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## The Implications of Globalization on Developing Regions: Denzly A Case From Turkey

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## **The Implications of Globalisation on Developing Regions- Denizli Case from Turkey**

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### **Introduction:**

The international economic system has undergone dramatic changes when the Cold War era, following the Second World War came to an end.

The formation of a global economy is one of the major structural trends of our epoch. It is an economy where capital flows, raw materials, labour markets, commodity markets, information management and organisation are internationalised and fully interdependent on global scale. On the other hand, technological changes have been important preconditions for urban change. Communication networks have led to intensification of worldwide relations, which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa. Today national economies have become increasingly integrated within a global system of production, distribution and exchange.

Globalisation profoundly affects the restructuring of the localities involved in the process. On the one hand, the metropolitan regions are internationalised as regards both capital and labour becoming world cities. On the other hand, the high competitiveness of a less urbanised locality due to availability of cheap labour and raw materials may place them into the context of global distribution through the use of developed communication system.

Thus, a new urban hierarchy is emerging, defined by their connections within the world capitalist economy. However, this process can be both problematic and stimulating to economic and social development of a region. It is important that both positive and negative contributions of globalisation be examined and debated especially in the case of developing regions.

### **Regional Planning in the Light of Globalisation:**

These new processes indicate what the new paradigms should be in the planning agenda. On the one hand, it can be argued that metropolitan planning will be of utmost importance to solve the problems of concentration in world cities. On the other hand, the realisation that regional economic growth models that emphasise regional growth poles or multiplier effects of economic development must be discarded, to lead to a new concept of regional planning.

Till the 1970's regional planning was defined as a science and a discipline to reflect development policies on to physical space, with the objective of settling regional disparities for balanced growth, improvement in quality of life and a rational use of land and resources.

Currently, regional planning within the framework of globalisation and loss of strictly defined boundaries has to change both in context and methodology. Presently it has become rather difficult to differentiate between urban/rural, metropolitan area/region and what these definitions entail.

The region whose conceptual boundaries could be easily drawn has been replaced by regions and localities that are only defined by strategies. These strategies on the other hand constitute the framework through within regions and localities endeavour to ensure a better status in the global economy.

Consequently the new objective in regional planning has become drawing up of regional strategies that ensure high learning capacity, flexibility in adopting to changing conditions, and aim at economic development paying due consideration to international competition as well as environmental quality, establishment of sound contacts with the external world and creation of a stable management system ensuring domestic development.

This paper aims to discuss the positive and negative effects of globalisation, through the case study of a town and region in Turkey. Denizli is a city of 270 000 population with an economic base in textiles. Cottage type industry has developed in 1980s to high-tech factory production as a result of international linkages established in the textile market. This phenomena in return has led to more specialisation in production, increase in investments

for current technology and technical manpower and communication networks concerning marketing.

Yet this economic dynamism has not been coupled by any substantial social development in Denizli nor caused any economic and social change in the surrounding centres in the province. On the contrary, the other sectors in Denizli have lost priority, relative importance and manpower to the expanding textile industry, which is in itself facing frequent instability periods and other perils caused by international forces.

However, in order to place the context correctly, we should primarily review briefly the economic development policies and regional planning strategies pursued in Turkey.

### **Economic Development of Turkey:**

The 19<sup>th</sup> century marks the integration process of the Anatolian Peninsula with the Western European industrial development. In order to transfer the natural resources of Anatolia, essential for the development of western countries, harbour towns such as İzmir and İstanbul were linked to their hinterlands by establishment of railways. Consequently the economy of many inland towns depending on traditional forms of production declined, while the western towns of the country developed.

By the end of World War I, the Ottoman Empire, being defeated, was occupied by the Allied Forces. Nevertheless, Mustafa Kemal, a general from the Ottoman Army, moved to Anatolia assembled the national forces, and started the Independence War. By 1923 the alien forces were defeated and the Turkish Republic was founded. Mustafa Kemal, later given the name Atatürk (meaning father of Turks) had, as his main objective, building of a modern, western-oriented nation. A series of reforms were introduced with special emphasis on education, secular administration and nationalism. Four major measures were taken to promote economic and cultural development:

- Creation of a new administrative and cultural centre in Ankara.
- Transformation of many provincial towns into modern cities by making them government and cultural centres for their respective hinterlands and by initiating extensive municipal building projects.
- Extending railways to these provincial towns to connect them with Ankara and the western coast.
- Establishing large State industries in many interior centres.

