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The Economic Policy Research Foundation of Turkey

Global Business Bridges Initiative:

Draft Feasibility Study – Main Findings

This document is prepared by the
Economic Policy Research Foundation of Turkey
(TEPAV)

1 October 2012

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Framework

- What is Global Business Bridges Initiative?
- GBBI's relevance for EU and Turkey
- Three lessons learned from the research process
  - → Value chain approach, economic context, and trilateralism: complementarities between EU and Turkey in third countries? - > a new methodology
- Main results from the study
  - → Results from three layers of analysis
  - → The synthesis: Identified value chains
  - → Assessment of Palestinian economy and target areas
- Instead of conclusion: recommendations

EU-Turkey Global Business Bridges

Objective

Aims at creating an EU-Turkey positive business agenda:

- Reaping the benefits of **Customs Union** in global markets.
- Economic and investment **synergies** of enterprises from both sides
- Jointly venture in **neighbouring** markets in a win-win-win situation

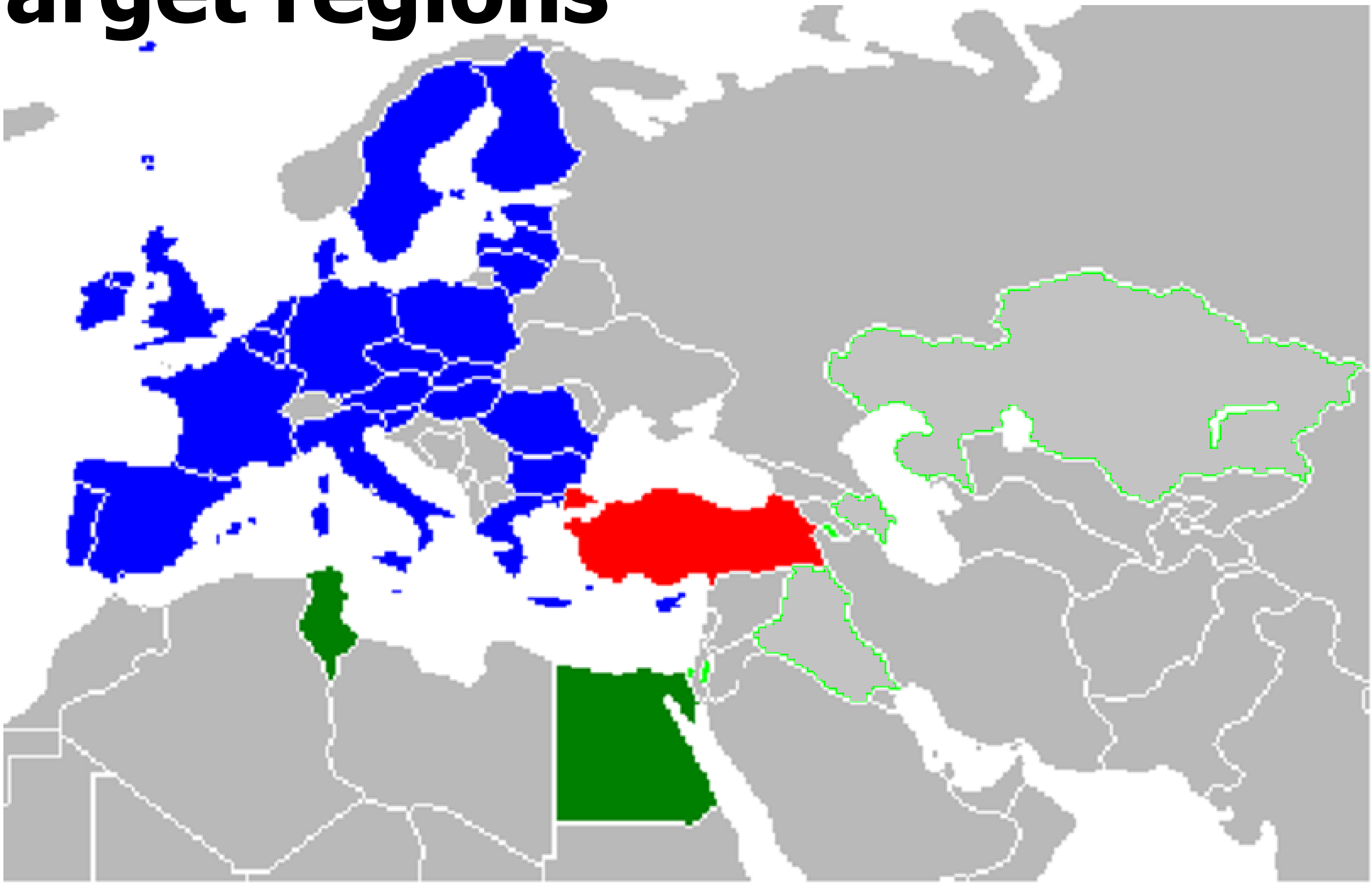
Implementation

- A **research study** to identify priority sectors and potential for EU – TR businesses in common neighborhood.
- A **bridge building conference** to launch the initiative with public authorities and business representatives
- **Matchmaking events** in Turkey and in 3 priority countries with selected EU and TK companies and SMEs
- Extension of the initiative to 3 other countries.

Timetable

- Feasibility study (May – August 2012)
- Bridge building conference (October 2012) in İstanbul
- Matchmaking event in Turkey (Feb 2013)
- Matchmaking events in the 2 countries (spring 2013)
- Follow-up TOBB events for other 3 countries (late 2013)

Target regions



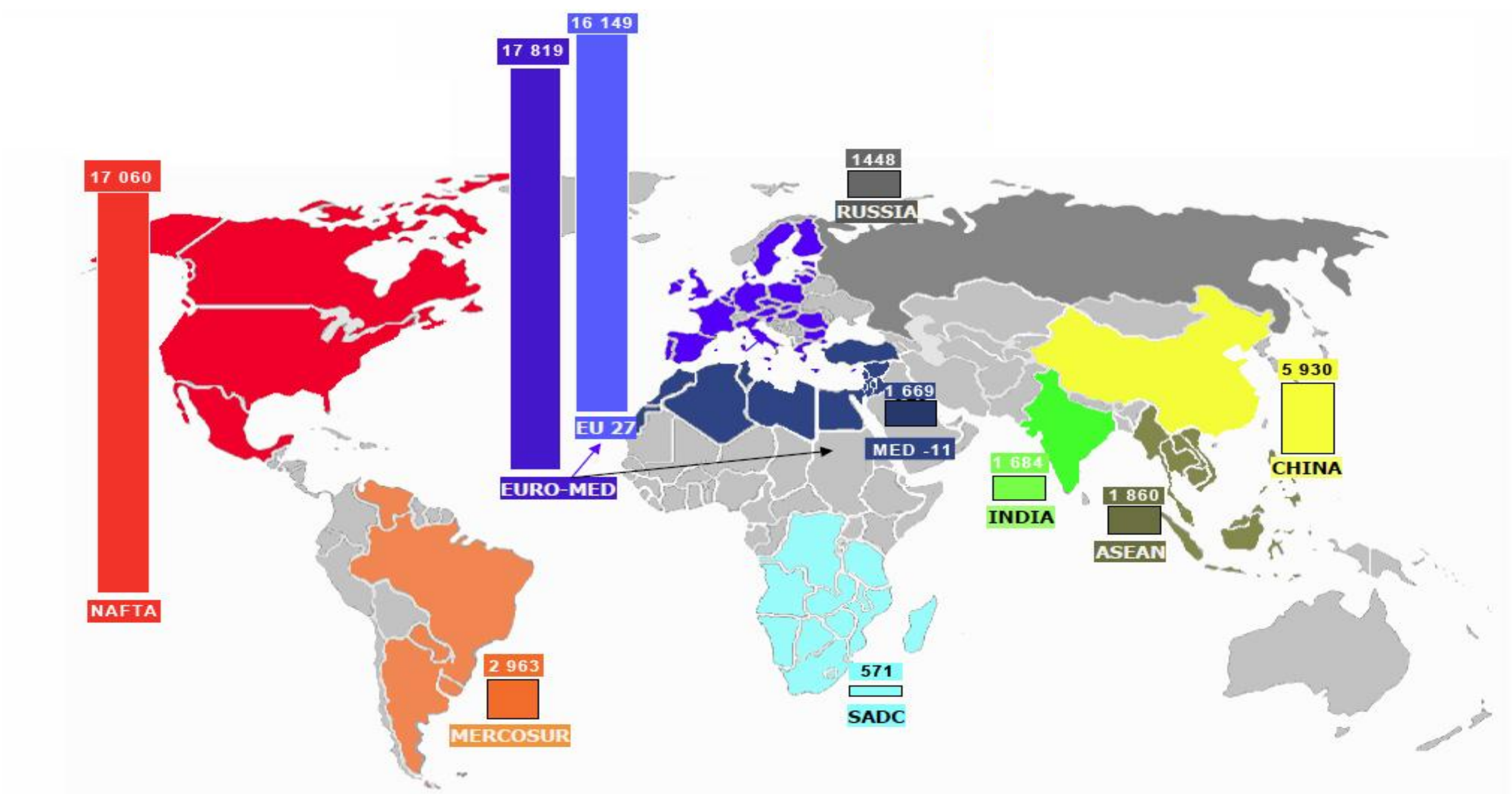
1st phase: Tunisia, Egypt, Palestine

Main steps for matchmaking

- Step 1: Identification of opportunities and target areas
  - → Potential for EU-TR business synergies, current or prospective, in target markets
  - → Output: Feasibility study
  - → Carried out by TEPAV in collaboration with IEMed
- Step 2: Identification of companies
  - → 250 short-listed companies from EU-TR, 150 from Egypt-Tunisia
  - → Output: Matchmaking catalogue
  - → Carried out by business consultants, close collaboration with chambers and business associations
- Step3: Networking / match-making events
  - → High-level Launch conference in Istanbul October 1st
  - → TR-EU companies matchmaking in Antalya, Turkey
  - → Matchmaking events in Egypt and Tunisia

Euro-Med GDP: no 1 in the world

Gross Domestic Product of major economies and trading blocks, 2010



Source: IEMed, based on World Bank data

On the socioeconomics of Egypt and Tunisia

Macroeconomic and Social Indicators of Egypt and Tunisia, 2011 and 2010

	Egypt	Tunisia
GDP (US$ billion)	229	45,8
GDP per capita	2.780	4.296
Inflation	6,70%	5,60%
Population (million)	84,5	10,4
Population growth rate	1,92%	0,96
Population total growth	1.622.400	99.840
Population aged 0-24	52,30%	42%
Urban population ratio	42,80%	67,30%
Official unemployment	12,60%	18,10%

	EGYPT		TUNISIA	
	2010	**2011**	2010	**2011**
GDP growth	5,15%	**1,80%**	3%	**-1,80%**
FDI inflows (million $)	6.386	**-483**	1.513	**1.143**
Tourism (million)	14,05	**9,5**	6,9	**4,78**

Source: World Bank ,UN Population Division, UNCTAD

EU-Turkey + Egypt-Tunisia: natural partners

Egypt: Major import partners, 2010

Rk	Partners	Million euro	%
	World	39.524,1	100,0%
1	EU27	12 878,0	32,6%
2	USA	3 719,0	9,4%
3	China	592,9	9,4%
4	Saudi Arabia	3 700,1	4,0%
5	Turkey	1 417,6	3,6%
6	Russia	1 386,8	3,5%

Egypt: Major export partners, 2010

Rk	Partners	Million euro	%
	World	19 820,2	100,0%
1	EU27	6 052,3	30,5%
2	Saudi Arabia	1 203,1	6,1%
3	USA	1 173,6	5,9%
4	Libya	942,0	4,8%
5	India	918,4	4,8%
6	Turkey	755,1	3,8%

Tunisia: Major import partners, 2010

Rk	Partners	Million euro	%
	World	17.764,6	100,0%
1	EU27	11.879,0	66,9%
2	China	827,3	4,7%
3	Turkey	592,9	3,3%
4	Libya	553,1	3,1%
5	USA	473,8	2,7%
6	Algeria	445,4	2,5%

Tunisia: Major export partners, 2010

Rk	Partners	Million euro	%
	World	11.515,1	100,0%
1	EU27	8.538,3	74,1%
2	Libya	721,1	6,3%
3	USA	288,7	2,5%
4	Algeria	262,6	2,3%
5	India	211,2	1,8%
6	Turkey	192,6	1,7%

Source: UN Comtrade

Research process

- April 2012 – October 2012
- Desk research and data analysis
- +100 meetings (public, private and NGOs)
- Fact-finding missions
  - → Cairo and Alexendria, 9-14 June
  - → Barcelona, 3-5 July
  - → Brussels, 6-10 July
  - → Tunis, 15-20 July
  - → Ramallah and East Jerusalem, 9-10 September

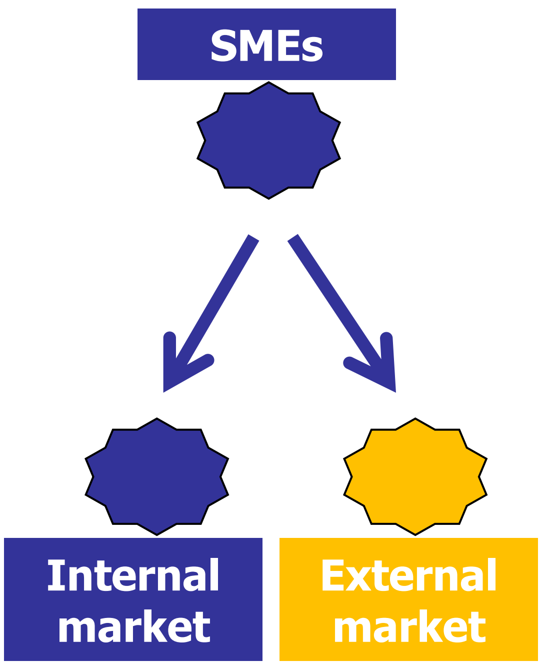
Three lessons from the research process

1. Macro vs. micro feasibility
2. Merit of the value chain approach
   - ➔ a workable "win-win-win" framework?
   - ➔ as opposed to sectors?
3. Importance of the economic context and local business environment, particularly for the SMEs

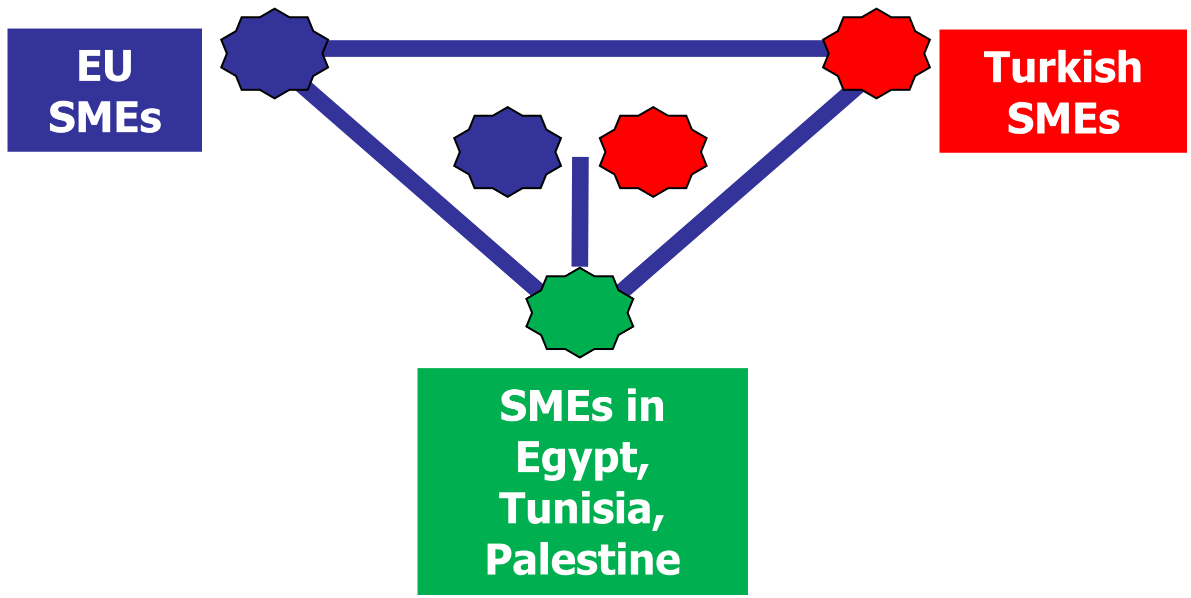
Point #1: Feasibility of the Initiative Macro vs. Micro

- High political feasibility
  - ➔ Complements EU and Mediterranean Programs
  - ➔ Potential to improve business relations
  - ➔ Support the new economic programs in pilot countries
- Economic feasibility
  - ➔ Macro: High feasibility
    - Contribution to economic integration
    - Promoting synergies
    - SME internationalization
    - Trade and investment promotion
  - ➔ Micro: Need for a new paradigm…
    - Dominance of bilateral perspectives and business models
    - Skepticism on complementarities at first sight

SME internationalization support measures mostly used bilaterally...



Additional merits of a trilateral initiative?

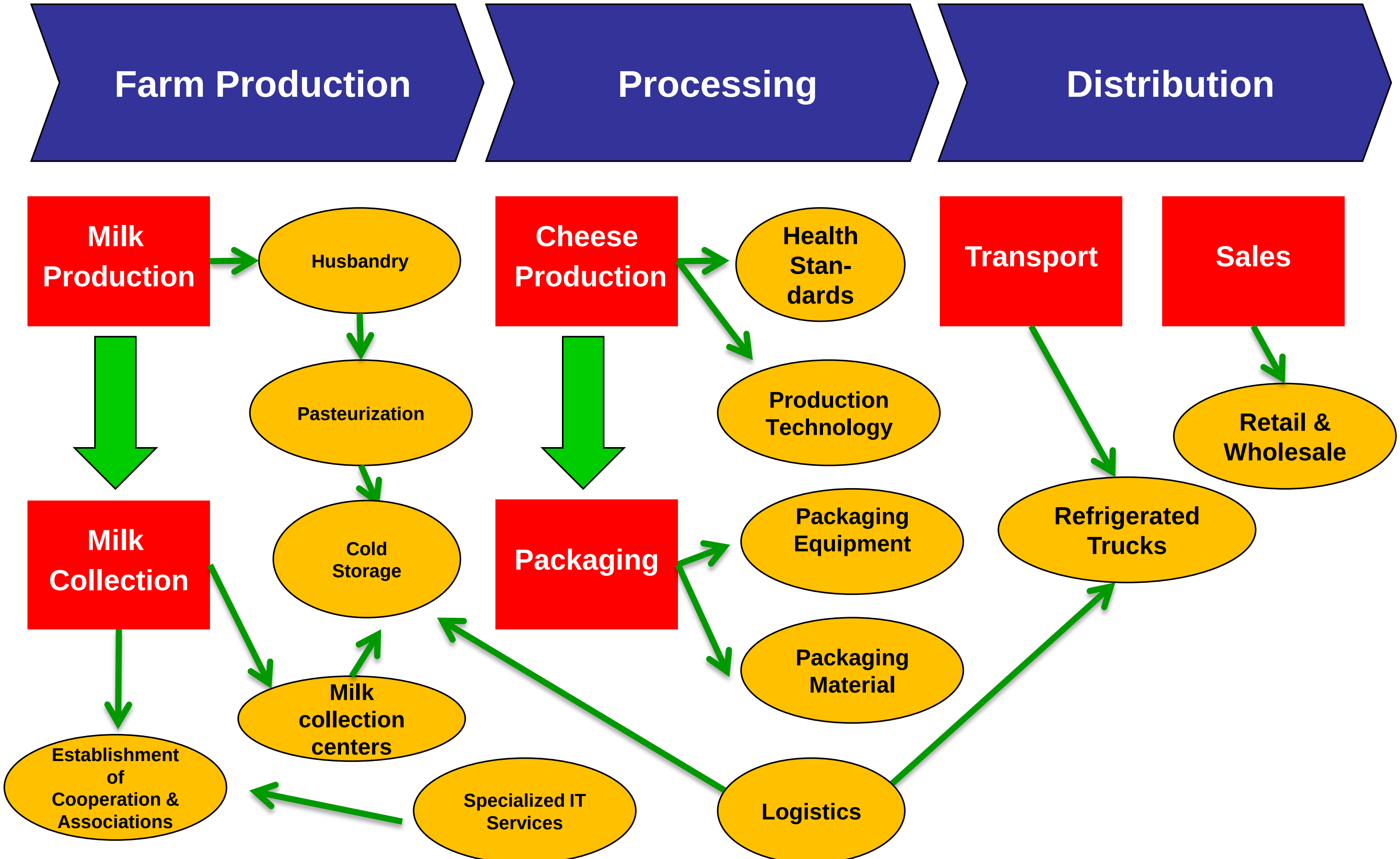


How to conceptualize and operationalize?

Point #2:
Can the value chain approach help?

- Why picking sectors limits feasiblity
  - ➔ "Narrowly defined sectors:" EU and Turkey SMEs already competing in them (e.g. Road transport or cheese)
- How about value chains? (supply chains or clusters)
  - ➔ Looking at a core economic activity (a final product / service) from its input to output stage and including all elements that add value (e.g. Logistics or dairy)
  - ➔ Which business activities are fit for trilateral cooperation?
  - ➔ Which actors can take which complementary roles?

