemer ARGE (Istanbul, Turkey): <https://entrepreneurs.buildingmarkets.org/listings/alnemer-arge/>

Sam Aksesuar (Gaziantep, Turkey): <https://entrepreneurs.buildingmarkets.org/listings/sam-aksesuar/>

Ananas Proxy Ev (Istanbul, Turkey): <https://entrepreneurs.buildingmarkets.org/listings/ananas-epoxy-ev/>

Muhtar Sweets (Istanbul, Turkey): <https://entrepreneurs.buildingmarkets.org/listings/almuhtar-5/>

Souq Al Anadol (Istanbul, Turkey): <https://entrepreneurs.buildingmarkets.org/listings/souq-al-anadol/>

ENDNOTES

- ¹ 4875 Doğrudan Yabancı Yatırımlar Kanunu, Kanun Numarası, Mad. 3 (Direct Foreign Investment Law, No. 4875, Art. 3). <http://www.mevzuat.gov.tr/MevzuatMetin/1.5.4875.pdf>
- ² All monetary values reported are given in United States currency (USD), unless otherwise specified.
- ³ UNHCR, 5 Jul 2020, <https://data2.unhcr.org/en/situations/syria>
- ⁴ TOBB (Türkiye Odalar ve Borsalar Birliği – The Union of Chambers and Commodity Exchanges of Turkey)
- ⁵ TEPAV & EBRD, 2018, <https://www.tepav.org.tr/upload/files/1566830992->
- ⁶ Turkey's May 2020 unemployment rate is 12.9%. according to the Turkish Statistical Institute (TÜİK), and has remained in the double digits each year since 2015.
- ⁷ UNDP , Dec 2019, "Mapping of Syrian Owned Enterprises" Report, https://www.tr.undp.org/content/turkey/en/home/library/syria_programme/mapping-of-syrian-owned-enterprises.html
- ⁸ OECD Turkey Policy Brief on Entrepreneurship: Improving the Framework Conditions for Small and Medium Sized Enterprises
- ⁹ Soap in gel format with yellow or light brown color and pasty consistency; aka "Arap Sabunu" in Turkey mainly used for household cleaning.
- ¹⁰ Source : World Integrated Trade Solution; https://wits.worldbank.org/CountryProfile/en/Country/BY-COUNTRY/StartYear/2010/EndYear/2017/TradeFlow/Export/Indicator/XPRT-TRD-VL/Partner/WLD/Product/64-67_Footwear
- ¹¹ İlkha, 9 June 2020, <https://ilkha.com/guncel/ayakkabi-sektoru-3-aylik-aranin-ardindan-yeniden-mesaiye-basladi-127763>
- ¹² Source: Building Markets SME Network
- ¹³ Source: Building Markets SME Network
- ¹⁴ Euronews Turkey, June 2019, Gaziantep'in Suriye Masası en sıradışı proje seçildi. <https://tr.euronews.com/2019/06/19/gaziantepin-suriye-masas-brezilya-da-en-sira-disi-proje-secildi>
- ¹⁵ TEPAV & EBRD, 2018, 'Syrian Entrepreneurship and Refugee Start-ups in Turkey: Leveraging the Turkish Experience" Study Report
- ¹⁶ Source: Company establishment and liquidation statistics. The Union OD Chambers and Commodity Exchanges of Turkey
- ¹⁷ UNDP: In Turkey, COVID-19 hits Syrian-owned businesses harder, study finds
- ¹⁸ Ingev, "Normalleşme için Yerli ve Mülteci Girişimcileri Anlamak" research; June 1-7, 2020 <https://ingev.org/haberler/ingev-haberleri/yerli-ve-multeci-girisimciler-icin-ihhtiyac-analizi/>
- ¹⁹ Güneydoğu Anadolu İhracatçıları Birliği, July 2020, <https://www.gaib.org.tr/tr/hali/haberler/gaziantepten-tum-zamanlarin-en-yuksekk-haziran-ayi-rekoru-128.html>
- ²⁰ TEPAV & EBRD, 2018, 'Syrian Entrepreneurship and Refugee Start-ups in Turkey: Leveraging the Turkish Experience" Study Report
- ²¹ 96% of Building Markets SME network reported using cash as an accepted form of payment mode.
- ²² İstanPol, "İstanbul'da Suriyeli Sığınmacılara Yönelik Tutumlar", 2020, <https://tr.euronews.com/2020/06/12/arastirma-istanbul-da-suriyeli-s-g-nmac-lara-yonelik-tehdit-aller-kemikleliyor>
- ²³ Business for Goals Platform (B4G) and UNDP Turkey Syria Crisis Response,, " Survey on Impact of COVID-19 on Syrian-owned Enterprises and Needs", 4-8 April 2020
- ²⁴ Turkey is dependent on the technical legislation of the European Union due to Turkey's Customs Unions and CE certificate being obligatory in some sectors, namely explosives, toys, medical and construction, the products must be produced according to specific standards.

TURKISH-SYRIAN BUSINESS PARTNERSHIPS, PART II

An Opportunity in Progress

September 2020