The main economic policy during this period was 'Etatism' defined as state participation in the country's economy in order to achieve prosperity quickly. Thus many state monopolies were created, and state factories built in Anatolia. From the outset, an important function of these enterprises was education and social development. Many were planned with the idea of regional development more in mind than immediate profit. They created job opportunities within several regions and large migration to urban centres was thus avoided.

The decade 1950-1960 saw three changes in Turkey, which influenced the character and location of development activity. First was the inauguration of a democratic government. The Democratic Party won the free elections in 1950. Emphasis on economic and political development changed from etatism to private enterprise and from a totalitarian government to a more democratic one.

Second was the emergence of Turkey as a full partner in the western military alliance. The Marshall Aid and implementation of the Truman Doctrine brought financial and technical assistance, which took on increasing momentum. The ease with which large sums were obtained from abroad allowed the government to further its broad scale development with relative little restraint.

Third was an internal population explosion that brought in the years a population increase equal to that occurring from 1927 to 1950. Rural to urban migration began on a large scale. Between 1946 and 1955, 40,000 tractors were introduced to plains of Anatolia, changing the total land tenure of the country and leading to the displacement of about 500,000 families.

Easy credits, tax exemptions and mechanisation in agriculture, installation of infrastructure, communication networks, renovation of major urban centres with easy access to luxury goods, state owned dispersed industrial development (their location being determined not by economic factors, but political ones) and dependence on foreign aid and loans were main features of the government policy. Yet the outcome of these programmes enacted to keep the peasants gainfully employed on the land actually backfired by facilitating the farm to city movement. Population increases between 1950-1960 in İstanbul, İzmir and Ankara were 48%, 65% and 125% respectively.

1960's found Turkey with an economic policy that can be labelled as import-subsidised industrialisation, which eventually led to partnership with the World Bank and IMF by 1980's. In 1980 Turkey had another economic upheaval. On January 24, 1980 a new set of economic policies were introduced which aimed at

- establishment of a liberal market more widely
- increase in export volume of Turkish products

This programme besides its short objective of decreasing the inflation rate had the long-term vision of replacing the import-subsidised industrialisation model by another that is open to international competition and internal development based on international capital attracted to Turkey by several new incentives.

This was an effort to keep in pace with the globalisation movement that was gaining momentum abroad and it is within this setting that Denizli among several other Anatolian towns has developed to be known as a member of the Anatolian Tigers- a term coined after the Asian Tigers.

What about the Turkish regional Development policies that were pursued at the same time?

### **Regional Planning History of Turkey:**

Regional planning in its classical definition did not start till the 1960's, which marks the start of planned period in Turkey. The new constitution dictated that Five Year Development Plans should be prepared to guide the social and economic development of the country and to set the general objectives and strategies for national and regional growth. Thus regional planning was officially introduced.

The First Five Year Plan (1963-67) puts emphasis on balanced urbanisation and interregional equilibrium. Within the framework of these guidelines two major policies were introduced in this period- namely the regional planning projects and growth poles policy.

The Second Five Year Development Plan (1968-72) shares the objectives and guidelines of the first one concerning regional growth. In addition it recognises urbanisation as a major indicator for development stating that modernisation in agriculture-industrialisation-urbanisation form a triangle.

During this period settlement problems grew more important due to the rapid increase of urban population and consequent demands for urban infrastructure, housing and services. Thus although the second plan foresees the continuation of the first plan objectives, it is

observed that there is a shift from preparation of comprehensive regional plans to emphasis of growth poles and metropolitan studies.