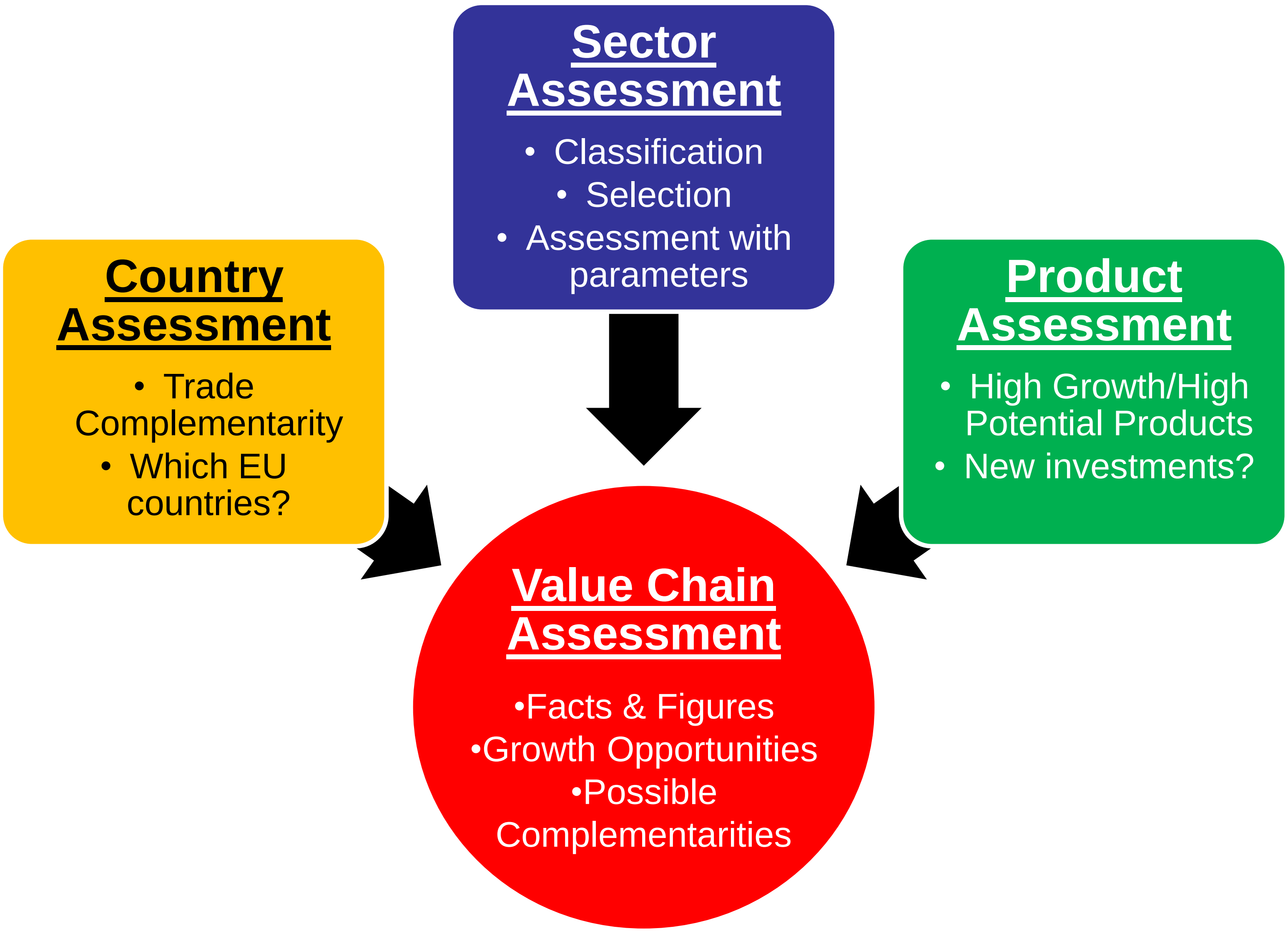
An example: Dairy Value Chain – Possible Roles



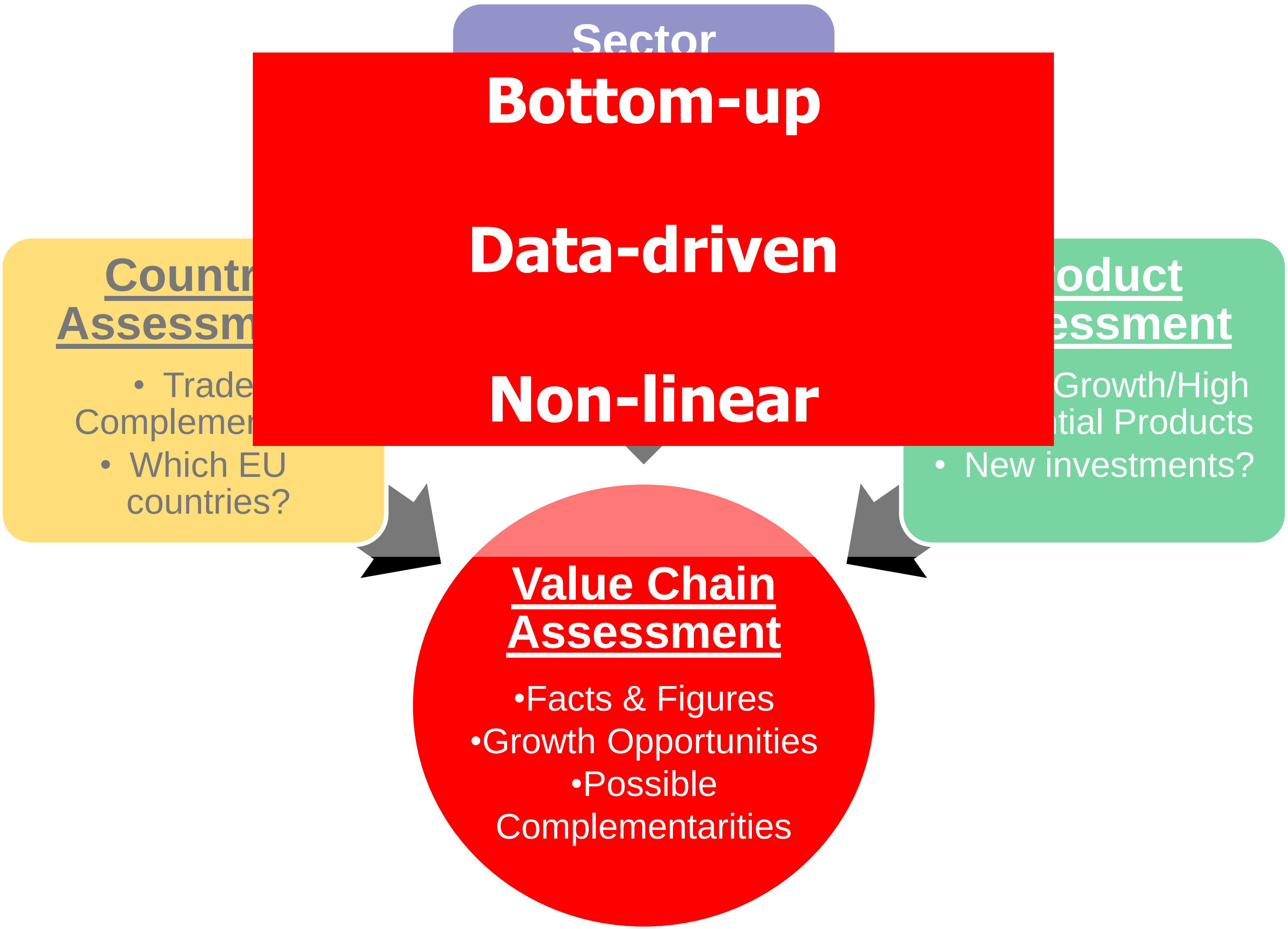
Point #3: Economic context is key for feasibility

- We are used to seeing foreign large companies, how about foreign SMEs as new actors?
- Investment and business environment reform agenda
- Bottlenecks in value chains need to be identified and fed into the policy dialogue
- Towards trilateral cluster enhancing efforts?

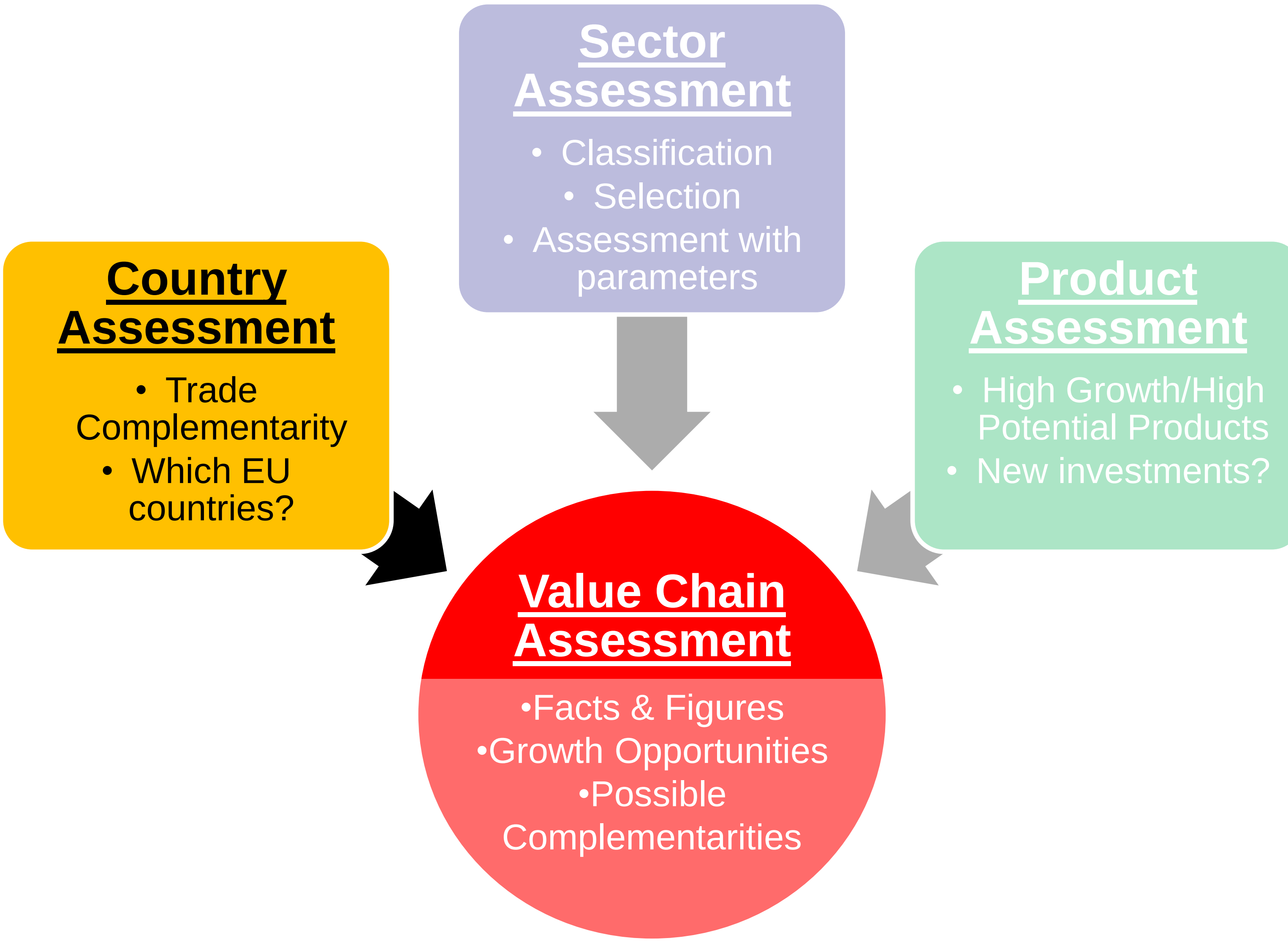
Overview of Our Value Chain Methodology



Three features of our methodology



Layer 1: Country assessment



Overview of country assessment (country identification) methodology

Method 1: Country identification in broad terms:

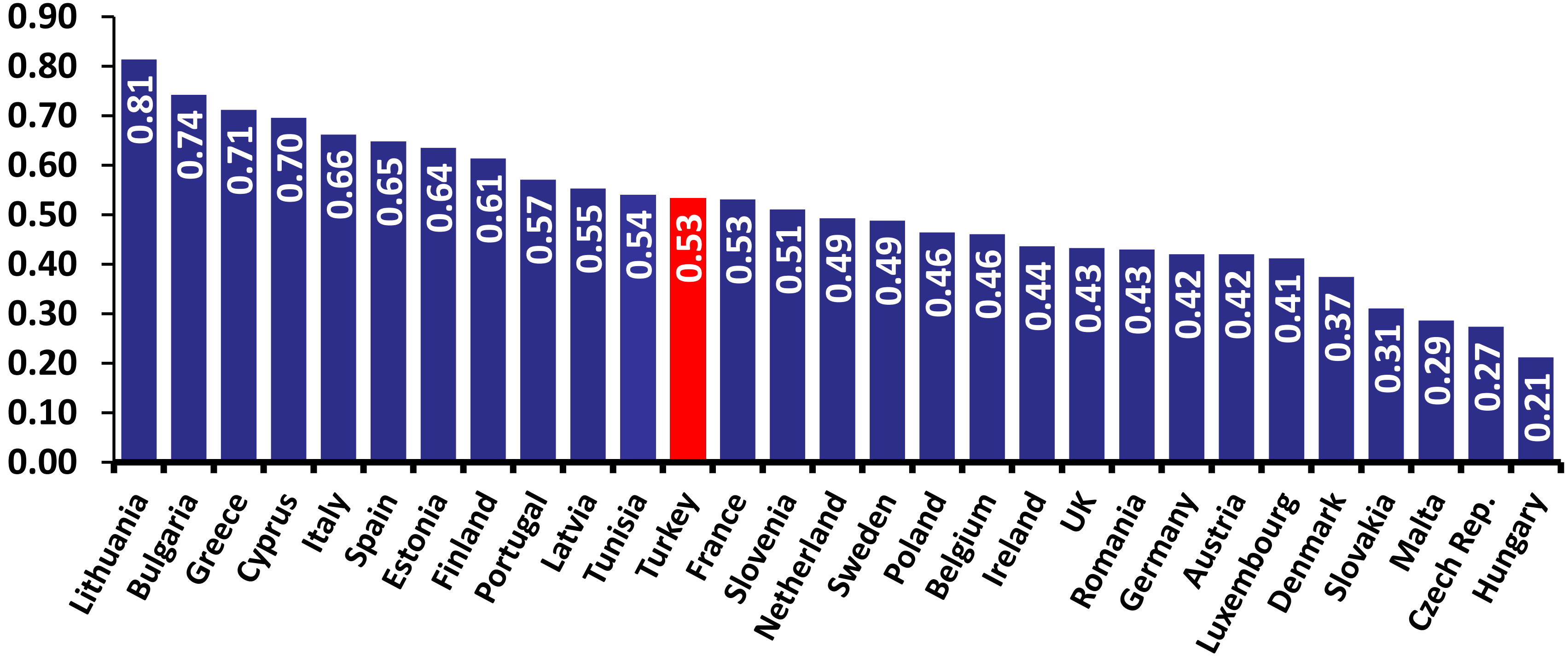
Calculation of Trade Complementarity Index (TCI) between Egypt & Tunisia and EU27+TR → Comparison of TCI with current export volumes → Identification of further trade integration opportunities

Method 2: Country identification on a sectoral and value chain basis

Based on the identified sectors from the previous component, analysis (both qualitative and quantitative) will be conducted to shed light on the EU countries that can be complementary in joint initiatives.

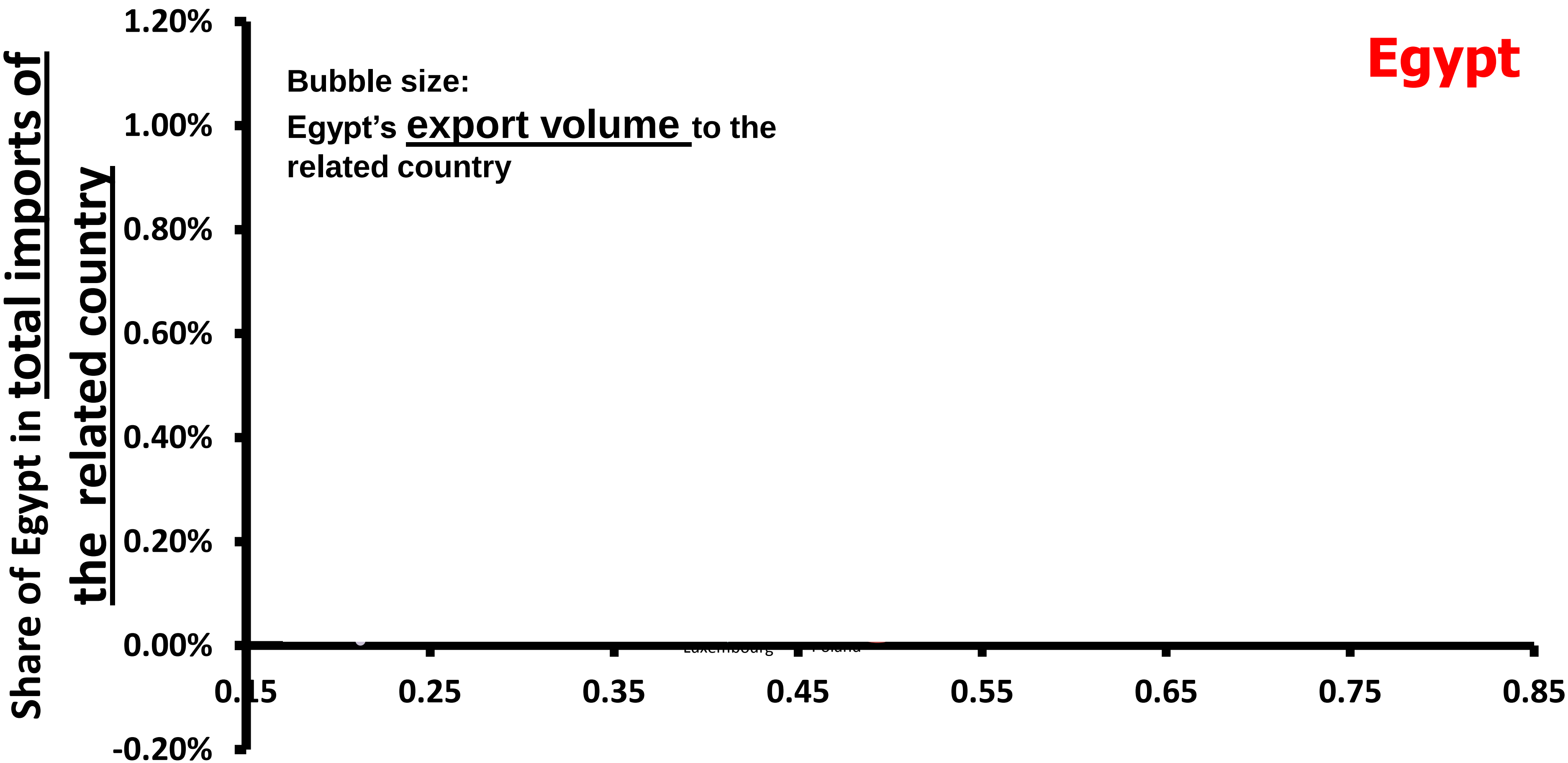
Complementarity Index Results comparison for Egyptian exports

TCI for Egypt's exports and other countries' imports



Source: UN Comtrade and TEPAV analysis

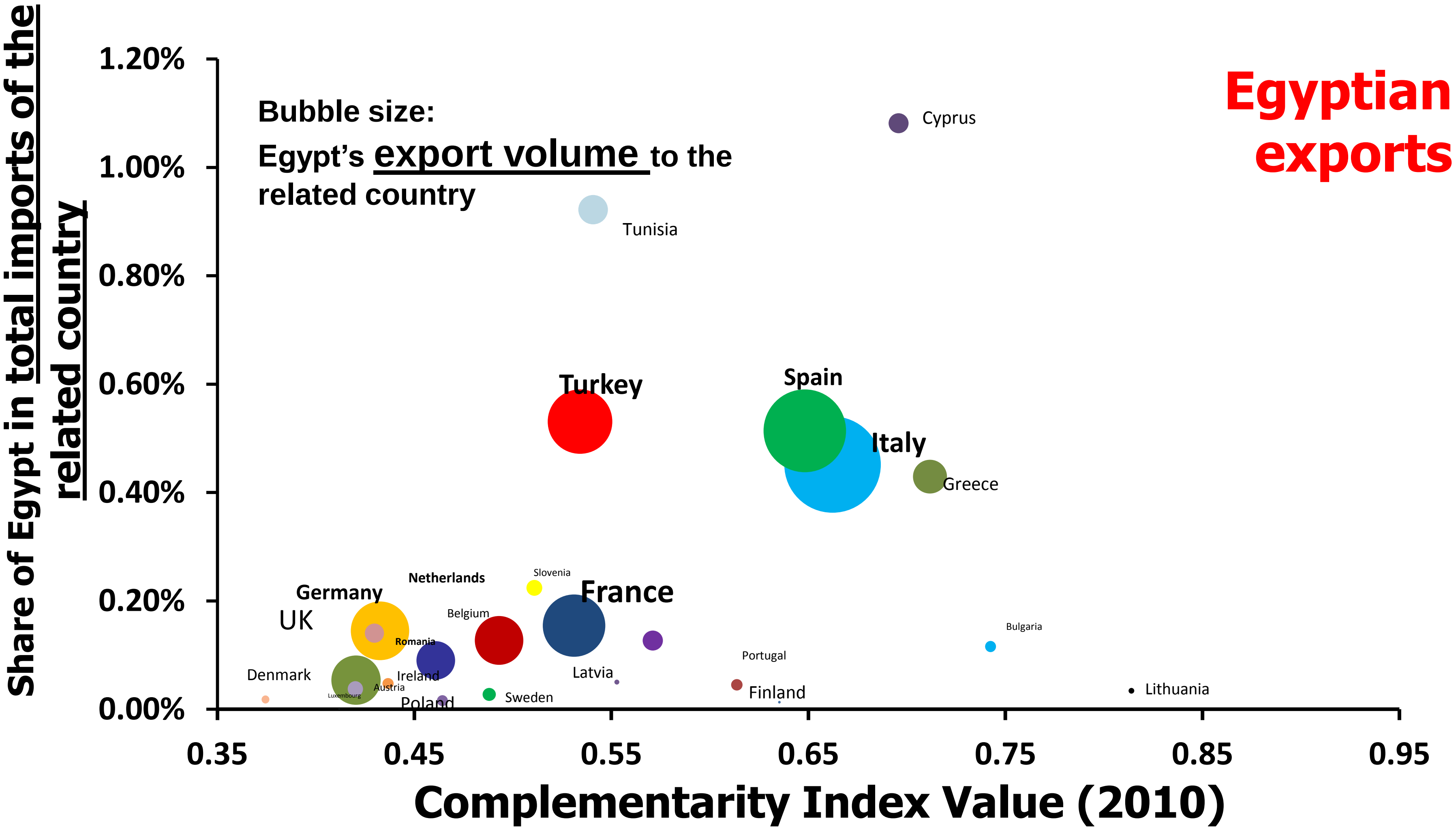
Complementarity index values vs. trade values



Complementarity Index Value (2010)

Correlation between Egypt exports and EU country imports

Complementarity index values vs. trade values

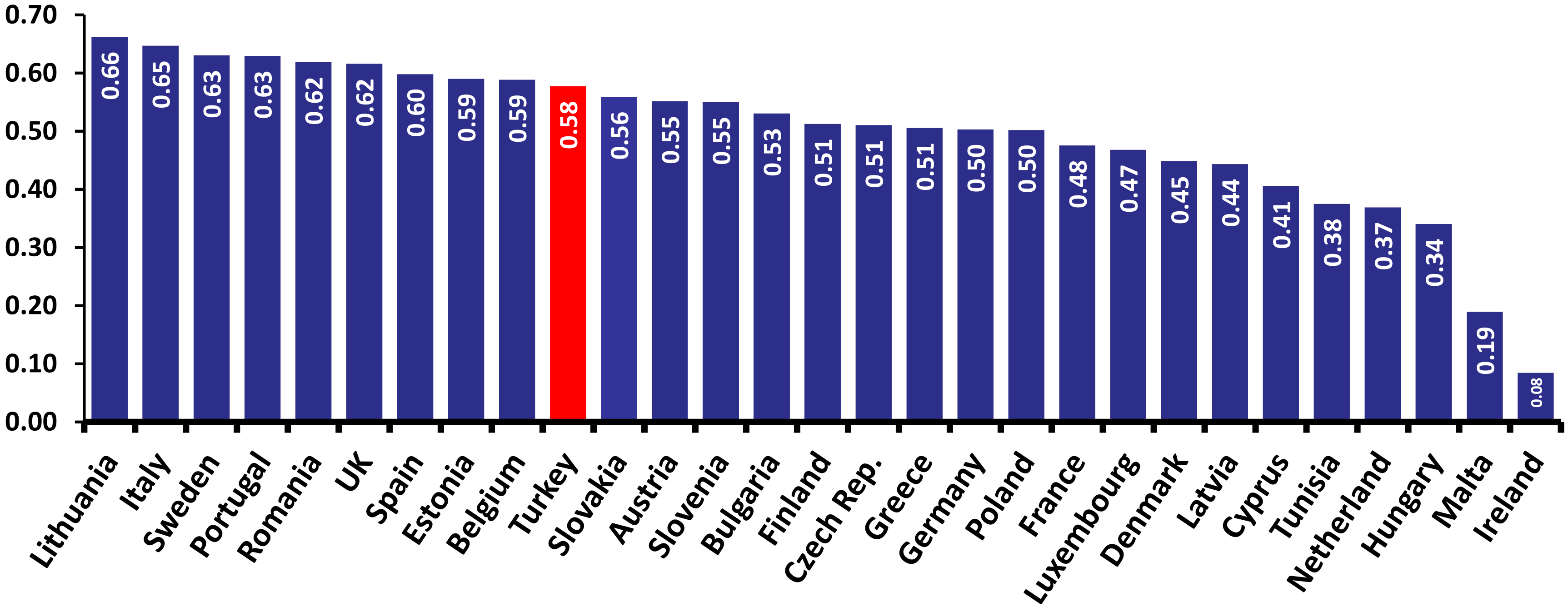


Correlation between Egypt exports and EU country imports

Source: UN Comtrade and TEPAV analysis

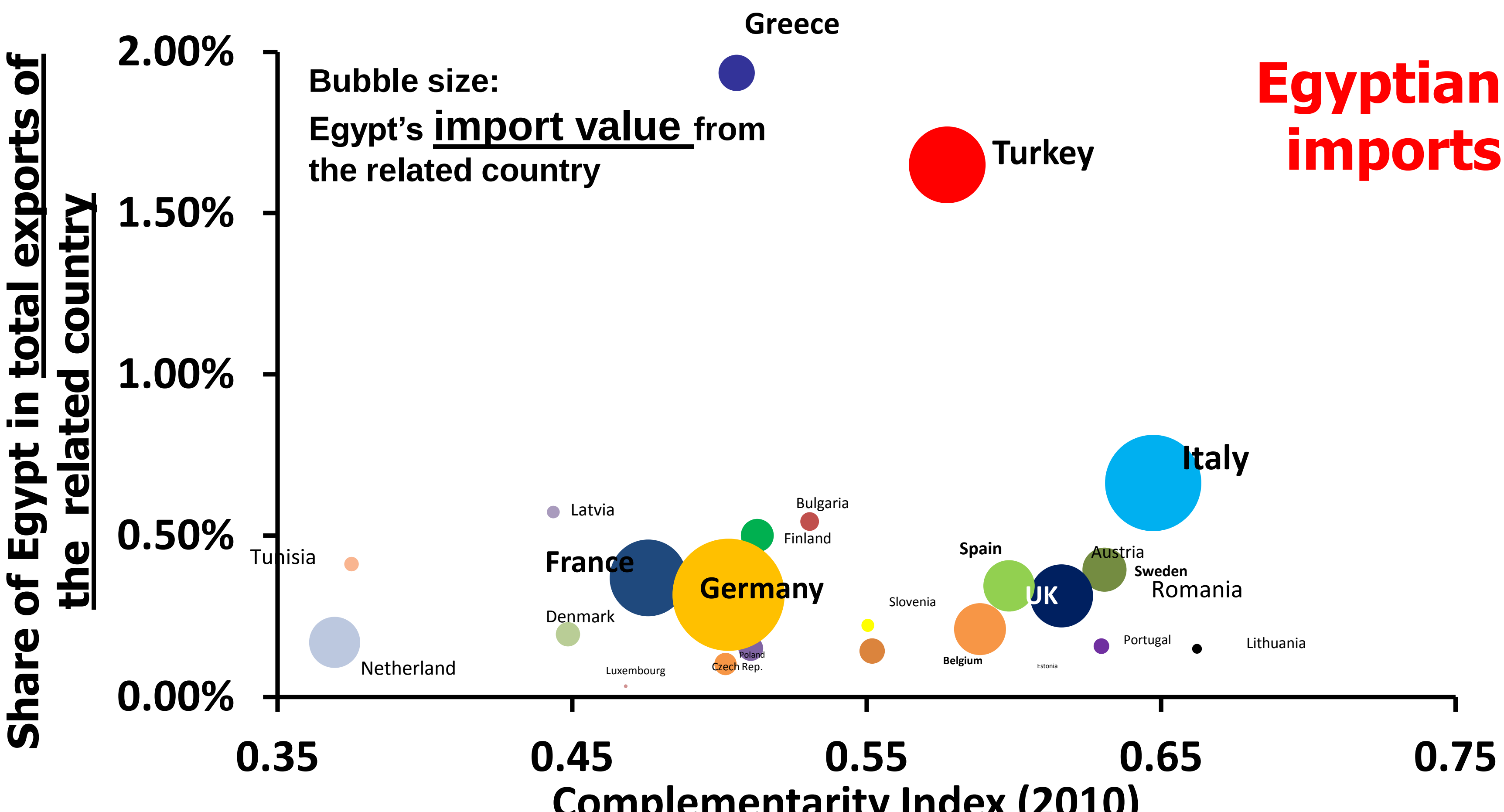
Complementarity Index Results comparison for Egyptian imports

TCI for Egypt’s imports and other countries’ exports



Source: UN Comtrade and TEPAV analysis

Complementarity index values vs. trade values

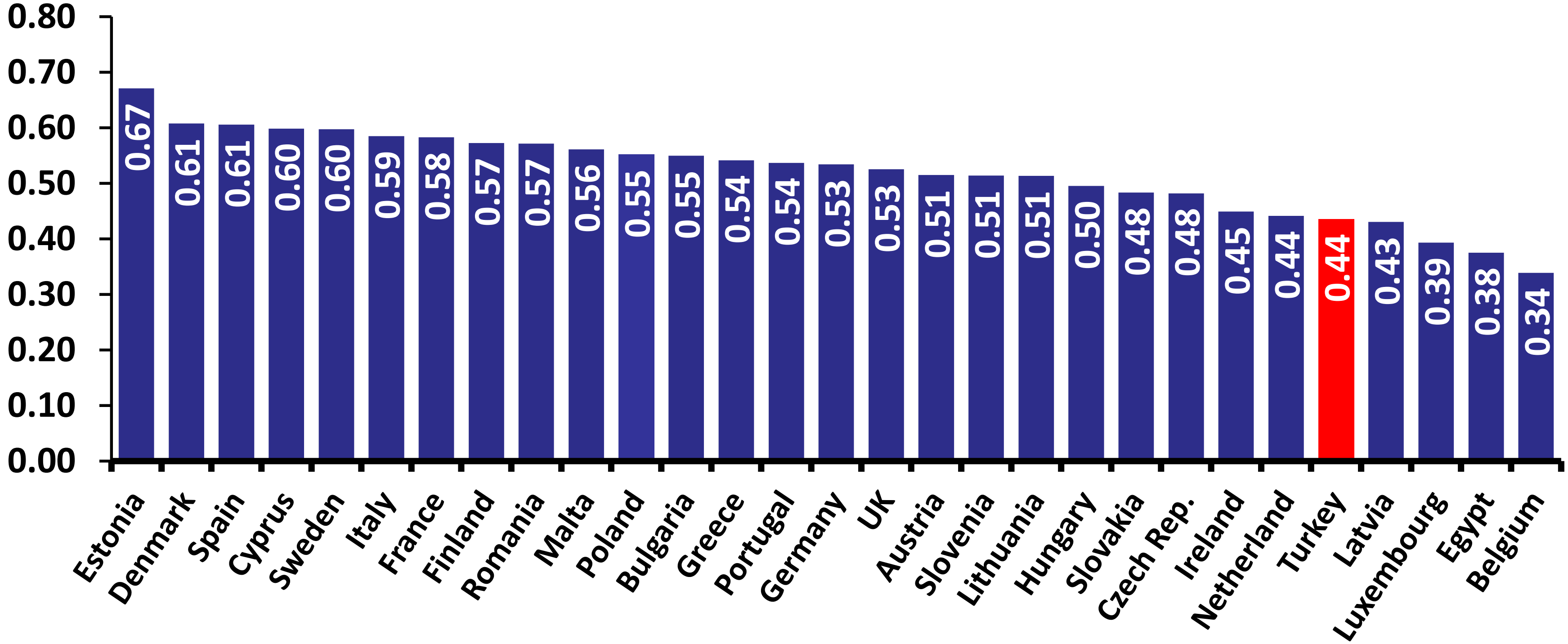


Correlation between Egypt's imports and EU Member States' exports

Source: UN Comtrade and TEPAV analysis

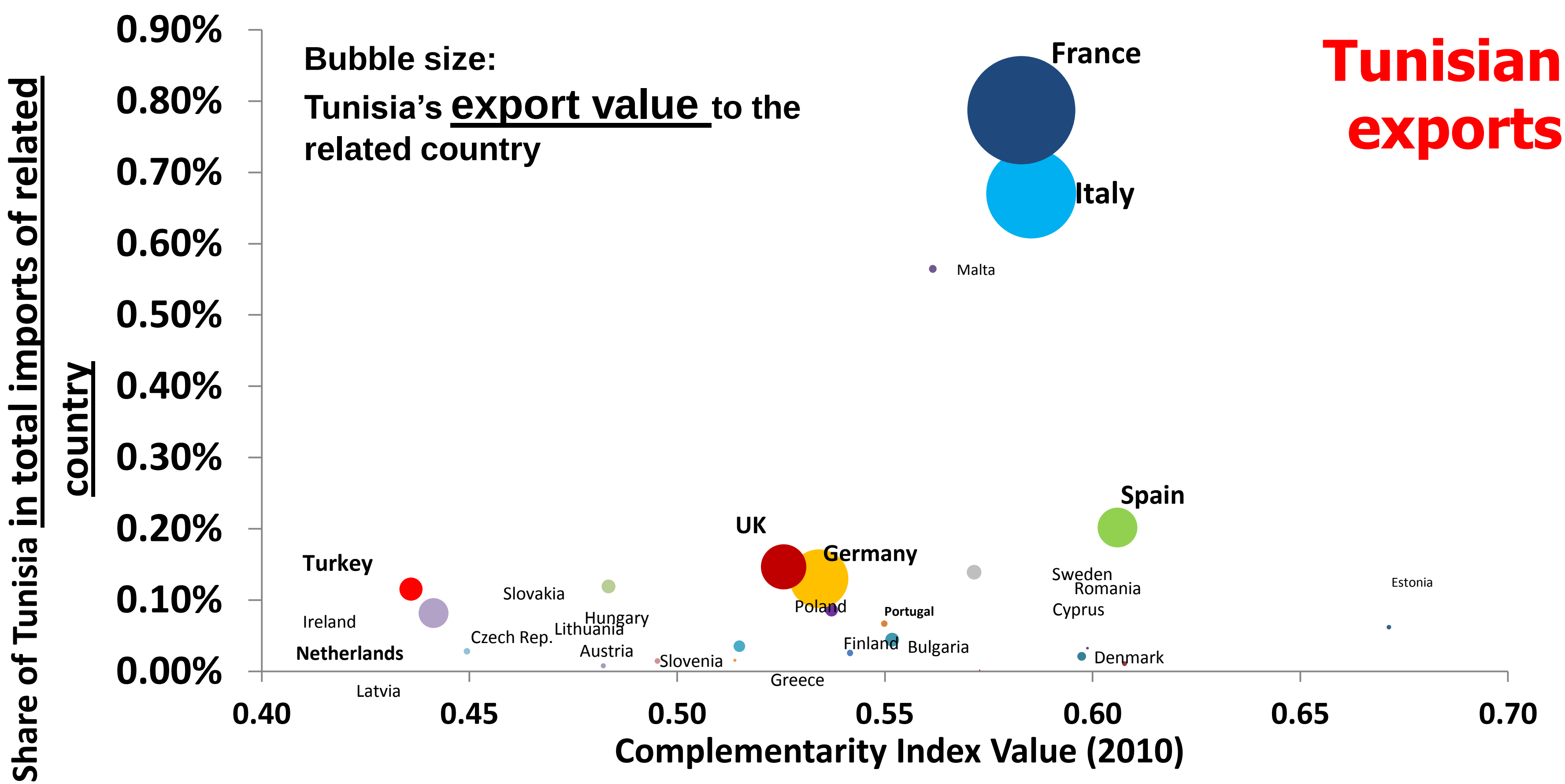
Complementarity Index Results comparison for Tunisian exports

TCI for Tunisia's exports and other countries' imports



Source: UN Comtrade and TEPAV analysis

Complementarity index values vs. trade values

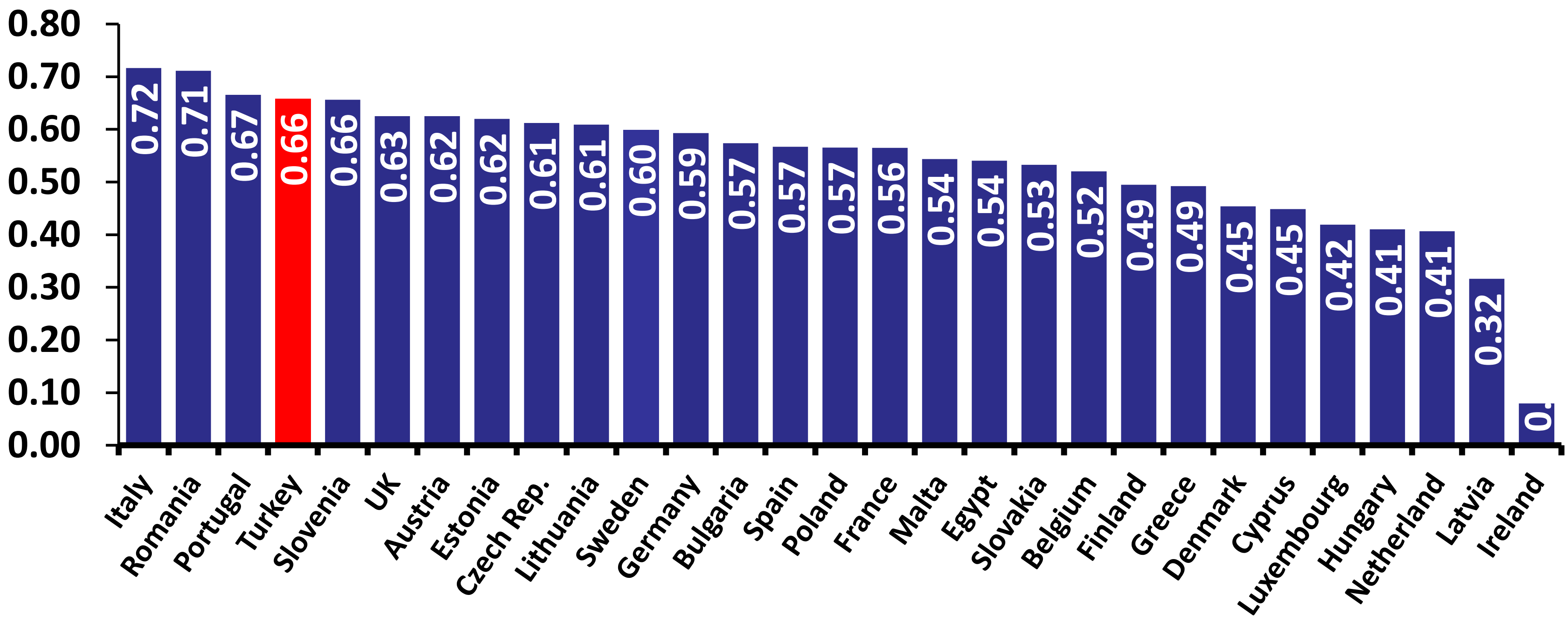


Correlation between Tunisia's exports and EU Member States' imports

Source: UN Comtrade and TEPAV analysis

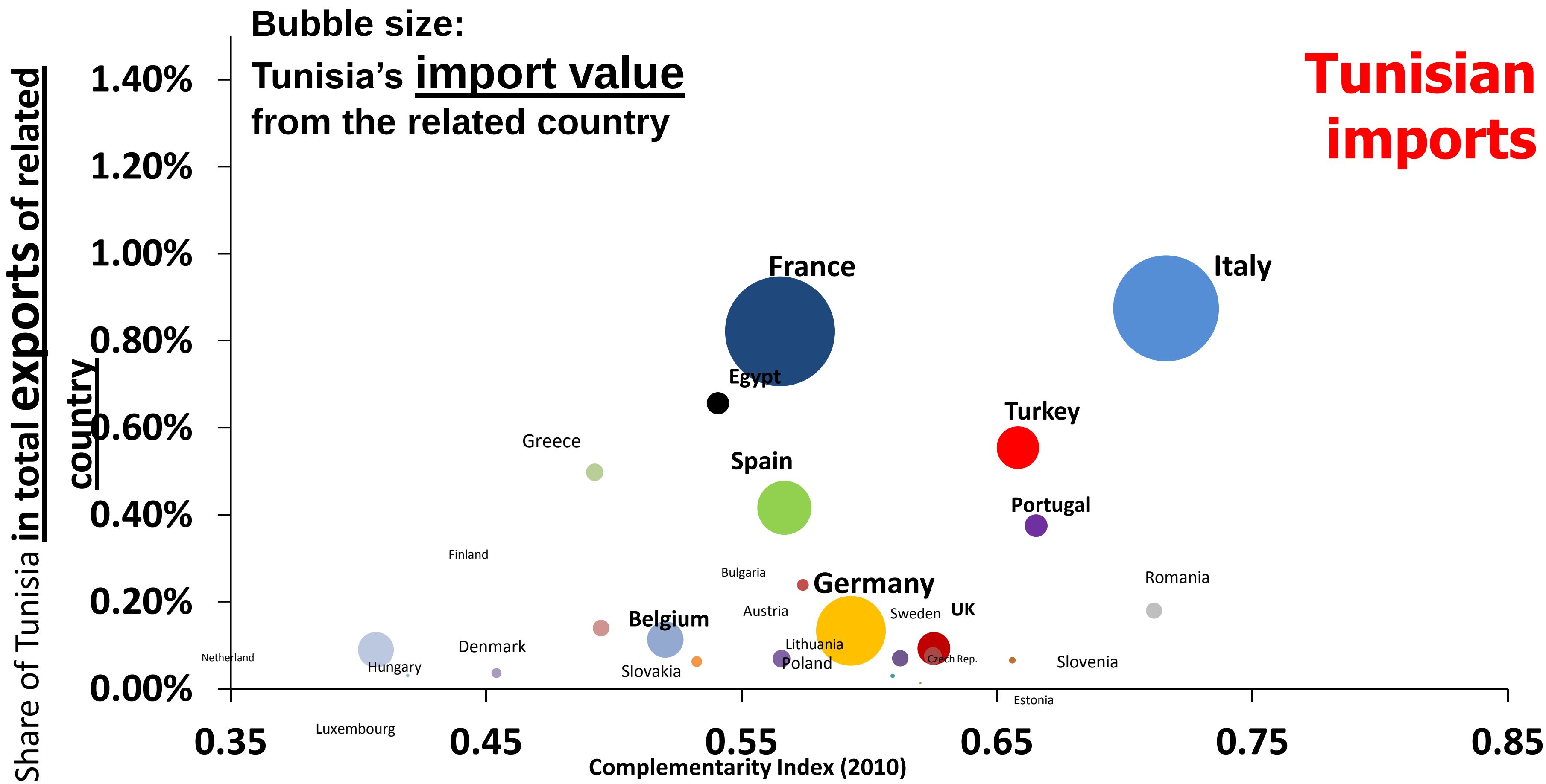
Complementarity Index Results comparison for Tunisian imports

TCI for Tunisia's imports and other countries' exports



Source: UN Comtrade and TEPAV analysis

Complementarity index values vs. trade values



Correlation between Tunisia imports and EU country exports

Source: UN Comtrade and TEPAV analysis

Layer 2: Product assessment

Sector Assessment

- Classification
- Selection
- Assessment with parameters

Country Assessment

- Trade Complementarity
- Which EU countries?

Product Assessment

- High Growth/High Potential Products
- New investments?

Value Chain Assessment

- Facts & Figures
- Growth Opportunities
- Possible Complementarities

How can we identify product complementarity? Filtering Methodology

Filter 1:
World market share of product X is growing above average rates in Egypt.

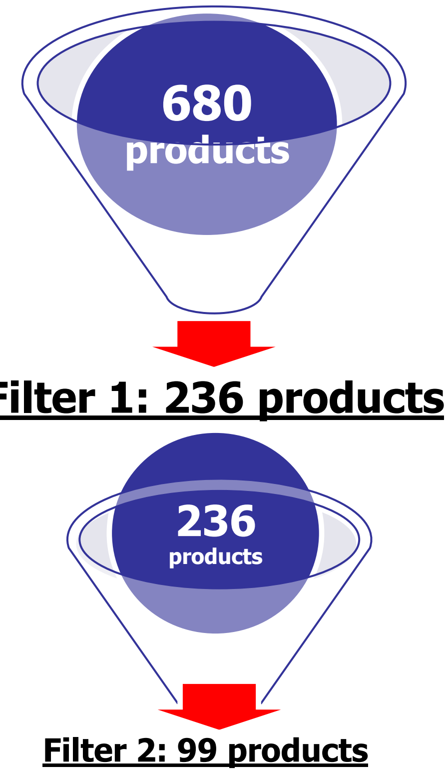
Filter 1: 236 products

Source: UN Comtrade and TEPAV analysis

How can we identify product complementarity? Filtering Methodology

Filter 1:
World market share of product X is growing above average rates in Egypt.

Filter 2:
Share of product X is growing in world trade



Source: UN Comtrade and TEPAV analysis

How can we identify product complementarity? Filtering Methodology

Filter 1:
World market share of product X is growing above average rates in Egypt.