The dominant feature of the Third Five Year Plan (1973-77) is the emphasis laid on industrialisation. It is stated that 'the main and most important objective is industrialisation. Natural and human resources of the country are to be mobilised to achieve the goal of industrialisation'. Concerning regional growth it is stated that 'the objective of balanced development will not necessitate a drift from the principle of efficiency in industrial investments' and 'a balanced development will be realised over the country and relatively backward regions will be given priority in distribution of public services'. In a sense this statement indicates a preference for rapid industrialisation rather than a balanced growth all over the country. Specifically on backward regions the plan dictates that 'special programmes will be prepared for the industrialisation of backward regions, and package projects are to be used as a tool to achieve a balanced settlement structure'.

In accordance with the foregoing argument a new approach is adopted. Instead of a comprehensive approach to regional development priority areas were determined where specially prepared programmes were introduced.

During the Fourth Five Year Development Plan period, one cannot assert that any special effort was taken in total public investment in favour of backward regions. During this phase all development efforts were directed to South Eastern Anatolia within the framework of a new regional project, which was initiated in the area, first as a irrigation project, than developed into a full scale regional development project, comprising all economic, social and physical dimensions.

In the following plan periods regional planning shows the same limitations. Several incentives were offered to the private investors in priority development areas, which are designated annually, South Eastern Anatolia Project is the only regional project supported, and metropolitan areas gain importance in the planning agenda, as a consequence of their rapid thus problematic population increase due to rural migration.

The Seventh Five Year development Plan which is presently being followed accentuates sustainable development, globalisation, and the importance of world cities.

### **The Case of Denizli**

In this era of globalisation Turkish economy and the geography of industrial location also experienced several changes. Many enterprises in Turkish towns which till now have been unheard of in the industrialisation process, joined the list of largest firms, taking on the mission of developing their town and region. These enterprises the so-called Anatolian Tigers have emerged as users of local resources, local capital, but as users of most progressive technology and international marketing systems.

The change has been most dramatic. Statistics in 1980 indicate that 90% of the 500 largest industrial enterprises in Turkey were located in the five most developed provinces. By 1996 this ratio had dropped to 20% showing a locational shift in favour of Anatolian provinces, one of them being Denizli.

Denizli has traditionally been a textile centre. The cottage industry type production of woollen articles has been replaced by cotton textile factories. Industrial development started after the 1970's in Denizli.

In 1973 Denizli was proclaimed as one of the priority development areas, local industries receiving several state incentives in the form of tax exemptions and credits. This initiative provided the stimulus Denizli entrepreneurs were long waiting. The industrialisation process in Denizli started with transfer of second-hand machinery for textiles from the nearby town Bursa, where textile industry was replaced by the developing automotive sector.

Denizli manufacturers were not satisfied for long with the old technology and started investing in new machinery and equipment heavily. Findings from a research indicate that 72% of Denizli firms bought new equipments, while 46.8% invested in building new premises and 45% in partial replacement of their equipment. The textile industry in Denizli



grew very rapidly and replaced the metal industry which till now was the most important sector.

This growth is of course a direct consequence of the increased export demand for textiles, Denizli joined the international arena by bulk production of textiles for different trademarks and marketing through Internet.

Denizli indicates the following features:

- In 1950 the number of industrial enterprises employing more than 10 workers was only 3; by 1998 this number has reached 173 in Denizli city
- In 1996, 16 of the largest 500 Turkish firms were located in Denizli province
- 46% of total textile production of Turkey is based in Denizli province, this ratio rises to 80% when towel and bathrobe production is considered.
- 91% of the entrepreneurs are of Denizli origin, having always worked in textiles. Thus the traditional experience and know-how is being transferred through generations.
- Industrial development of Denizli has its roots in cottage type production, which developed into medium-sized factories when textile unions and cooperatives were formed. The last and current stage has been bulk production for export.
- 60% of Denizli textile export is towels and bathrobes.
- The countries which receive exports are:
  - Germany 37%
  - USA 70%
  - U.K. 11%

amounting to 400 million US\$ in 1996.