Filter 1: 236 products

Filter 2:
Share of product X is growing in world trade

Filter 2: 99 products

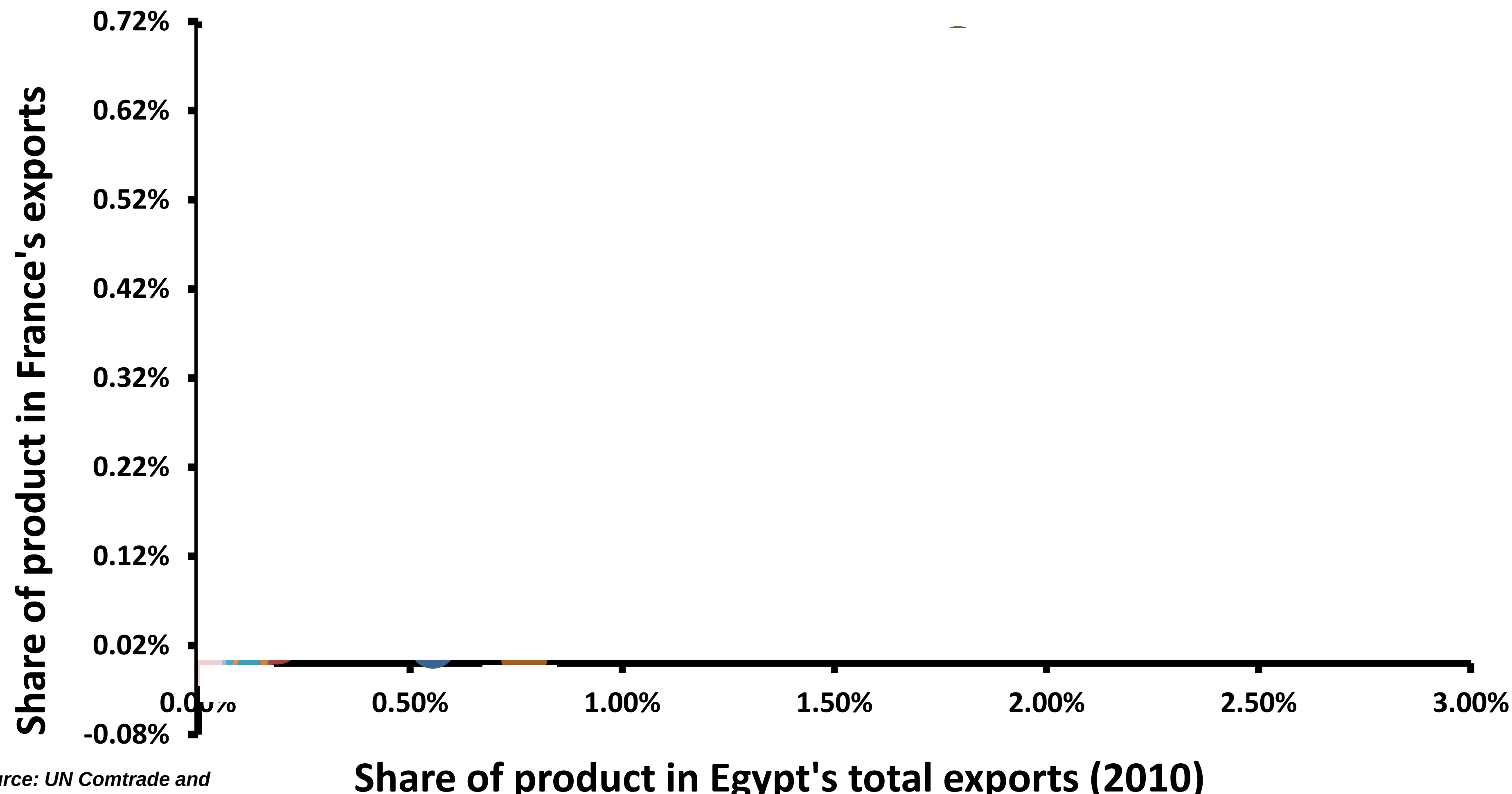
Filter 3 (for each EU country):
Share of product X is declining in the EU country

Filter 3: ave. 42 product per country

Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (1)

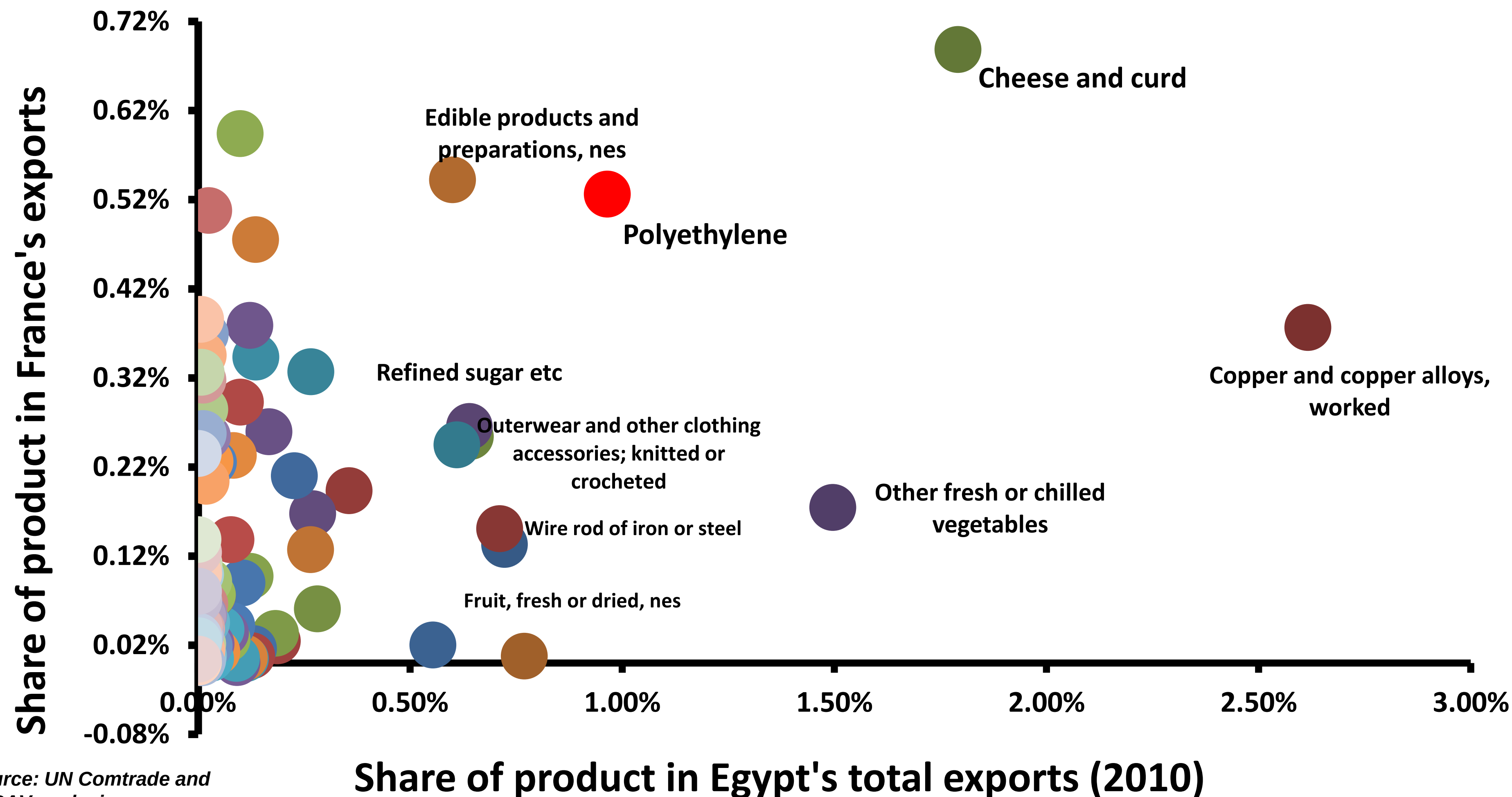
France – Egypt, 32 products identified



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (1)

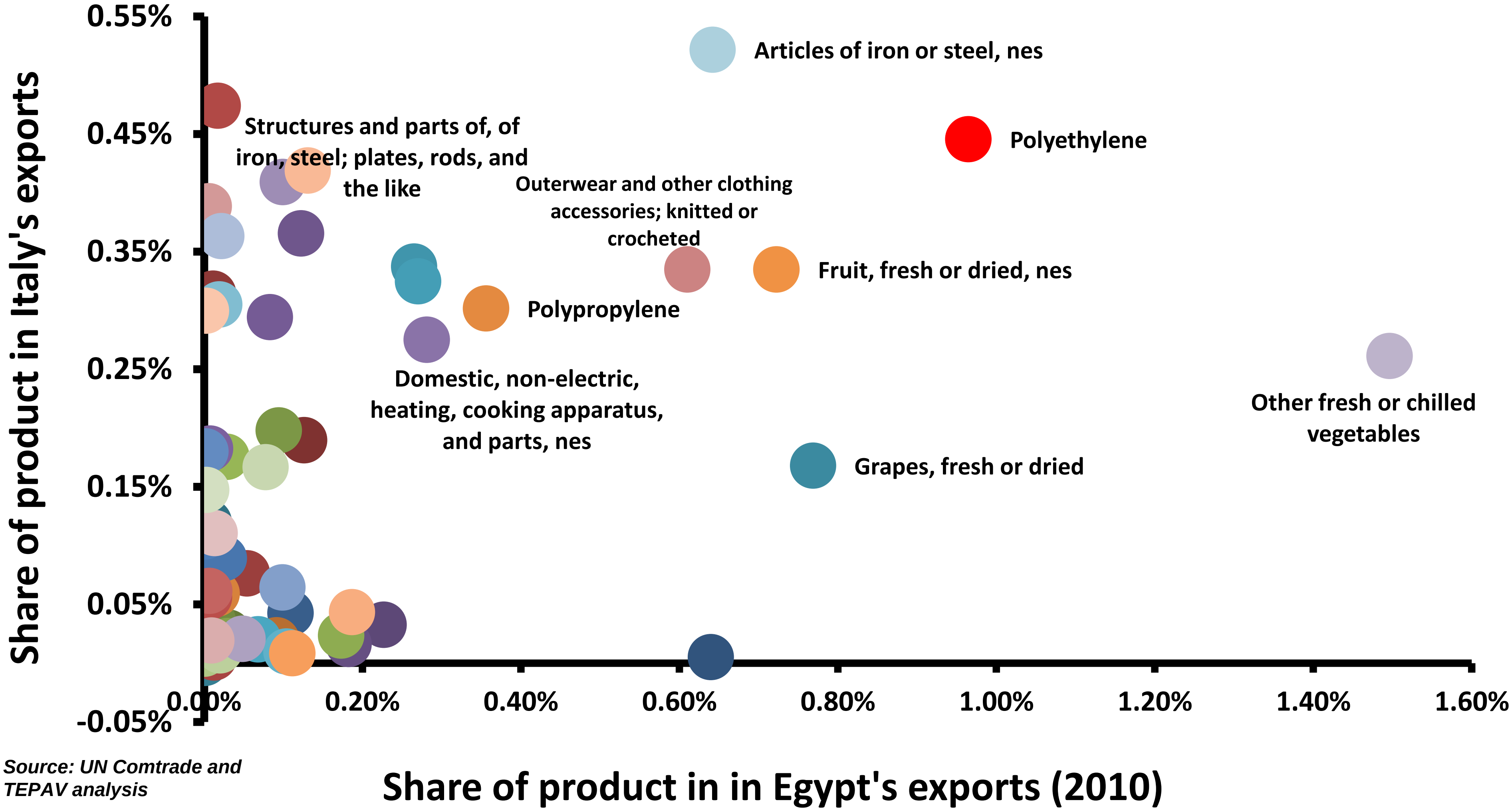
France – Egypt, 32 products identified



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (2)

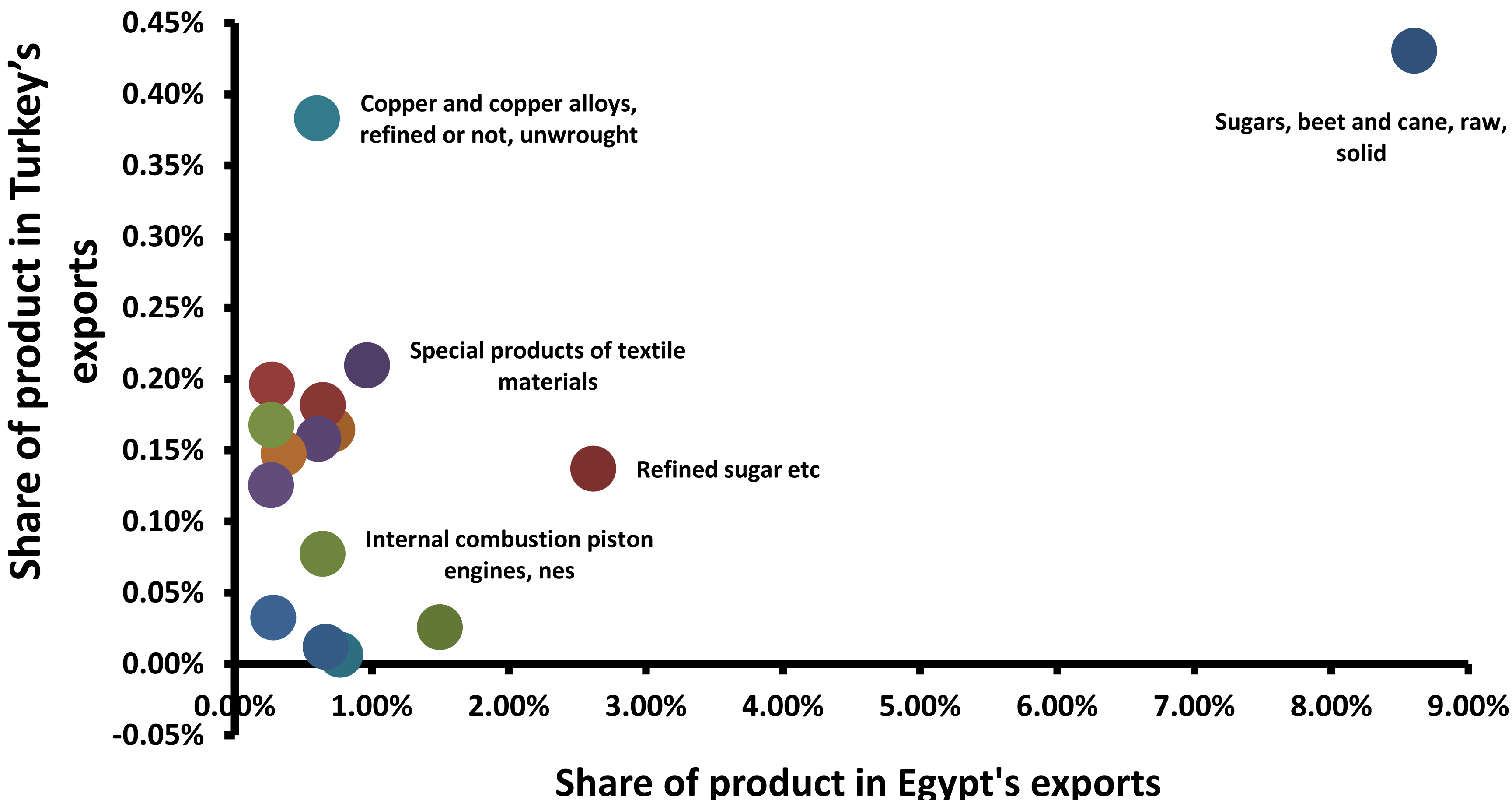
Italy – Egypt, 28 products identified



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (3)

Turkey – Egypt, 16 products identified



Source: UN Comtrade and TEPAV analysis

Most frequently occurring products (4-digit): Products which appear at least in 15 country pairs with Egypt out of 28 countries in four digit detail

Prouct description	Share in Egypt's exports	Frequency (out of 28)
Fertilizers, nes	0.04%	20
Minerals, crude, nes	0.18%	20
Cement	0.19%	19
Ships, boats and other vessels	0.02%	19
Domestic refrigerators and freezers	0.13%	18
Palm oil	0.09%	18
Polyamides	0.09%	18
Rolling mills, rolls therefor, and parts, nes of rolling mills	0.00%	18
Base metal indoors sanitary ware, and parts thereof, nes	0.11%	17
Gas, liquid and electricity supply or production meters; etc	0.07%	17
Tugs, special purpose vessels and floating structures	0.00%	17
Outerwear knitted or crocheted, not elastic nor rubberized; other, clothing accessories, non-elastic, knitted or crocheted	0.61%	16
Structures and parts of, of iron, steel; plates, rods, and the like	0.27%	16
Waxes of animal or vegetable origin	0.00%	16
Aminoplasts	0.03%	15
Butter	0.03%	15
Coffee extracts, essences or concentrates	0.08%	15
Copper and copper alloys, worked	2.62%	15
Hand tools, used in agriculture, horticulture or forestry	0.00%	15
Other nitrogen-function compounds	0.01%	15
Petroleum bitumen, petroleum coke and bituminous mixtures, nes	0.06%	15
Printed matter, nes	0.08%	15
Refined sugar etc	0.64%	15
Woods and resin-based chemical products	0.66%	15

Source: UN Comtrade and TEPAV analysis

Egypt:

Most frequently occurring products (2-digit): Products which appear at least in 15 country pairs with Egypt out of 28 countries in two digit detail

Product description	Share in Egypt's exports	Frequency
Manufactures of metals, nes	2.35%	128
Artificial resins and plastic materials, and cellulose esters etc	2.13%	78
Vegetables and fruit	7.76%	69
Non-metallic mineral manufactures, nes	3.25%	48
General industrial machinery and equipment, nes, and parts of, nes	0.50%	44
Other transport equipment	0.03%	42
Cereals and cereal preparations	1.97%	42
Fixed vegetable oils and fats	0.40%	40

Source: UN Comtrade and TEPAV analysis

How can we identify product complemetarity? Filtering Methodology (Tunisia)

Filter 1:
World market share of product X is growing above average rates in Tunisia.

Filter 1: 221 products

Source: UN Comtrade and TEPAV analysis

How can we identify product complemetarity?
Filtering Methodology (Tunisia)

Filter 1:
World market share of product X is growing above average rates in Tunisia.

Filter 1: 221 products

Filter 2:
Share of product X is growing in world trade

Filter 2: 105 products

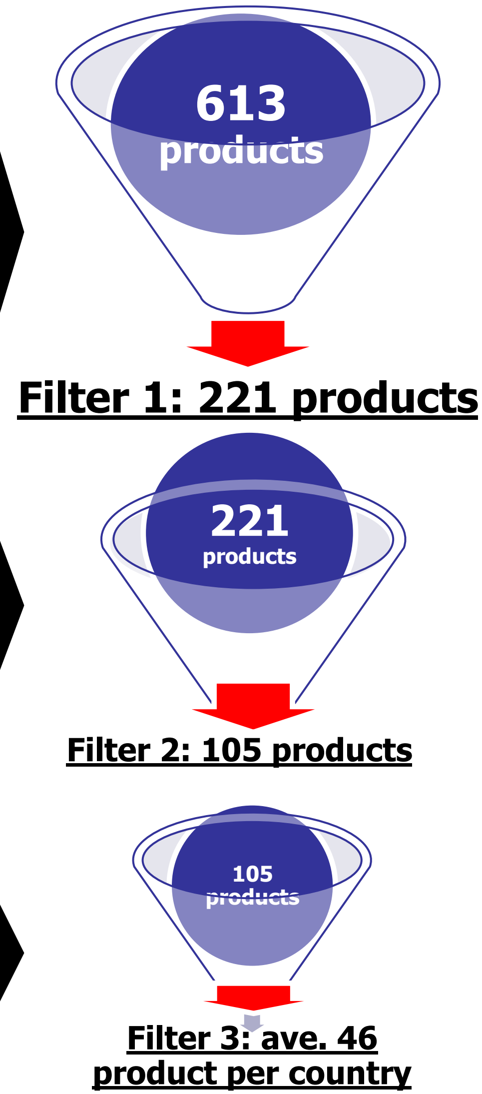
Source: UN Comtrade and TEPAV analysis

How can we identify product complemetarity?
Filtering Methodology (Tunisia)

<u>Filter 1:</u>
World market share of product X is growing above average rates in Tunisia.

<u>Filter 2:</u>
Share of product X is growing in world trade

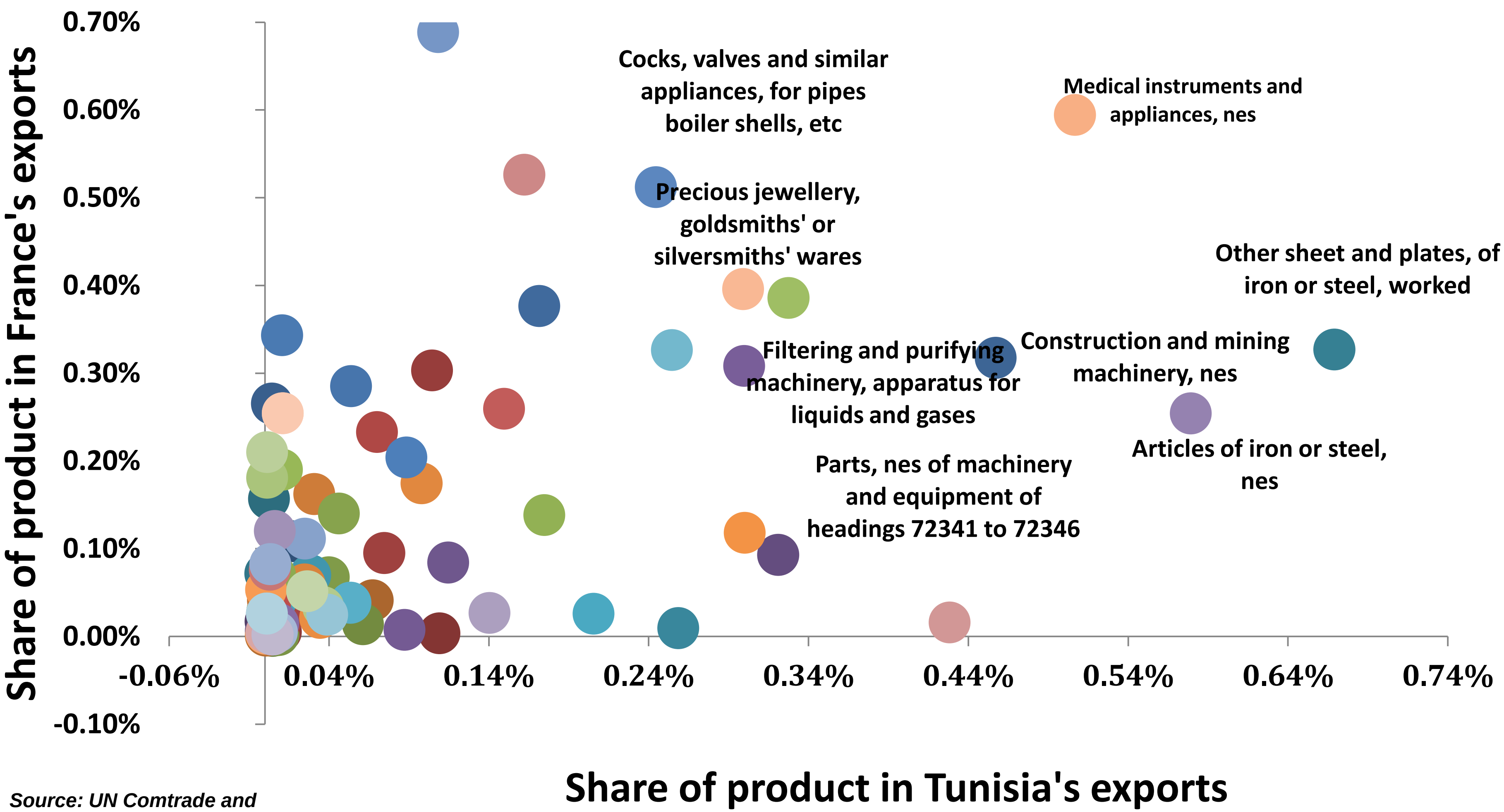
<u>Filter 3 (for each EU country):</u>
Share of product X is declining in the EU country



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (1)

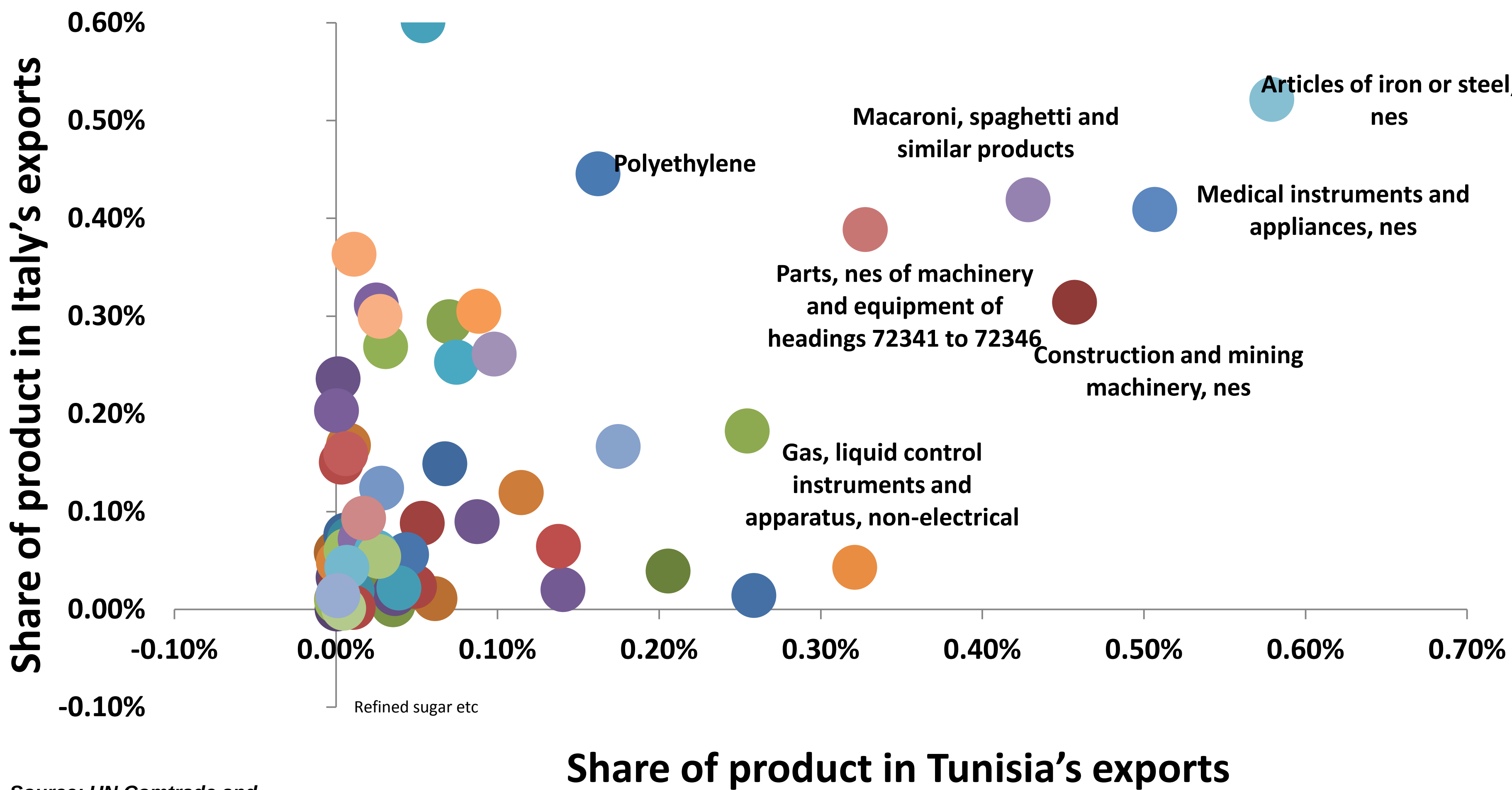
France – Tunisia, 84 products identified



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (2)

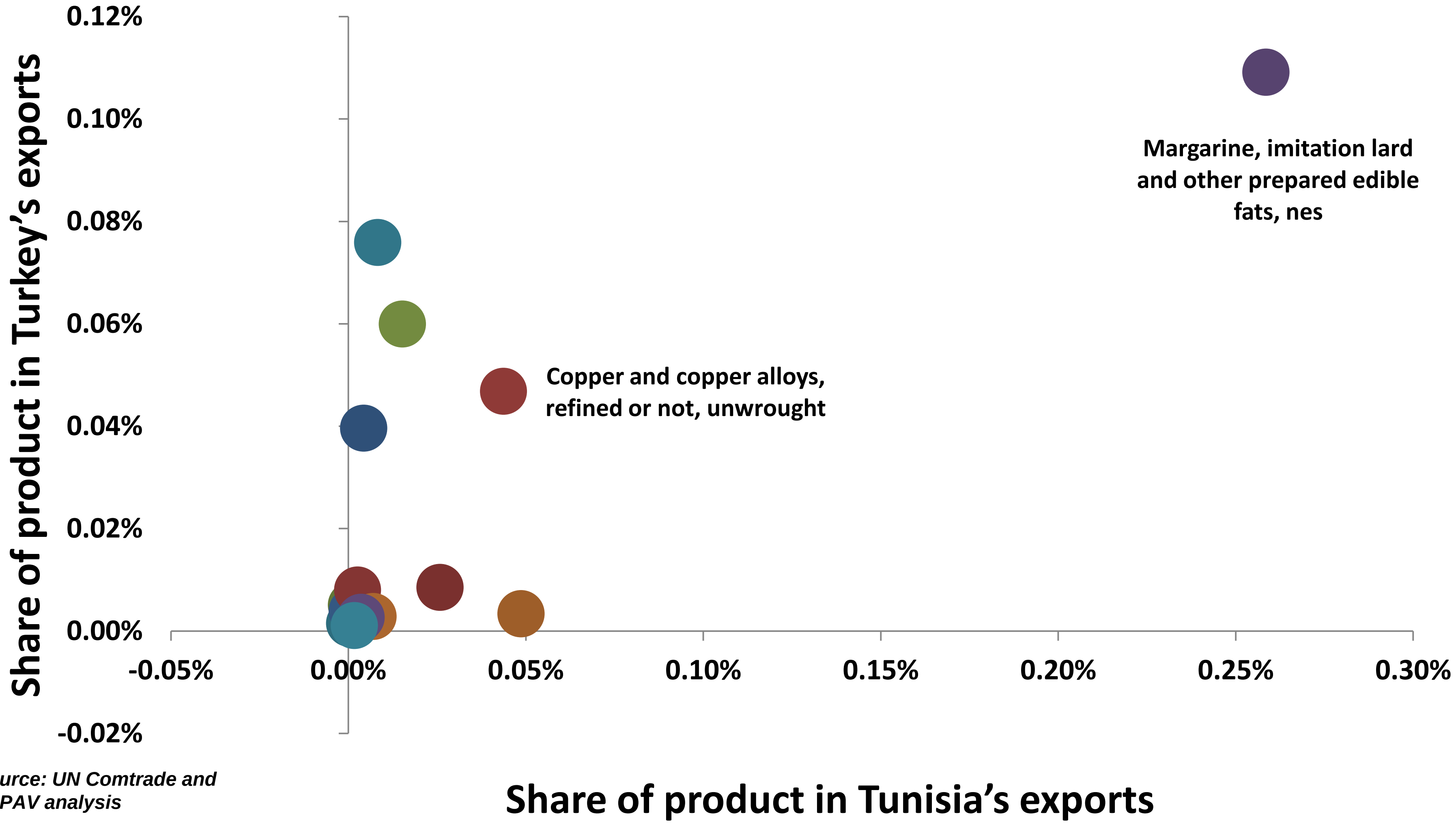
Italy – Tunisia, 73 products identified



Source: UN Comtrade and TEPAV analysis

Examples from product complementarity results (3)

Turkey – Tunisia, 17 products identified



Source: UN Comtrade and TEPAV analysis

Most frequently occurring products (4-digit) (Tunisia): Products which appear at least in 15 country pairs with Tunisia out of 28 countries in four digit detail.

Prouct description	Share in Tunisia's exports	Frequency (out of 28)
Other made-up articles of textile materials, nes	0.94%	21
Minerals, crude, nes	0.04%	20
Leather of other hides or skins	0.01%	20
Monocarboxylic acids and their derivatives	0.00%	18
Rolling mills, rolls therefor, and parts, nes of rolling mills	0.00%	18
Optical instruments and apparatus	0.00%	18
Vegetables (excluding leguminous), dried, evaporated, etc	0.06%	17
Palm oil	0.00%	17
Other mineral working machinery; and parts thereof, nes	0.02%	17
Under-garments, knitted or crocheted; of wool or fine animal hair, not elastic nor rubberized	0.01%	16
Tube and pipes fittings, of iron or steel	0.04%	16
Other base metal manufactures, nes; and of cermets	0.00%	16
Materials of rubber	0.09%	16
Iron, steel, aluminium reservoirs, tanks, etc, capacity 300 lt plus	0.03%	16
Gas, liquid control instruments and apparatus, non-electrical	0.25%	16
Disinfectants, etc, for sale by retail or as preparation	0.00%	16
Building and monumental (dimension) stone, roughly squared, split	0.09%	16
Television receivers, colour	2.17%	15
Structures and parts of, of aluminium; plates, rods, and the like	0.05%	15
Spices, except pepper and pimento	0.01%	15
Refined sugar etc	0.00%	15
Printed matter, nes	0.07%	15
Lime, quick, slaked and hydraulic (no calcium oxide or hydroxide)	0.01%	15
Iron or steel wire (excluding wire rod), not insulated	0.11%	15
Glazes, driers, putty etc	0.03%	15
Construction materials, of asbestos-cement or fibre-cements, etc	0.01%	15
Centrifuges	0.04%	15

Source: UN Comtrade and TEPAV analysis

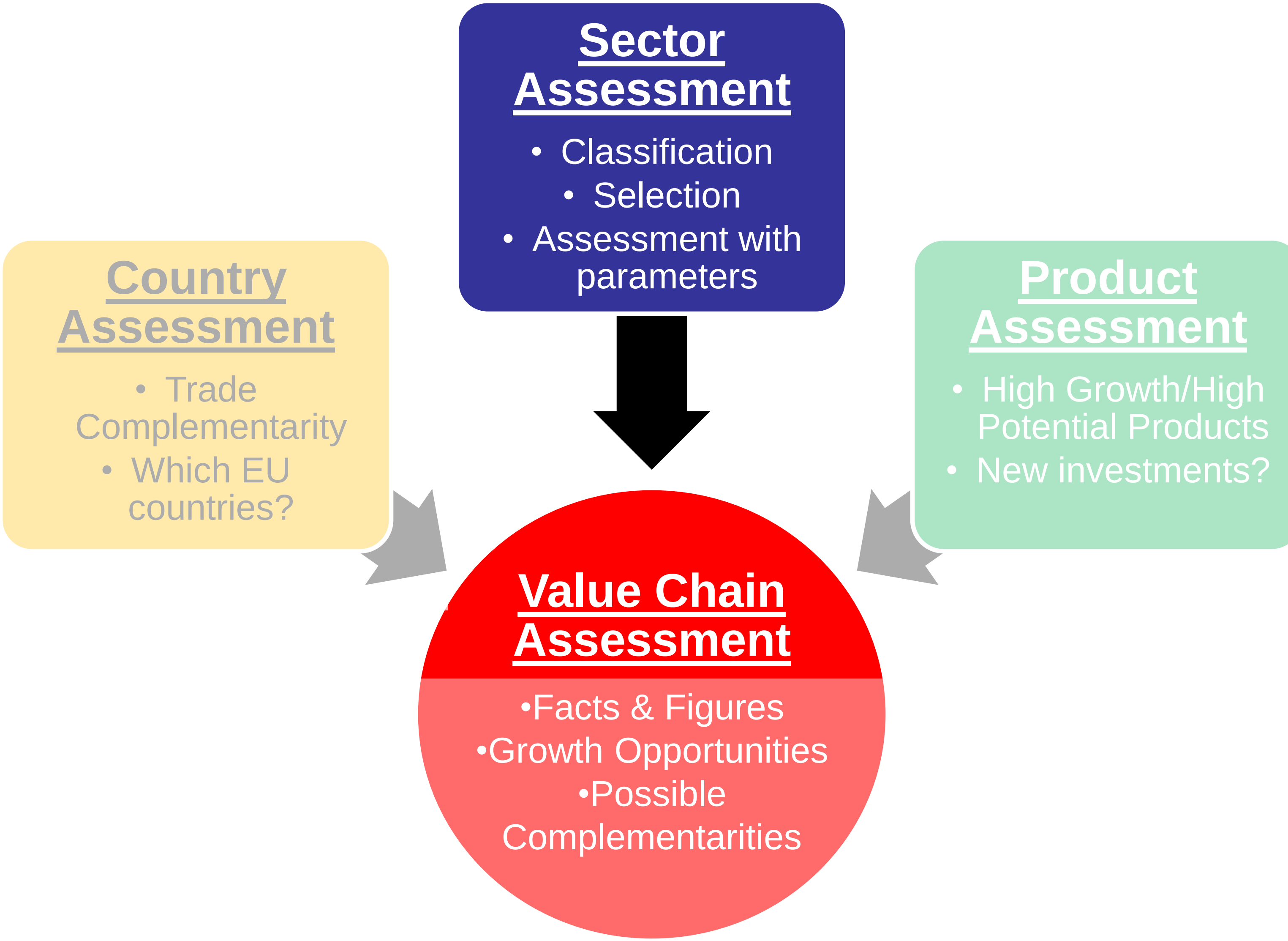
Tunisia:

Most frequently occurring products (2-digit): Products which appear at least in 15 country pairs with Tunisia out of 28 countries in two digit detail

Product description	Share in Tunisia's exports	Frequency
Vegetables and fruit	2.35%	128
Coffee, tea, cocoa, spices, and manufactures thereof	2.13%	78
Organic chemicals	7.76%	69
Professional, scientific, controlling instruments, apparatus, nes	1.30%	54
Non-metallic mineral manufactures, nes	3.25%	48
Iron and steel	0.50%	44
Manufactures of metals, nes	0.03%	42
Machinery specialized for particular industries	1.97%	42
General industrial machinery and equipment, nes, and parts of, nes	0.40%	40

Source: UN Comtrade and TEPAV analysis

Layer 3: Sector assessment



● : High level ◐ : medium level ○ : low level

Egypt

Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods	○	○	●	●
Food and Agricultural	●	●	●	●
Building Materials	◐	◐	○	●
Chemicals and Pharmaceuticals	○	○	○	●
Textiles and Apparel	●	●	●	◐
Machinery and Vehicles	○	◐	●	○
Electronics	○	◐	●	◐
Other Manufacturing (Paper, instruments etc.)	◐	●	○	○
Business Services (ICT)	●	◐	●	-
Communication Services	○	○	◐	-
Construction and Related Engineering Services	○	○	●	-
Distribution Services (Retail)	●	●	●	-
Educational Services	◐	◐	◐	-
Environmental Services	◐	◐	◐	-
Financial Services	○	○	◐	-
Health Related And Social Services	◐	◐	◐	-
Tourism And Travel Related Services	●	●	●	-
Recreational, Cultural And Sporting Services	◐	◐	◐	-
Transport Services	●	●	●	-

● : High level ◐ : medium level ○ : low level

Tunisia

Sector	SME Participation & No barriers to Entry	Employment Generation	Political Priority	Product Links
Primary Goods	○	○	○	○
Food and Agricultural	●	●	●	●
Building Materials	◐	◐	○	●
Chemicals and Pharmaceuticals	○	○	○	●
Textiles and Apparel	●	●	●	●
Machinery and Vehicles	○	◐	●	●
Electronics	○	◐	◐	○
Other Manufacturing (Paper, instruments etc.)	◐	●	○	◐
Business Services (ICT)	●	◐	◐	-
Communication Services	○	○	◐	-
Construction and Related Engineering Services	○	○	◐	-
Distribution Services (Retail)	●	●	◐	-
Educational Services	◐	◐	◐	-
Environmental Services	◐	◐	◐	-
Financial Services	○	○	◐	-
Health Related And Social Services	◐	◐	◐	-
Tourism And Travel Related Services	●	●	●	-
Recreational, Cultural And Sporting Services	◐	◐	◐	-
Transport Services	●	●	◐	-

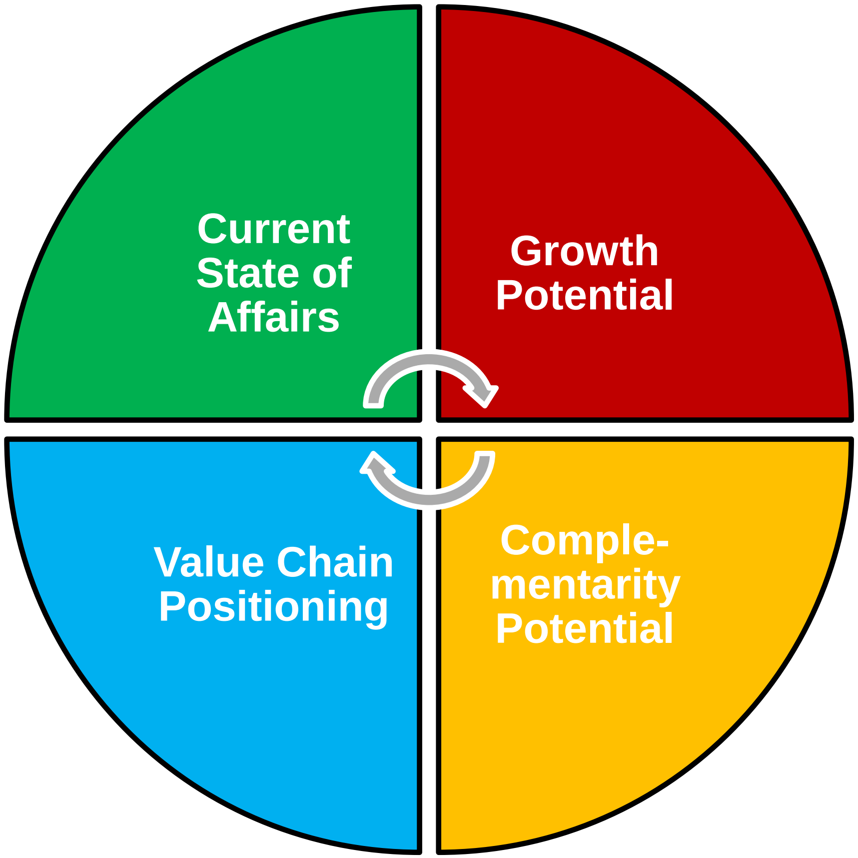
Sector Assessment Parameters

The Shortlisted Sectors for the Sector Assessment

EGYPT
- Food and Agricultural products
- Textiles and Apparel
- Business Services (ICT)
- Distribution Services (Retail)
- Renewable Energy
- Tourism And Travel Related Services
- Transport Services

TUNISIA
- Food and Agricultural products
- Textiles and Apparel
- Tourism And Travel Related Services

The Sector Assessment



Synthesis: Identification of Value Chains

Sector Assessment

- Classification
- Selection
- Assessment with parameters

Country Assessment

- Trade Complementarity
- Which EU countries?

Product Assessment

- High Growth/High Potential Products
- New investments?