- 64.1% of the total employed in manufacturing sector works in the textile industry. Employment in metal industry follows by 18.1%.
- The share of the textile industry in the total added value is 37.6%..

- The European Union Communication Network has a branch office in Denizli concerning a pilot project aiming at cooperation among medium-sized industrial enterprises. Apart from this, several Denizli entrepreneurs have their home pages on the Internet.
- 80% of the industrial enterprises use computers, 19 firms have their home pages.
- Denizli industry is well organised having a Chamber of Industrialists and Commerce, several non-profit trusts and professional associations.
- Denizli city has a university comprising of 6 faculties with 37 departments and 3 research institutions
- Denizli City has touristical and recreational assets with archaeological sites and health spas.
- A business park is being built in Denizli city consisting of a congress hall, business centre, a hotel, a shopping plaza, cinemas and green areas

It is thus clear that Denizli has joined the global economy owing to its local potential and initiative, omitting the regional and national framework. This argument is well documented when we compare growth of Denizli city with that of other urban centres in the same province.

Findings indicate vast differences between Denizli and other sub-provinces concerning population, growth rates, and rate of urbanisation and employment structure as shown in the following table.

A nation-wide study undertaken by the State Planning Organisation concerning socio-economic development level of sub-provinces based on 32 parameters is also very

## Some figures about Denizli and its sub-provinces

	1.Pop	2.Pop. inc.	3.Industr. E.	4.Employers	5. Enterprises	6. No.of Bank	7. High Sch.	8. Development
1. Denizli	271 346	41,77	24,4	63	128	34	5,43	4.
2. Sarayköy	32 890	16,98	11,7	50,5	6	6	2,34	160.
3. Babadağ	9 531	29,61	64,2	30,8	-	2	1,72	184.
4. Akköy	16 235	68,04	4,5	45,8	-	0	3,20	206.
5. Buldan	25 554	7,12	16,3	19,4	4	3	2,22	232.
6. Bozkurt	10 331	2,34	12,9	25,7	1	2	3,10	242.
7. Serinhisar	23 560	39,05	14,2	17,8	-	3	2,26	258.
8. Çardak	11 818	-36,79	12,4	23,6	1	2	2,44	318.
9. Bekilli	12 637	-11,35	5,2	16,2	-	2	3,52	321.
10. Çivril	61 441	2,11	4,4	17,5	1	7	2,38	322.
11. Honaz	24 254	26,22	10,1	24,5	21	2	1,91	325.
12. Çal	39 260	20,60	6,5	18,7	2	3	3,12	335.
13. Tavas	65 136	22,68	13	16,1	2	6	2,47	365.
14. Güney	15 799	8,57	3,2	12,9	-	3	2,20	432.
15. Acıpayam	69 446	10,82	6,1	14,2	2	6	2,72	439.
16. Baklan	14568	47,56	3,8	16,7	-	1	2,05	453.
17. Kale	19 089	10,50	7,2	15,3	-	4	2,57	464.
18. Beyağaç	7 626	-6,12	5,3	16,3	-	1	2,55	578.
19. Çameli	20 379	-10,20	2,7	9,8	-	2	2,27	629.

List of indicators:

1. Population (1990)
2. Rate of population increase ‰ (1985-1990)
3. Ratio of employment in industry by economically active population ‰ (1990)
4. Ratio of paid employees by total employment ‰ (1990)
5. Number of manufacturing enterprises employing more than 10 workers (1992)
6. Number of bank branches (1993)
7. Ratio of high school graduates ‰ (1990)
8. Socio-economic development level among the 858 provincial district of Turkey

Source: Dinçer B., "Yılların Sosyo-ekonomik Gelişimlilik Sıralaması", 1996, DPT Ankara

illustrative. Denizli takes 4<sup>th</sup> place while the next sub-province attains only 160<sup>th</sup> place, showing a dramatic difference.

- Denizli city 1997 population is 233,651; the next largest town Acıpayam has only 16,495 inhabitants.
- Population increase was 41.58% for Denizli, and only 10.71% for Acıpayam between 1970-1997.
- This disparity is more pronounced concerning employment. 63% of the total industrial workers in the province is in Denizli city. Similarly 76% of the total industrial enterprises in the province is located in Denizli city. Consequently 52.95% of the gross national product is created in Denizli city.