Value Chain Assessment

- Facts & Figures
- Growth Opportunities
- Possible Complementarities

Selected Value Chains - Egypt

AQUACULTURE

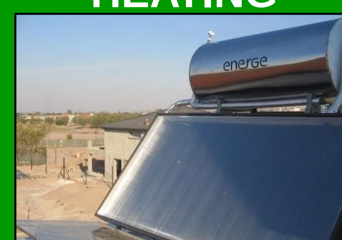
Transport and Logistics

KNITTED OUTERWEAR

SHOPPING MALLS

DAIRY

SOLAR WATER HEATING



TOURISM

Selected Value Chains - Tunisia

CLOTHING & OUTER GARMENTS

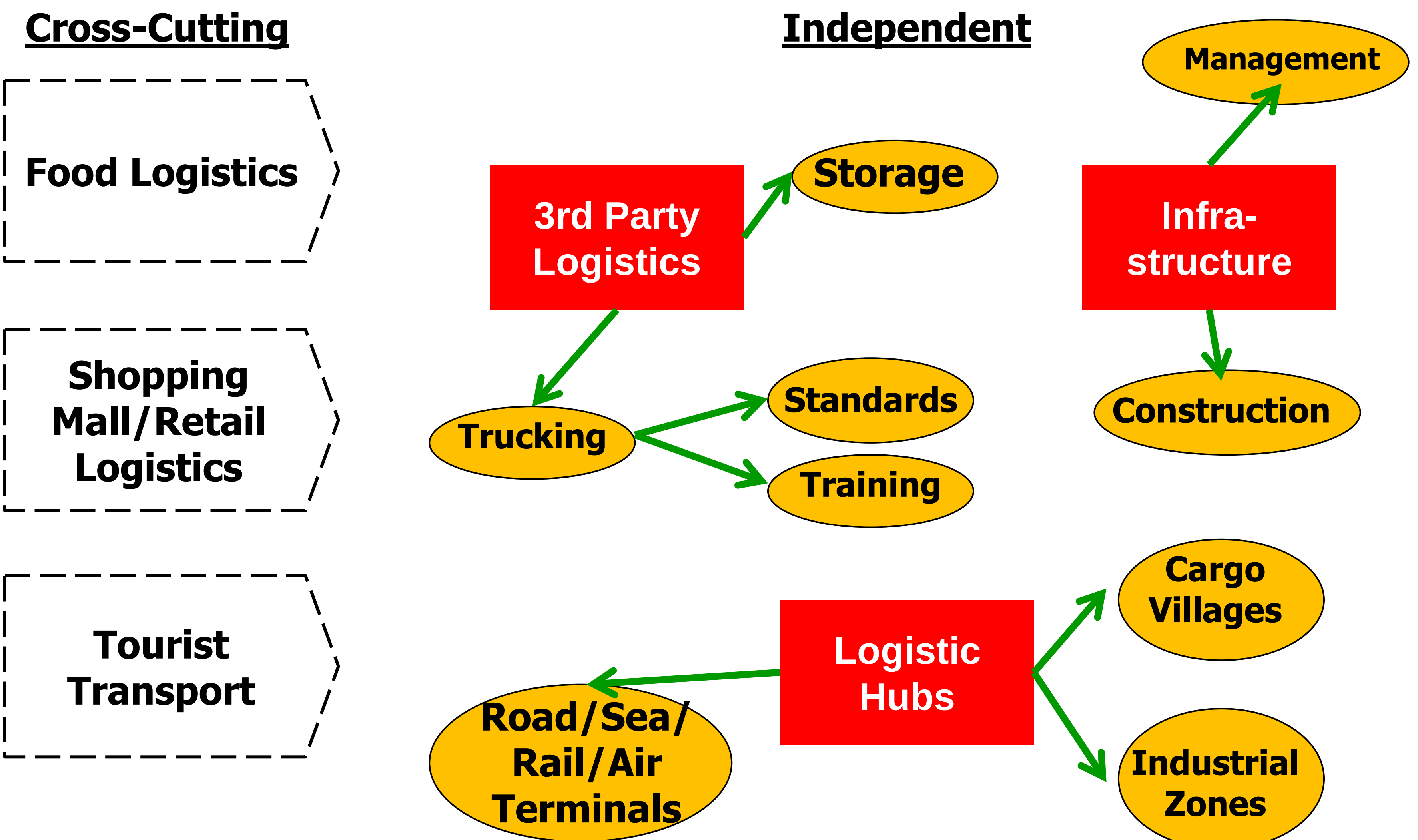
OLIVES & OLIVE OIL

TOURISM

Logistics as a horizontal sector, and a value chain by itself

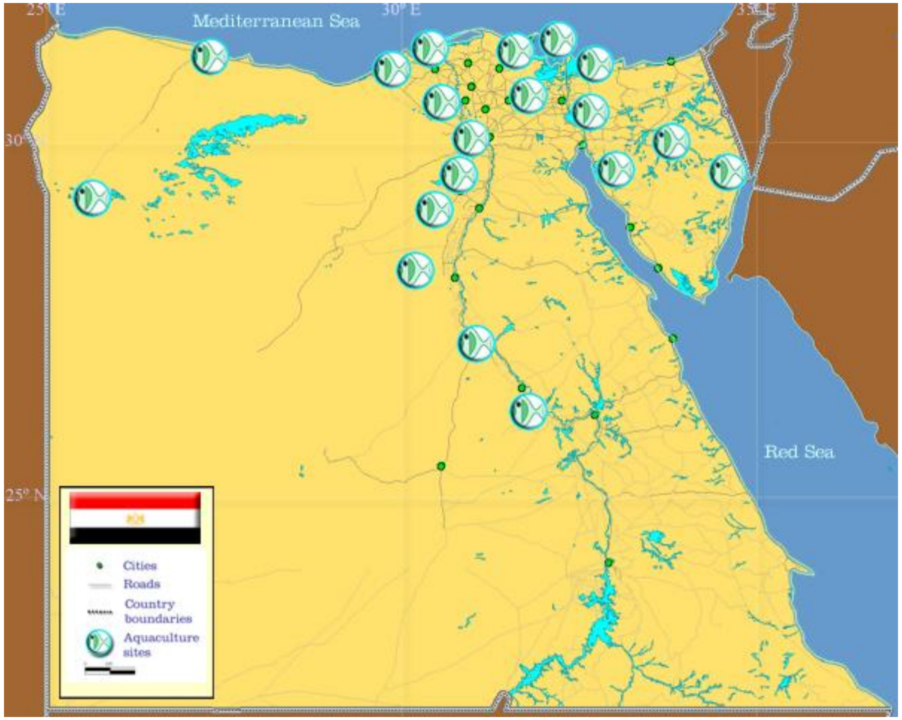
- Egypt is a rising T&L hub, with the second trans-shipment port and road connections to North Africa and Sudan.
  - → Room for improvement: 3rd party logistics, logistics hubs, industrial zones, cold chains
- Logistics is a key sector not only by itself but it is an integral part of many of the value chains we have identified
  - → Cold storage and transportation for dairy and fish
  - → Shopping mall management (+ retail)
  - → Tourism and its related logistics
- Possible Complementarities:
  - → Trucking fleets: Management, organization, education and certification
  - → Logistic hubs: Building and management of logistic hubs and industrial zones
  - → Services for ports and airports, cargo villages

Logistics & Transport Value Chain: Possible Roles



Aquaculture Value Chain in Egypt

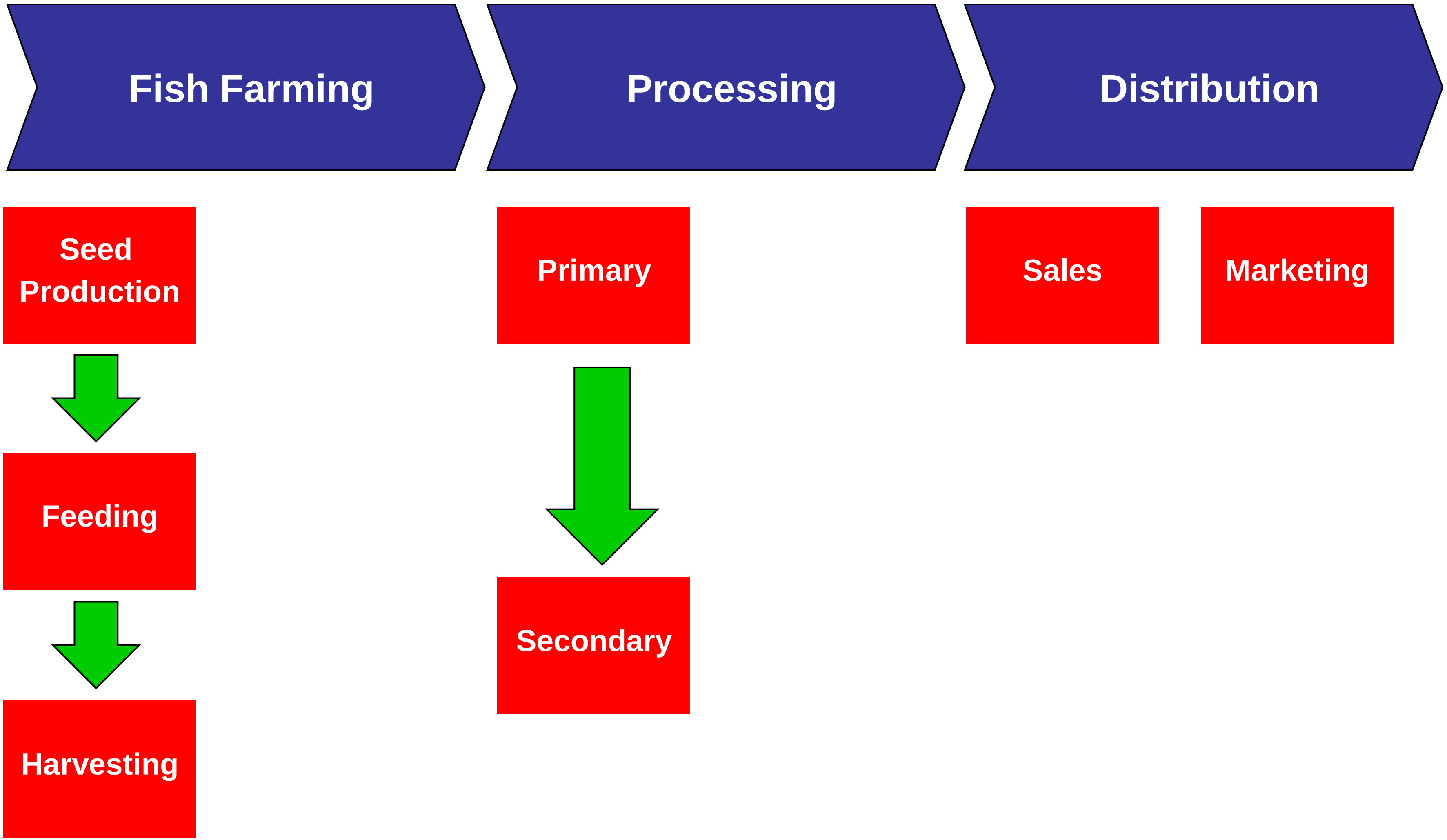
Aquaculture Sites in Egypt



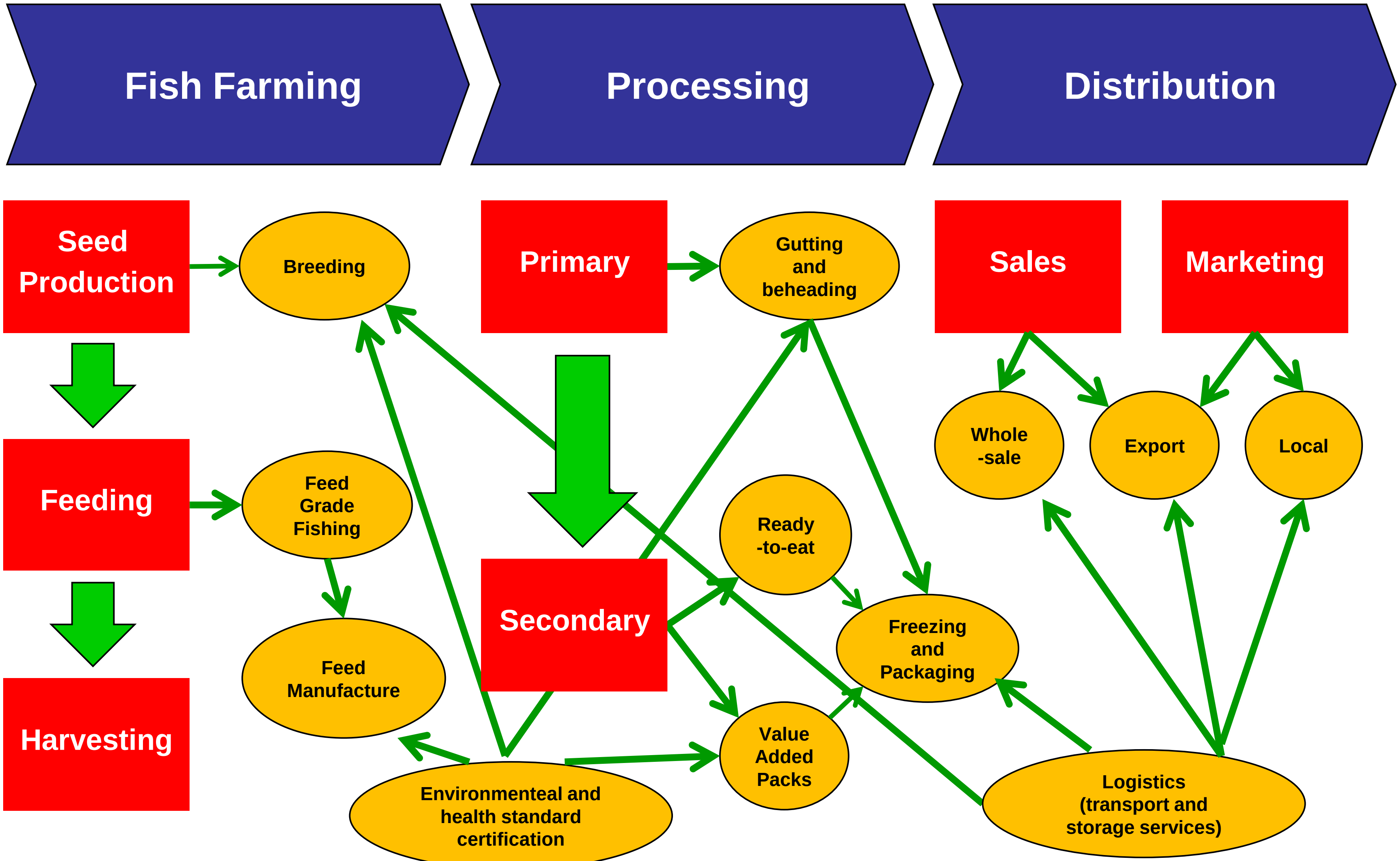
Source: FAO

- ➢An emerging market in Egypt with predominantly freshwater intensive production, little or no processing
- ➢Marine aquaculture is largely missing, but is increasingly demanded in the EU and Egypt
- ➢Complementarities:
  - •Turkey and EU: know-how in marine aquaculture and fish processing
  - •Egypt: local/regional market and value chain know-how

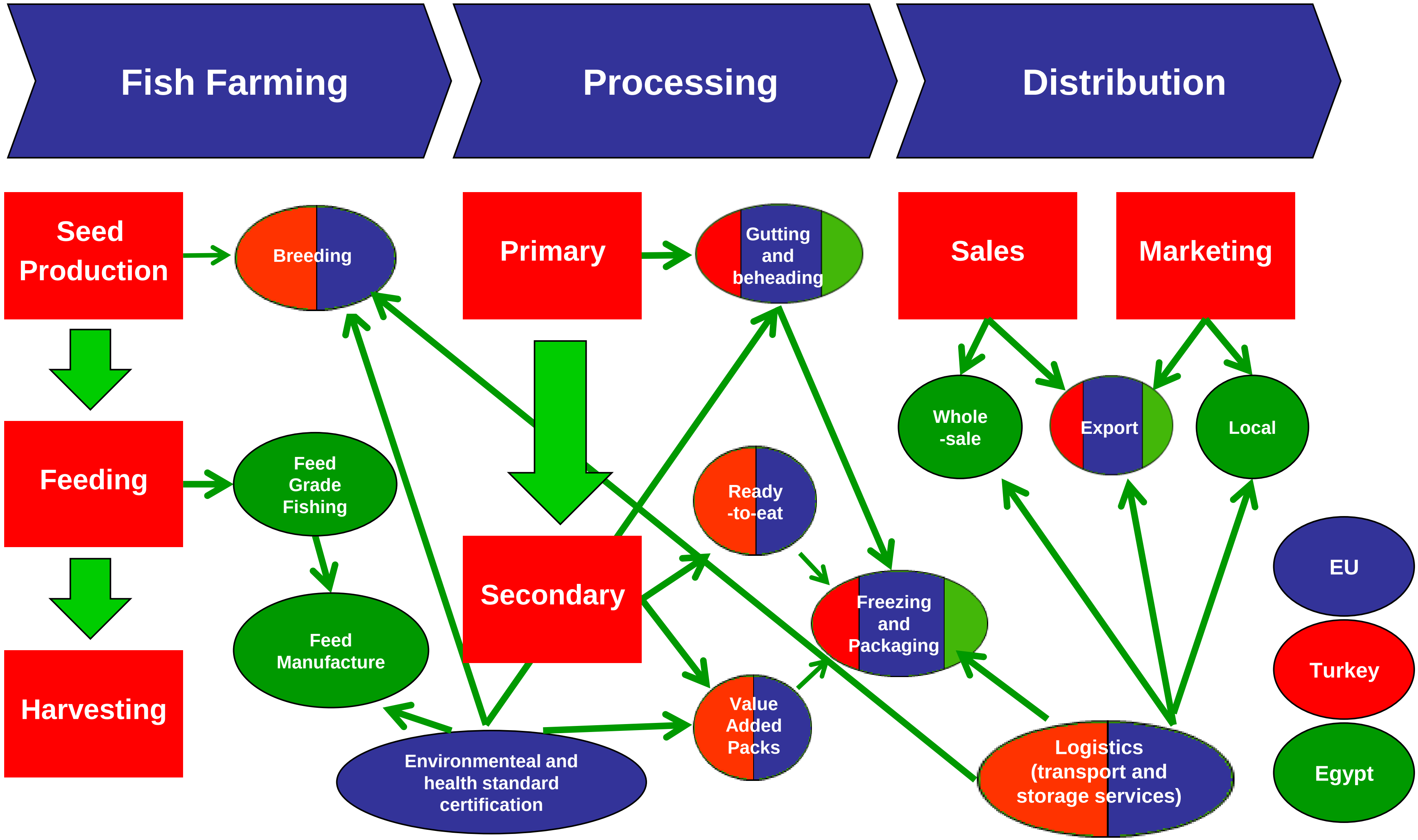
Aquaculture Value Chain



An example: Aquaculture Value Chain



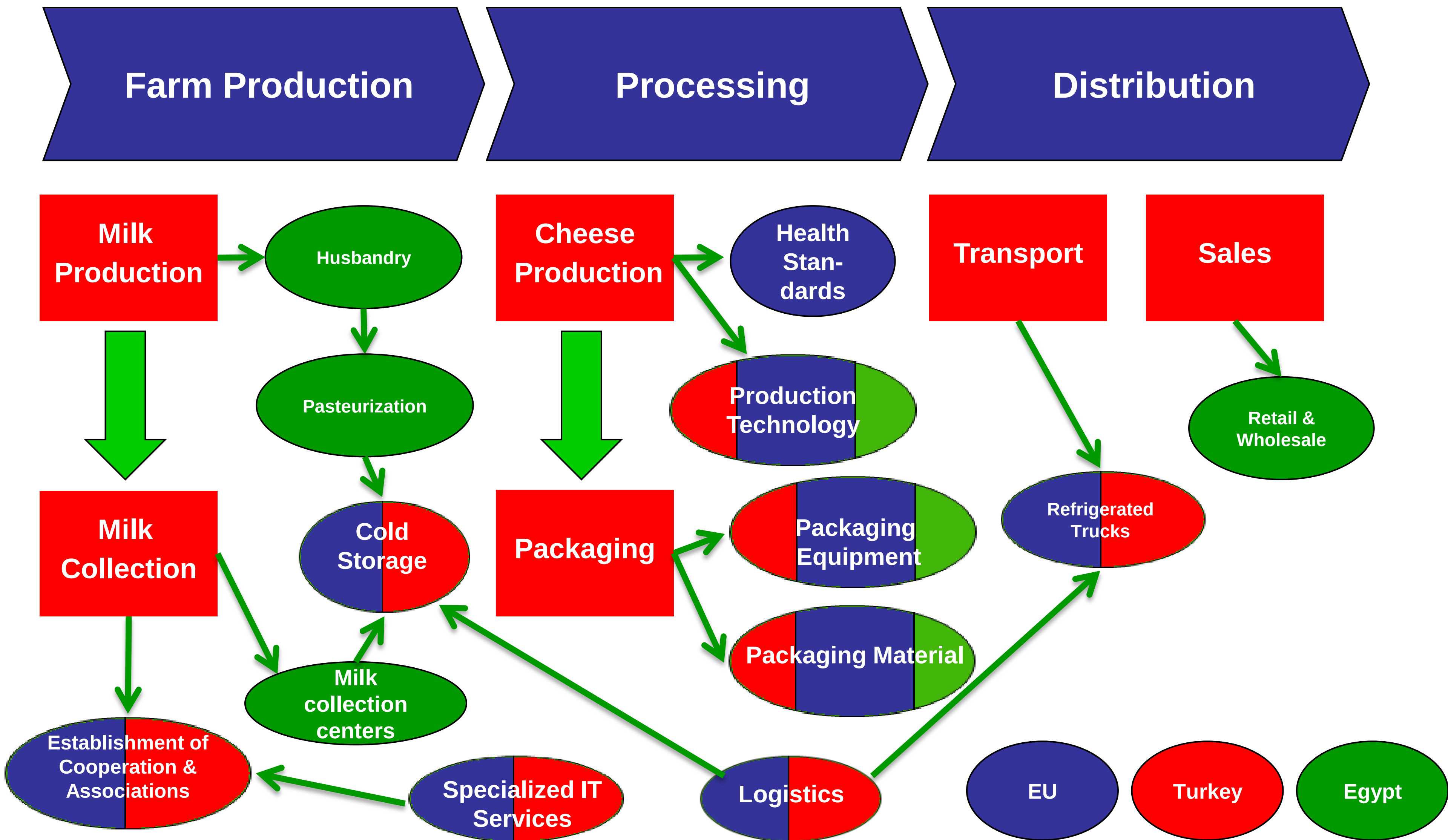
An example: Aquaculture Value Chain



Dairy Value Chain in Egypt

- Cheese is a fast growing export good: over 60% CAGR in the last five years
- The main export markets are the GCC and North African countries
- The country has to import milk to produce cheese due to low quality and health standards as well as problems in logistics
- Complementarities:
  - Turkey and EU: Health and quality standards, processing, logistics
  - Egpyt: Husbandry, local and regional market know-how

Dairy Value Chain – Possible Roles



Knitted Outerwear Value Chain in Egypt

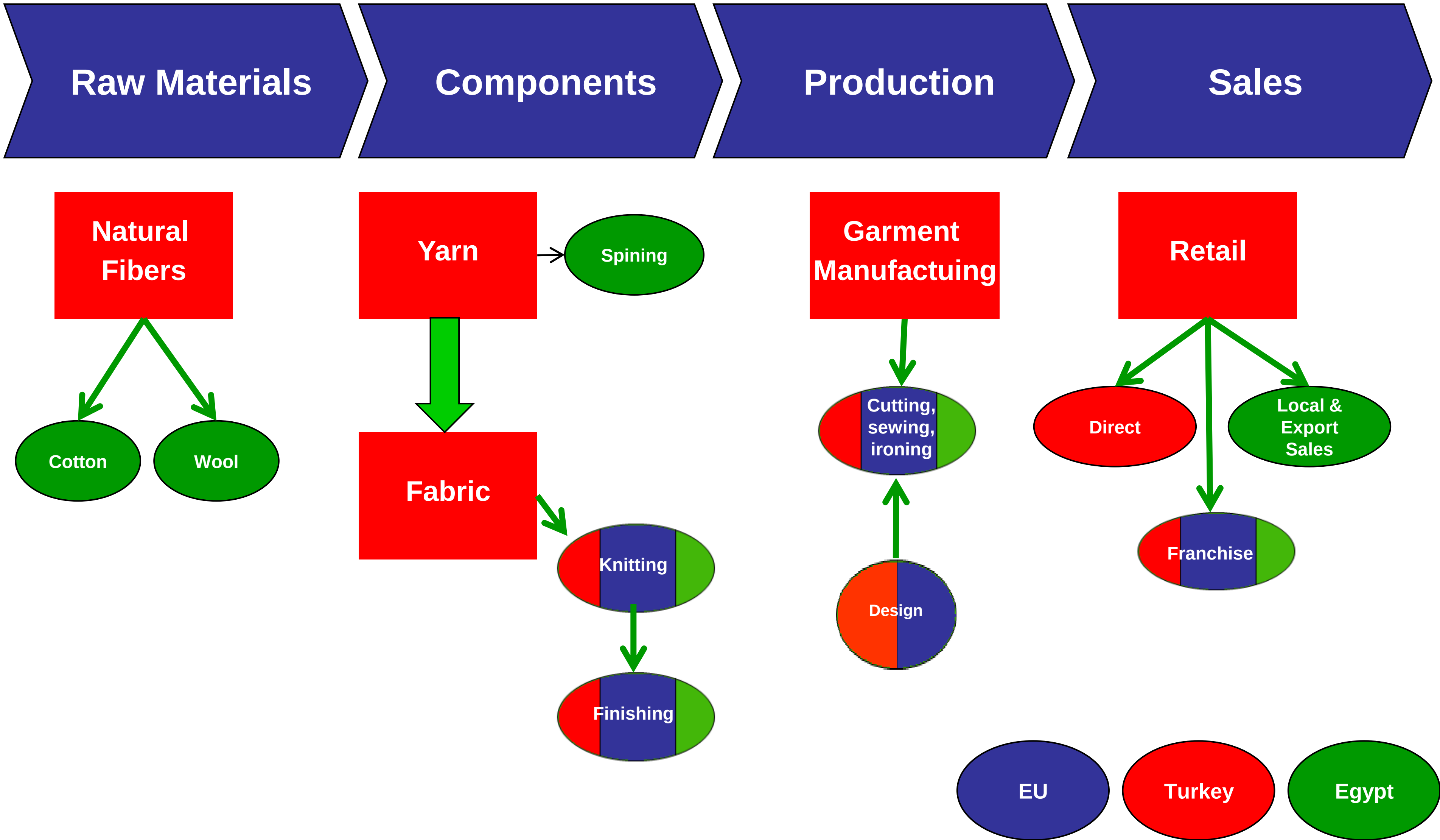
Total Export Values and Value by Weight in Comparison, 2011

Exporter	2011 Export Value (million $)	Value/Net Weight ($/kg)
Italy	4.826	94,2
Romania	605	36,9
Egypt	**226**	**31,2**
Turkey	**3.760**	**25,1**
Jordan	794	19,2
Indonesia	2.450	15,0

Source: UN COMTRADE

- A booming export good with 138% CAGR in the last five years
- A beneficiary of the QIZ Agreement
- Advantages: low labor costs, market access and high quality cotton
- Disadvantages: low value added production, import dependent inputs, undiversified export markets
- Both Turkish and EU firms can benefit from the growing competitiveness of Egyptian outerwear businesses and foster knowledge transfer in the areas of textiles manufacture, and fashion design

Knitted Outerwear Value Chain – Possible Complementarities



Shopping Mall Value Chain in Egypt

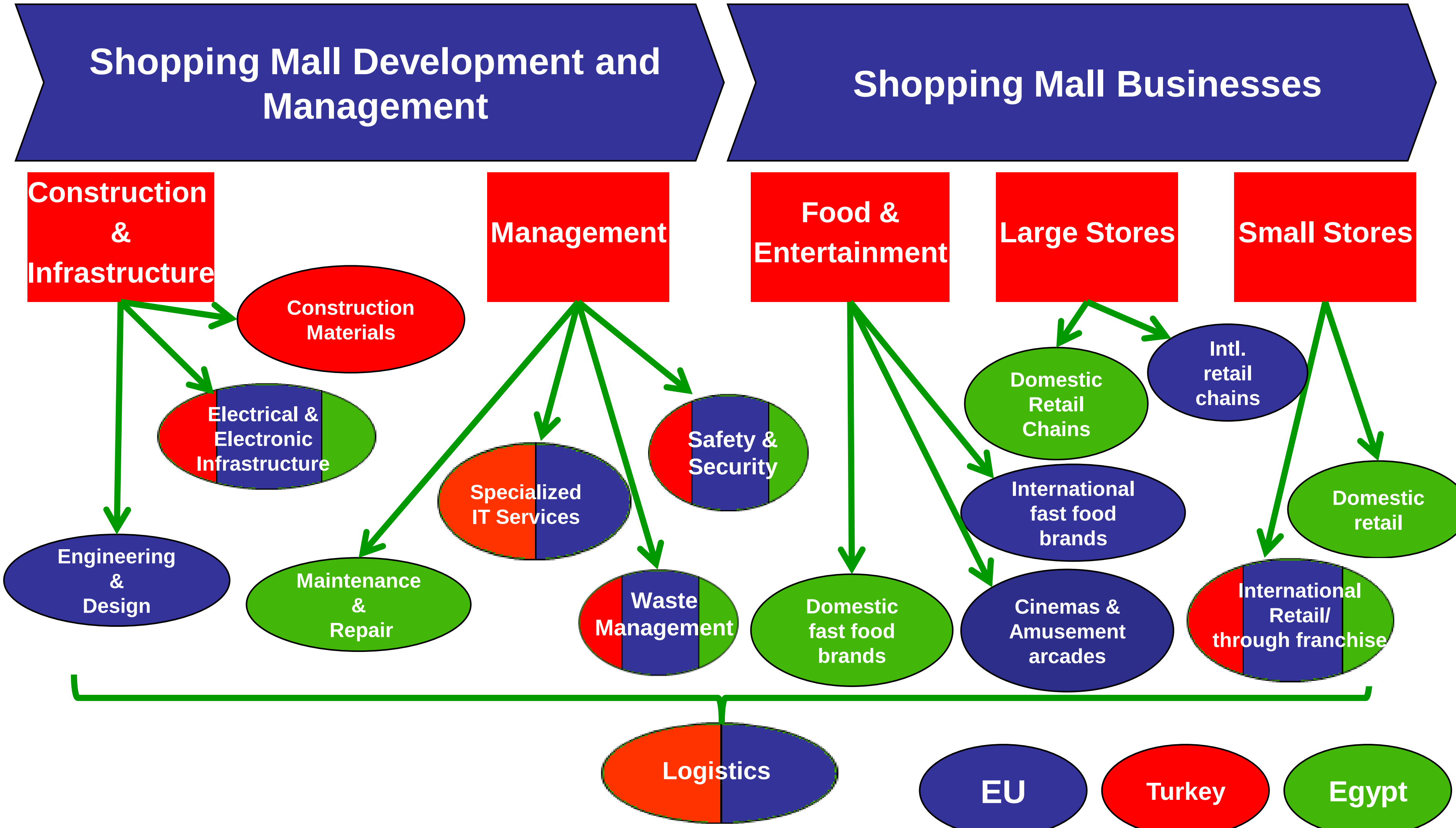
- Egypt and Turkey both opened their first shopping malls in 1988, today there are close to 300 malls in Turkey while only around 30 in Egypt

- 2000's witnessed a boom in shopping malls in Egypt; several mall complexes opened including the largest and second largest shopping malls of the MENA region

- The market is still highly unsaturated and is expected to grow together with the Egyptian middle class

- Shopping malls have wide-encompassing value chains that bring together SME's in diverse fields such as waste management, security, IT and retail, and offer the early mover's advantage in a rapidly growing market

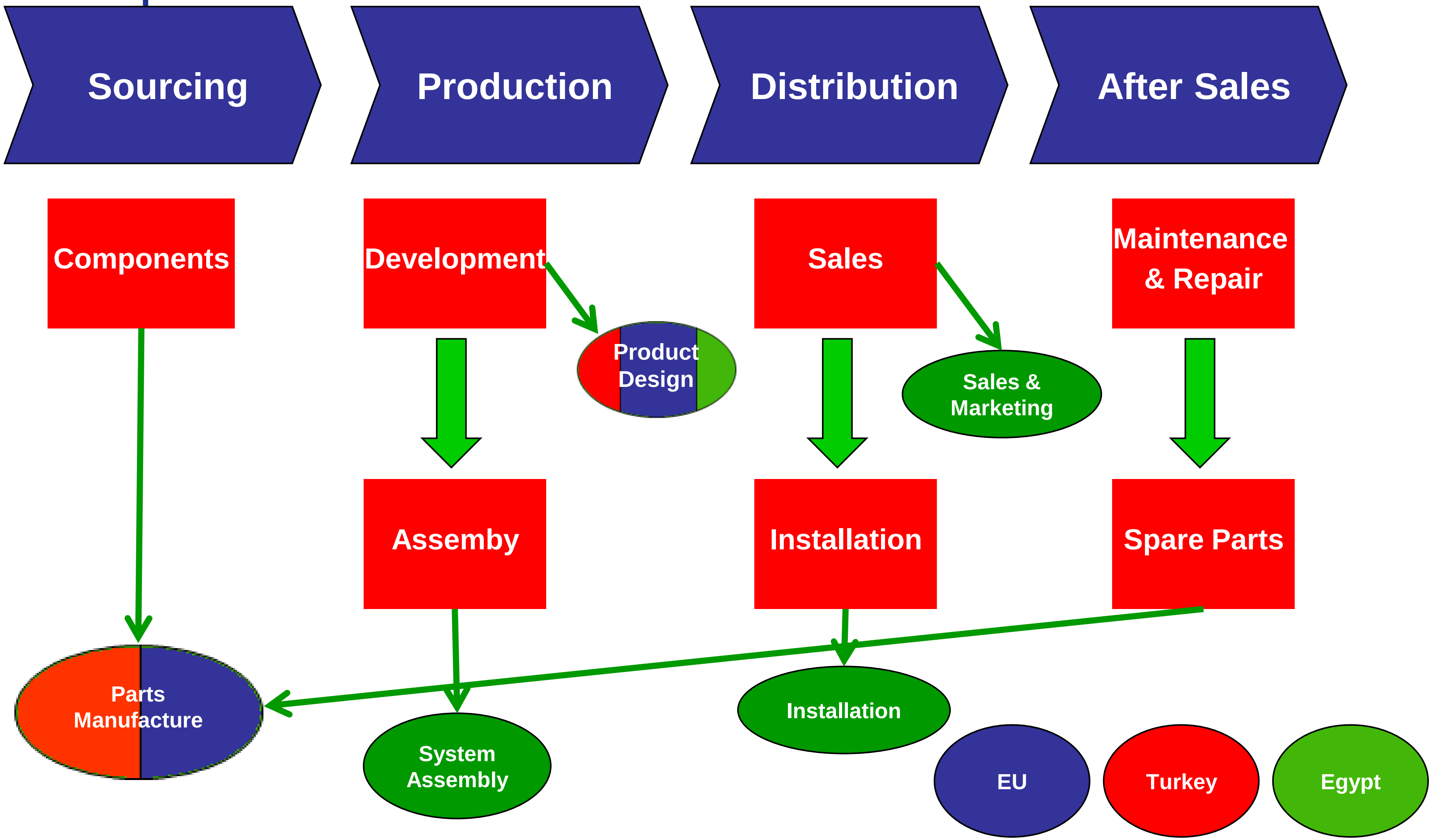
Shopping Malls Value Chain – Possible Complementarities



Solar Water Heating Value Chain in Egypt

- A business area on the verge of major expansion due to the upcoming removal of energy subsidies
- Very rich resources of solar energy: 2000-2600 KWh/m2, more than twice central Europe
- Only 9 companies are active in Egypt, with 5 of them manufacturing
- Complementarities:
  - Turkey and EU: manufacturing and R&D know how
  - Egypt: Design and manufacturing capabilities, maintenance and servicing

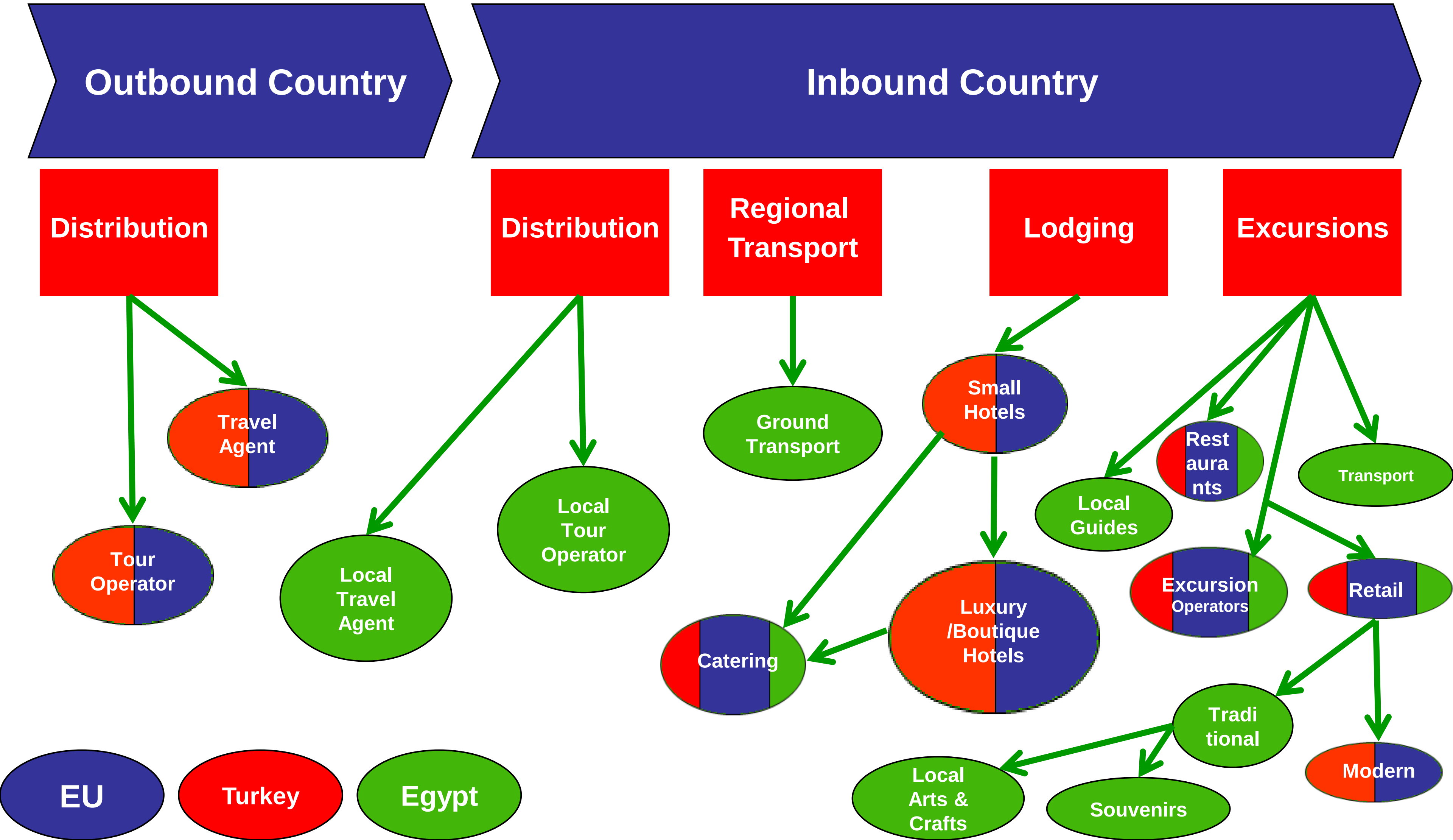
Solar Water Heating Value Chain – Possible Complementarities



Tourism Value Chain in Egypt

- 14 million Tourists visited Egypt prior to revolution, return to this level is expected in 2013
- Despite high brand reputation, tourism in Egypt is not diversified (80% sun and sea, 20% cultural tourism)
- Conference tourism and ecotourism are emerging fields
- Complementarities:
  - EU and Turkey: know-how in niche areas such as ecotourism and conference tourism
  - Egypt: Operational capabilities, marketing

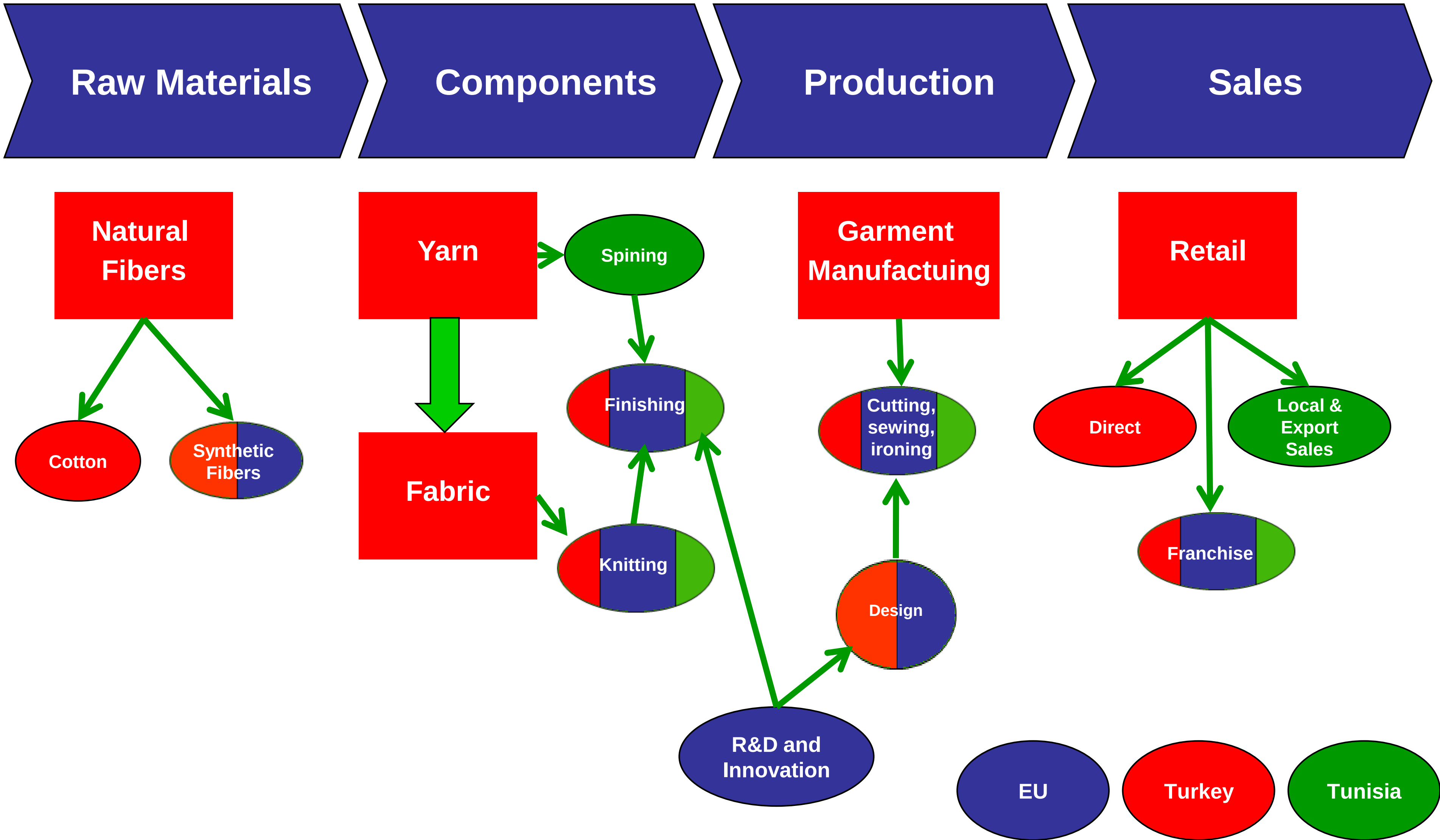
Tourism Value Chain – Possible Complementarities



Clothing and Outer Garments Value Chain in Tunisia

- Tunisia is the fifth largest supplier of EU:
  - half of the work clothes and swimsuits, one-third of bras and jeans imported to the EU come from Tunisia
- Undiversified export market: France and Italy account to one-third of exports each
- Low value-added production, subcontracting as the widespread method of production
- Work clothes and hosiery are products with high potential for high-tech textiles
- Complementarities
  - Turkey and EU: High-tech textiles, design, fashion platform
  - Tunisia: Clothing manufacture, local fashion

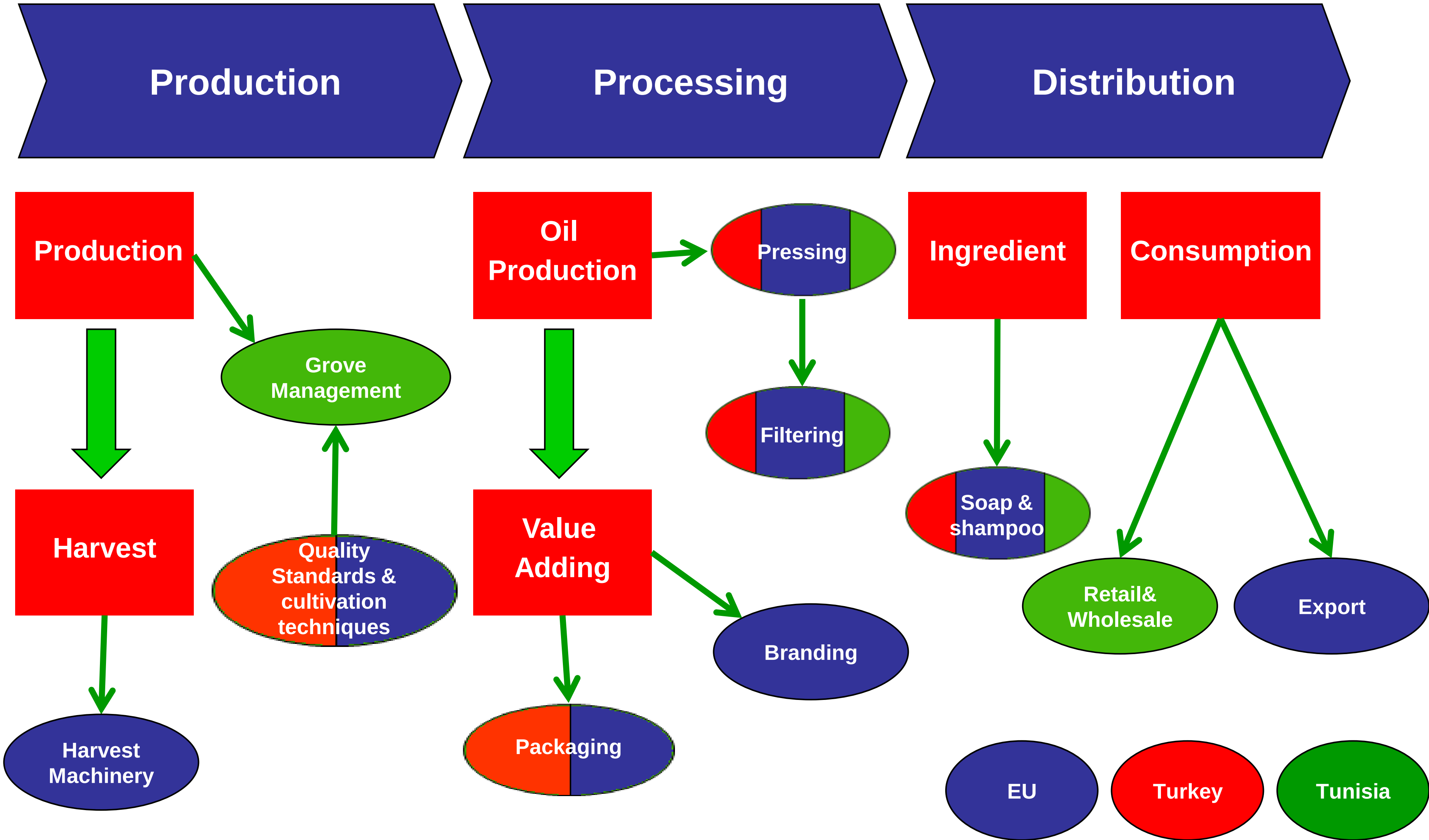
Clothing Value Chain – Possible Complementarities



Olives and Olive Oil Value Chain in Tunisia

- Tunisia is the 7th largest producer of olives and 3rd largest exporter of olive oil
- 42% of olive oil is exported to Italy to be mixed, rebranded and re-exported as Italian
- Lack of branding and inconsistence in quality are obstacles for high value added exports
- Complementarities:
  - EU and Turkey: product diversification, quality standards and branding
  - Tunisia: Olive growing, local varieties and production know-how