These figures support the argument that Denizli city has grown without contributing to overall development of the province.

Yet the recent global crisis has affected Denizli as well and closure of many textile factories have been reported with stocks piling up due to decrease in exports. Thus the success of Denizli has been a short lived one, affected by any development in the international market.

The issue to be debated here is of course two-fold. How the growth of such centres as Denizli in the global network be sustained and contribute to the growth of its nearby region. The survival of Denizli industry is important for both improvement of quality of life in Denizli itself and in contributing to the regional and overall national development. In spite of all capital accumulation in Denizli, social life has not developed much and the quality of life certainly needs improvement.

### **Future Prospects and Solutions:**

Let us first consider what should be done for Denizli industry.

Denizli entrepreneurs should enlarge their networks and enter into more communication with fashion markets, international fair and exhibitions. These efforts should be simultaneously undertaken with technical improvements and training.

Denizli textile industry should aim at a change from bulk production for international market to creation of a certain trademark for Denizli. This change necessitates a close

monitoring of the international fashion scene. Besides bulk production Denizli can be a supplier for a special market with its high quality handicrafts, hand-made textile products.

It is one of the paradoxes of globalisation that the short-term measures on local industry takes to survive, actually diminishes the long-term development potential. In this way Denizli is losing its long-term craftsmanship and creative art production, because of bulk production. Denizli should also go into production of ready-wear to enlarge its field of operation. Local qualities and potential should be protected and developed. For instance original folkloric designs on different fabric types should be produced and refined for current public taste.

Image creation in the international arena should be the target, supported by advertising and marketing. Research institutions that are being established in the university of Denizli should link their studies to the firms while firms should increase the managerial and marketing skills of their staff through special training courses or undertake a total reorganisation process, to become partners in a regional communication network.

These efforts should of course be supported by the state in provision of incentives and credits for infrastructure, training and management. State support is essential to translate the individual success of Denizli from a short-lived local project into a regional development process. The region needs to be organised as a network incorporating institutions, trained personnel, progressive technology and proper management equally all over the region. Establishment of an information network among the main centres of the region is a basic essential. On the one hand it is necessary to establish an institutional structure that ensures constant flow of information into the region from the outside world, coordination between political management, knowledge producers and firms. On the other hand a new institutional structure should be attained to produce basic know-how locally and train the manpower to undertake this initiative.

Globalisation is not only limited to the market performances of the firms. Globalisation and decentralisation can also cause the basic features and potentials of the region to be reassessed and evaluated, shedding the many uncertainties leading to a national

reorganisation. Thus long-term economic policies should not only aim at lowering of the cost, but also improvement of human resources.

Human resource development projects establishment of local technoparks and regional research centres are some of the steps to be taken. Training should be designed to shift manpower to activities that use high technology and produce higher added value. In order to train manpower that can contribute to knowledge production as well as use this knowledge creatively it is essential that a new training model be developed, giving priority to vocational skill, adaptability and applied techniques besides theoretical knowledge.

Thus it is important that industry and university and vocational training institutions cooperate to furnish the manpower of the region with proper knowledge for future employment. This kind of partnership between industrial enterprises and the university for research purposes is also essential to reflect the benefits of technological progress into production. Thus creation of technology centres and business parks is one of the priorities for the region.

The region boasts with potentials for tourism developments and recreational activities, which can cater for improvement of quality of life. Hot water springs in Pamukkale, large forest areas, and national parks near Honaz offer many assets for tourism and recreational developments.

In summary it can be stated that presently neither economic assets nor tourism potential of the region is being properly handled. The economic activity brought to Denizli city by way of globalisation has neither brought an improvement in life quality of Denizli nor caused any economic dynamism in its nearby region. Yet with a radical change into formation of a regional network, better management, support for research and suitable training, rational planning of tourism assets, Denizli and nearby region can enjoy the benefits of globalisation.

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