Olive Oil Value Chain – Possible Roles



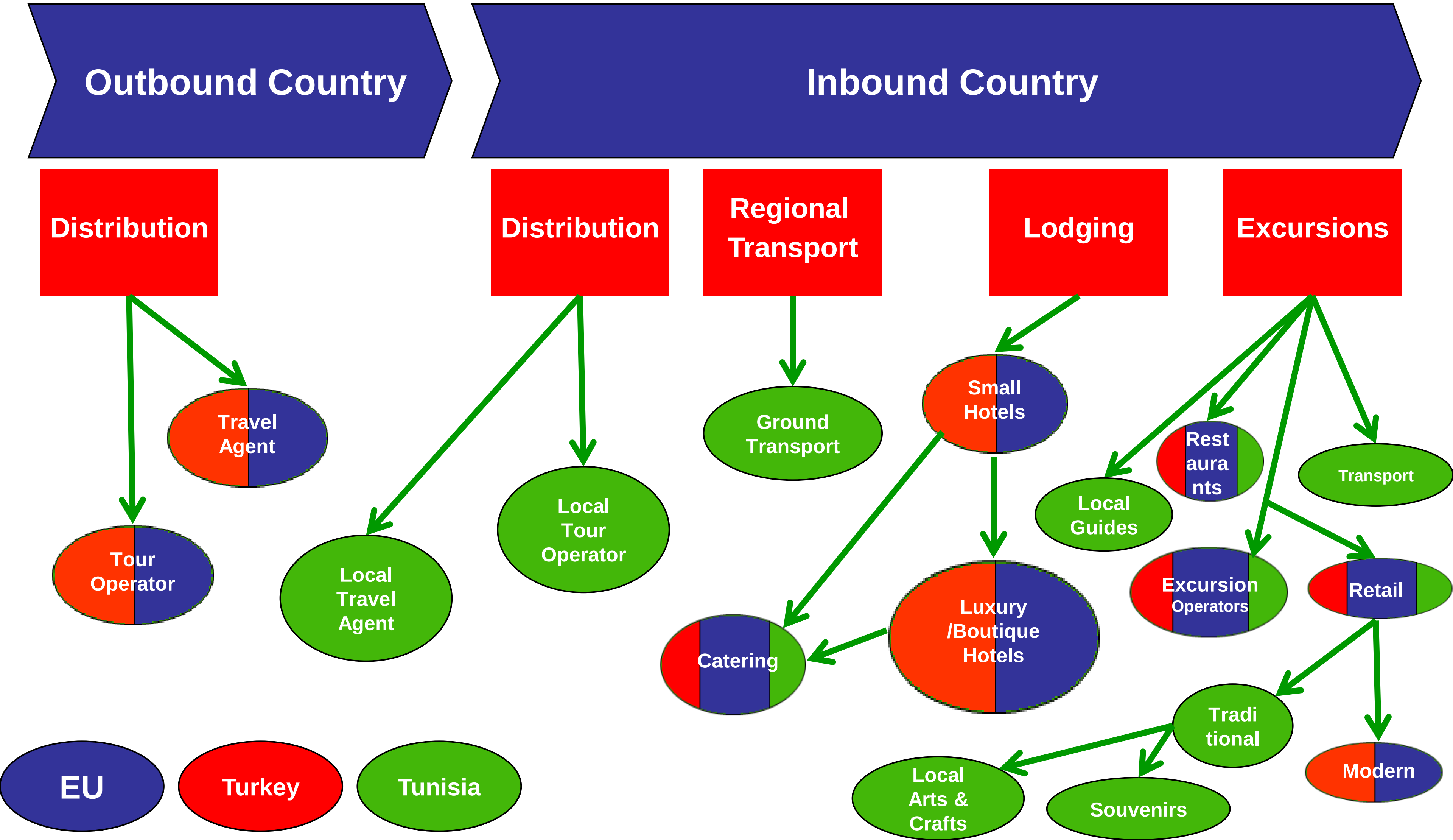
Tourism Value Chain in Tunisia

- Important destination: 7 million tourists for a country of 10,5 million

- Bottlenecks:
    - Low value added: 500$ spending per tourist, compared to 850$ in Egypt. Few luxury hotels that offer low prices, lack of high quality options for dining and souvenirs
    - Lack of diversification: Chiefly sun and sea tourism on the eastern coast, and a smaller degree of heritage tourism around Tunis

- Small luxury hotels and local arts & crafts manufacturers from Tunisia, Turkey and EU can cooperate to benefit from the potential of high value added tourism in Tunisia.

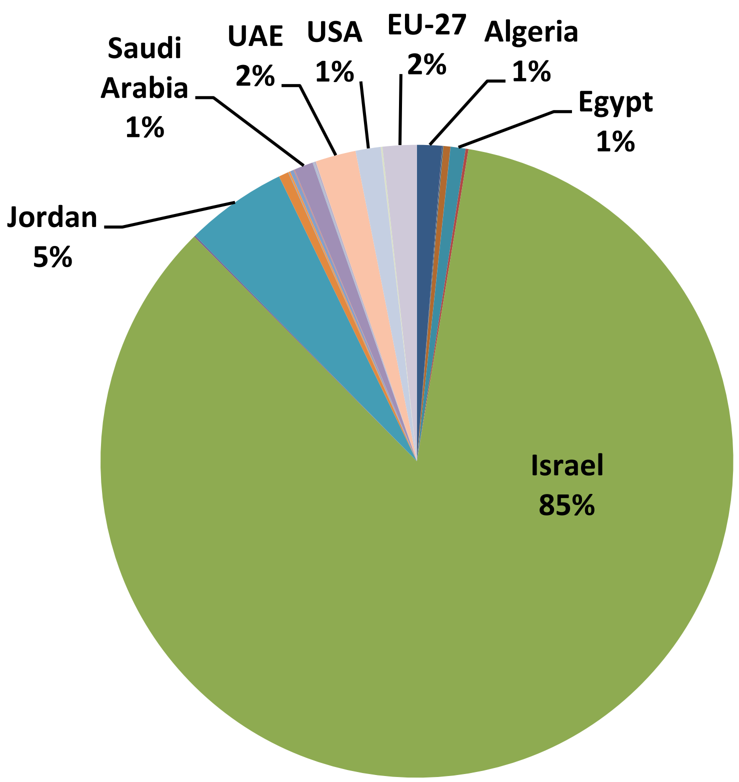
Tourism Value Chain – Possible Complementarities



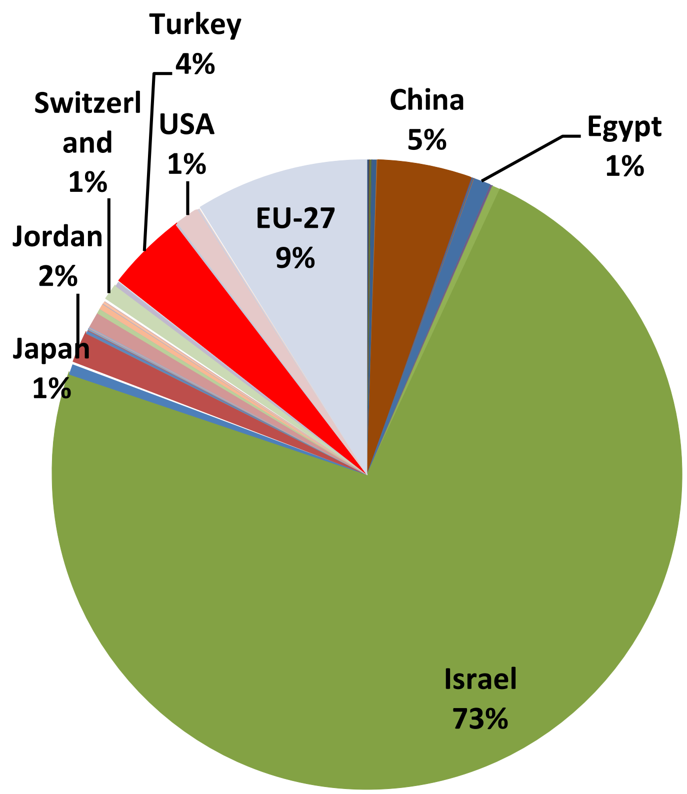
An Economic Assessment of Palestine for the GBB Initiative

Identifying complementarity cases for Palestine is a challenge

Shares of EU-27 & Other Countries in Palestinian Exports, 2010

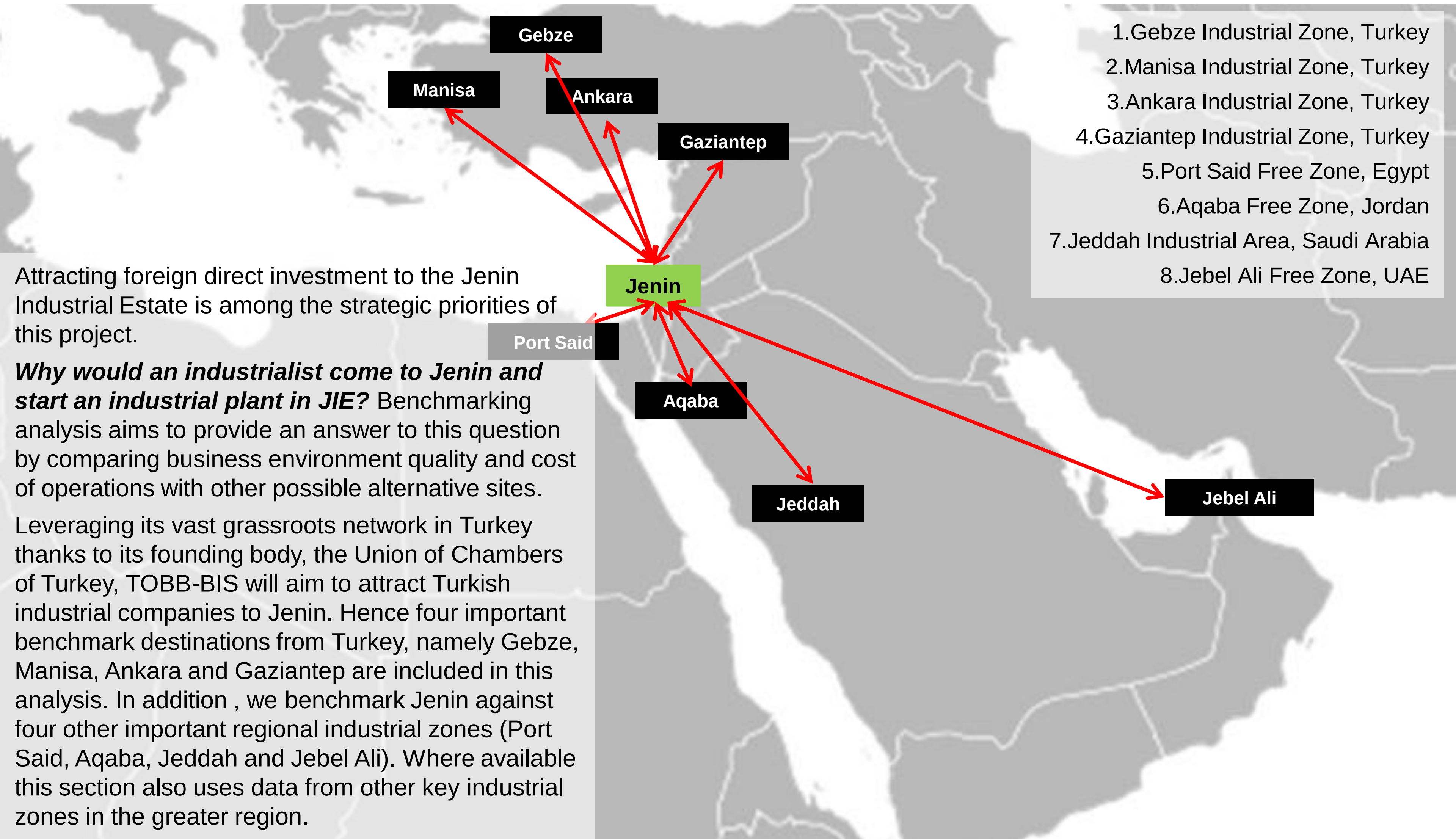


Shares of EU-27 & Other Countries in Palestinian Imports, 2010



Source: UN Comtrade

Jenin as a production center for the region?



1. Gebze Industrial Zone, Turkey
2. Manisa Industrial Zone, Turkey
3. Ankara Industrial Zone, Turkey
4. Gaziantep Industrial Zone, Turkey
5. Port Said Free Zone, Egypt
6. Aqaba Free Zone, Jordan
7. Jeddah Industrial Area, Saudi Arabia
8. Jebel Ali Free Zone, UAE

Attracting foreign direct investment to the Jenin Industrial Estate is among the strategic priorities of this project.

Why would an industrialist come to Jenin and start an industrial plant in JIE? Benchmarking analysis aims to provide an answer to this question by comparing business environment quality and cost of operations with other possible alternative sites.

Leveraging its vast grassroots network in Turkey thanks to its founding body, the Union of Chambers of Turkey, TOBB-BIS will aim to attract Turkish industrial companies to Jenin. Hence four important benchmark destinations from Turkey, namely Gebze, Manisa, Ankara and Gaziantep are included in this analysis. In addition , we benchmark Jenin against four other important regional industrial zones (Port Said, Aqaba, Jeddah and Jebel Ali). Where available this section also uses data from other key industrial zones in the greater region.

Key findings from benchmarking analysis

- **Trading across borders**
  - → Border-crossing and customs measures
  - → Obtaining Palestinian certificate of origin,
- **Energy**
  - → Electricity price in Palestine (17cent/kWh) is around 20 percent more expensive than the Turkish average (14cent) and most other benchmarked sites
  - → Industrial electricity price in Israel is only 9 cent/kWh (with 0 % tax)
- **Water**
  - → Level of water pressure is critical for attracting higher value added industries
- **Labor quality and wages**
  - → Targeted vocational training programs

Selected value chains / sectors

- **Palestine**

  - → **Textile and garments**
  - → **Food and beverages**
  - → **Building materials**

  - → ***Information and communication technologies***
  - → ***Tourism?***

Our main recommendations to enhance the feasibility of the GBB Initiative

1. Finding the right SMEs
2. Inviting complementary actors
3. Utilizing incentives and relevant support schemes
4. Ensuring coordination with ongoing bilateral internalization programs
5. Initiating policy dialogue at the value chain level

Recommendation #1: Finding the right SMEs

- **"There are no unproductive sectors but there are unproductive companies"**
- **Company selection directly affects feasibility**
- **Our suggestions for the company selection criteria:**

Not internationalized but ready to do so	**High growth performance**	**Proactive role in their value chains/clusters**	**Connectivity and operational capabilities**
"on the verge"	Appetite for additional markets	Appetite for networking	Human resources to operate in multi-country settings

Recommendation #2:
Inviting complementary actors

Introducing funds / <u>potential financial partners</u> for SMEs

- EU Private Equity Funds and Business Angels
- Angel Investors who are already/desire to be avctive in pilot countries

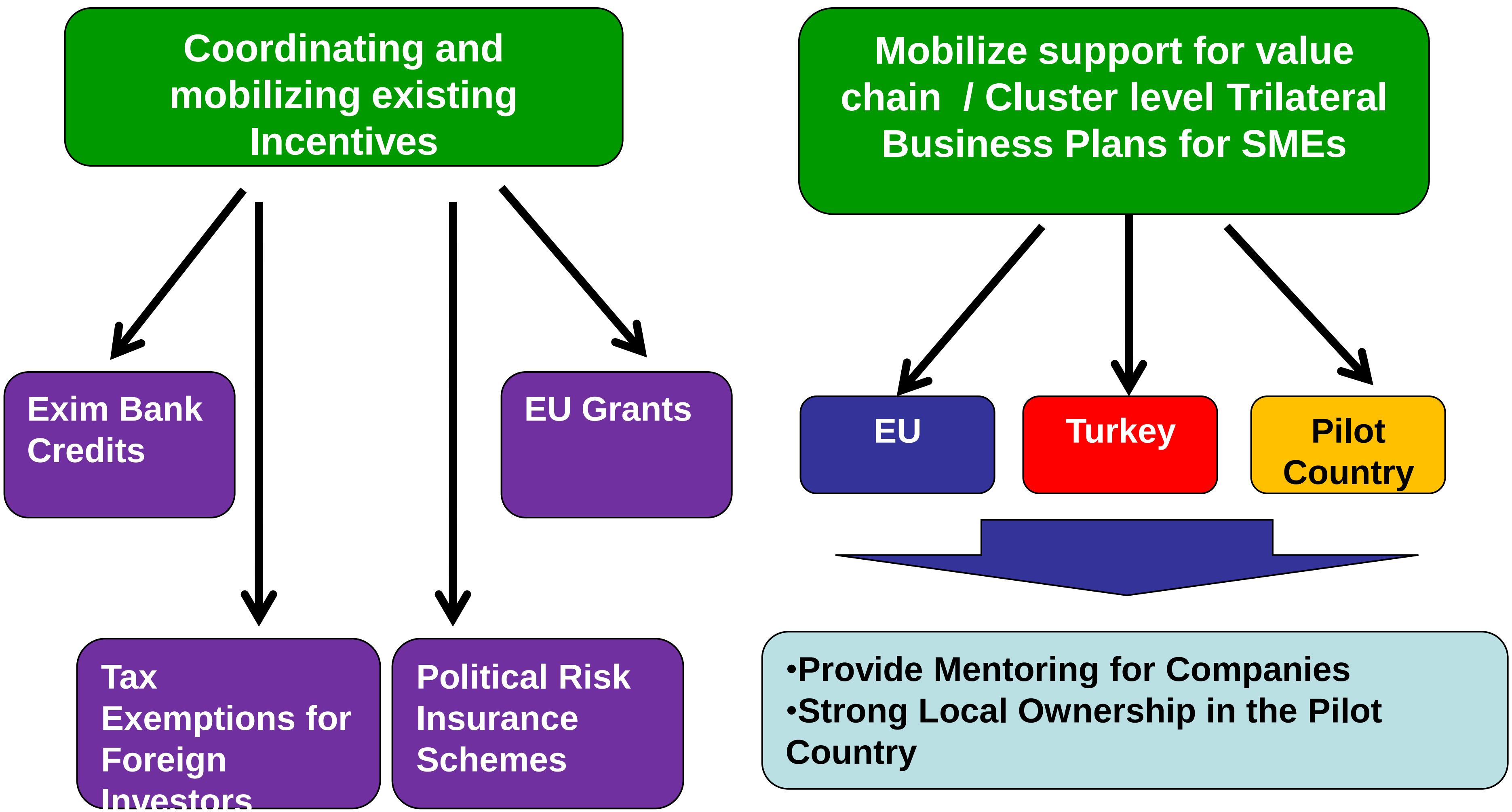
Inviting large companies/cluster leaders, <u>potential strategic partners</u> for SMEs

- Large Companies
- EU Multinationals active in Turkey and N. Africa

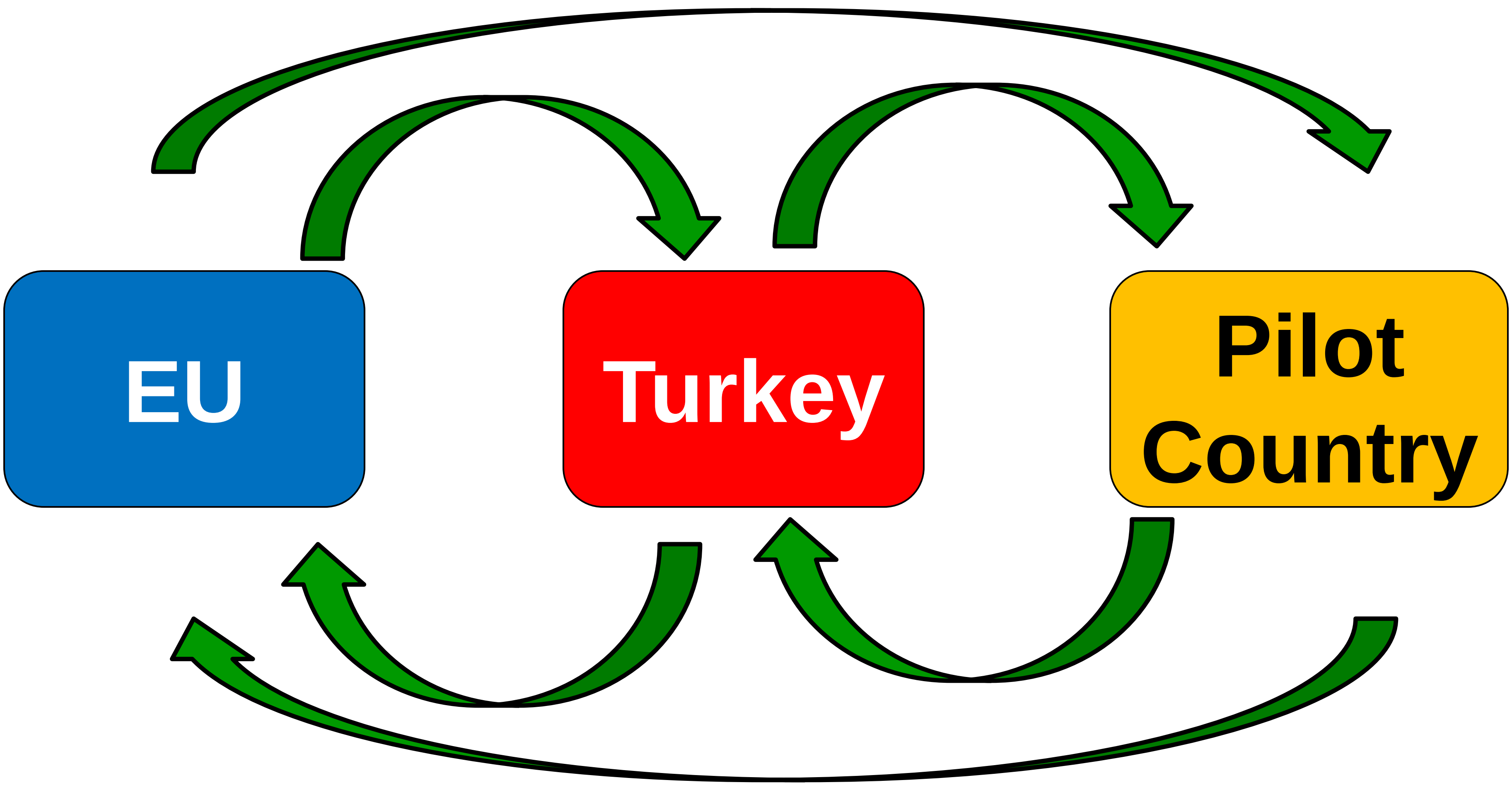
Mobilizing specific organizations, associations and institutions

- Sectoral associations
- Business support organizations
- Research Institutions that have the potential to continue and deepen the “Initiative” in the future

Recommendation #3:
Utilizing incentives and relevant support schemes



Recommendation #4: Ensuring coordination with ongoing bilateral internalization programs



Recommendation #5: Initiating policy dialogue at the value chain level regarding bottlenecks

Cluster initiatives → **Micro-Meso Level Initiative that could serve as a platform to discuss value chain bottlenecks by cluster actors**

Public – private dialogue → **Macro-Level Initiative that could serve as a platform to discuss policy related bottlenecks**

Concluding remarks

- The initiative is not only feasible at the political and macroeconomic level, but also at the micro level
  - → "Finally we have something new" "it is worth trying"
- Government initiatives supporting SME internationalization need to catch-up with twenty-first century production trends
  - → More inter-dependence, more sophistication, more networking
- GBB Initiative can be a viable asset for all three sides, if value chain approach can be mobilized
  - → Trilateral cluster support initiatives. Time is ripe.