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## Regional Integration in the Black Sea Region: the Case of Two Sisters, Istanbul and Odessa

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**46th European Regional Science Association Congress**  
**“Enlargement, Southern Europe and the Mediterranean”**  
**30th August, 3rd September, 2006, Volos, Greece**

**Regional Integration in the Black Sea Region: The Case of Two Sisters, Istanbul and Odessa**

**Erkut, G.\* And Baypinar, M.B.\*\***

The political change in the 1980's and 1990's in the Black Sea Region has introduced many questions regarding its future as the region faces massive problems like conflicts on territory, drop of production levels in the 1990's and related poverty, and last but not the least, environmental problems. The size of the region also blurs the picture. However, briefly there are three major influences that mark the future development of the region: globalization, regionalization and Euro-Asian integration.

We propose that under these three influences, a new global integration zone, consisting of multiple networks between cities of the Black Sea Region is emerging. Our proposition that a new global integration zone is emerging within the Black Sea Region depends on three assumptions: Our first assumption is that neo-liberal globalization and regionalization (and particularly Euro-Asian integration) lead to development of similar political changes in the region. Our second assumption is that neo-liberal globalization and regionalization lead to development of similar spatial socio-economic developments within the Black Sea Region which brings some cities to the fore to gain power in the national and global organization of production. Our third assumption is that there is increasing trans-national integration between subject cities.

Emergence of such a zone is perhaps most important for policy makers at the local level who have to face either positive or negative on-site effects of globalization and regionalization. Increasing socio-economic inequalities, excessive agglomeration of economic activities and population, diversification of population and increasing complexity of problems cripple traditional city management and planning practices in these countries which have a strong central planning and administration background.

Due to practical reasons, we limit our study to integration of two sub-national regions, the province of Istanbul, and the province of Odessa. Province of Istanbul may be recalled as Greater Istanbul, or Istanbul Metropolitan City since due to change in the administrative legislation at 2004. Province of Odessa includes the city of Odessa as well as other cities within the province.

We may conclude that there is progressive convergence in the political grounds between Turkey-Ukraine and Istanbul-Odessa, mainly in the framework of the global structures that are predominantly part of the Euro-Atlantic supra-structure. Though there is not much evidence of similarity in spatial development of Istanbul and Odessa, particularly due to political in clarity and problems of administrative decentralization in Ukraine, there is evidence of economic and social integration, between Turkey-Ukraine and Istanbul-Odessa, which experiences slow development, and negative side effects like informal activities.

As a conclusion we may argue that integration of two regions might heavily depend on the Ukrainian foreign and domestic policies, and the decisions of supra-national structures like the World Trade Organization and EU. We may expect a progress in economic integration by the removal of trade barriers, where Istanbul and Odessa would be direct beneficiaries as both production and transfer centres. Further administrative decentralization in Ukraine might lead to a re-population in Odessa Region, as happened in Istanbul after the 1980 period.

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## Introduction

This study questions the emergence of a global integration zone within the Western Black Sea Region, which might in future become a part of the polycentric European Urban System.

The fragmented geography and society of the Black Sea Region, has perhaps had one of its most important transition period during the last fifteen years. The borders were blurred again, long neglected neighbours started knocking at each other's door, and influences of globalization diffused quickly to the region.

The political change in the region since end of 1980'es has introduced many concerns about the future. Conflicts on territory, sharp drop of production levels in the 1990'es, poverty, international migration and environmental problems draw a complicated picture of the region. The vast size of the area and high level of historical connections to the whole Euro-Asian space makes it even a more complicated panorama. Yet, briefly there are three major influences that mark the future development of the region: globalization, regionalization and Euro-Asian integration.

By globalization we refer to neo-liberal globalization which is characterized by de-nationalization of economy, deregulations, decentralization of state authority, the re-organization of production and the transformation of the world cities into global cities, following **Teeple (2001)**, **Sassen (1991, 1994)**, **Hall (1999)** and others.

Regionalization could be interpreted as an outcome of globalization due to the need of a higher capacity management system at local levels, as management becomes more complicated and requires new abilities and skills as local systems integrate to the global system. Emergence of trans-national regional systems at the expense of national production systems promote a different logic that requires inter-regional relations and network-type organizations that overwhelm national boundaries (**Cappellin, 1993**, **Herschell and Newman, 2002**).

Euro-Asian integration is the most solid and well defined influence on our study area. First of all, it could be viewed as a result of the first two influences, globalization and regionalization. Second, it contains long term policy targets that have significant influences on the transition of the Black Sea Region. We pay particular attention to European Spatial Development Perspective (**ESDP, 1999**), European Cohesion Policy for 2007-2013 (**CEC, 2005**), and scenarios that rely on the development of a polycentric urban system within the European space (**Mehlbye, 2000**, **Waterhout, 2002**).

Thus, we have three influences that reshape grounds for policy at the supra-national, national and sub-national regional levels within the Black Sea Region, that is important for our study.

We propose that a global integration zone is emerging, consisting of multiple networks between cities of the Black Sea Region. Our proposition depends on three assumptions: first, neo-liberal globalization and regionalization (and particularly Euro-Asian integration) lead to the development of similar political changes within the region. Second, these influences also lead to similar spatial socio-economic developments within the Black Sea Region, promoting some of the cities to a better position in the global and national system of cities. Our third assumption is that there should be increasing trans-national integration between cities of the Black Sea Region. These cities attract significant amounts of FDI from neighbouring countries as well as from developed countries and establish multiple links with other cities within the trans-national region, as globalization, regionalization and Euro-Asian integration implies.

The emergence of such a global integration zone is particularly important for a number of reasons. First of all, it alters the problem of handling the Euro-Asian integration in the longer run. It might decrease risks related to stability in the region, and foster economic development to decrease regional inequalities at the continental scale. However, it also introduces problems that work counter wise, as illegal immigration continues, regional inequalities at the national scale strengthens as well as social segregation increases. Over agglomeration of economic activities and related environmental problems also pose a challenge.

Another reason is that policy makers at the local levels have still little knowledge on the influences of globalization and regionalization. Though trans-national relations within the Black Sea Region has particular effects on the development of metropolitan areas, there has been little interest to understand the long term trends in the region. The countries of the region have long had traditional centralized planning systems, which is changing recently. These systems have introduced other problems in management of the city and crippled strategy development and implementation at the local level. As an instance, Istanbul has missed an important opportunity in the 1990'es due to the lack of a strategic approach that would help the city benefit the change within the region. The inferiority of such planning systems in Istanbul have also been proved even before 1980'es (**Geniş, 2004, Keyder and Öncü, 1993**). Thus, today it is of critical importance to understand trends at global, trans-national regional and subnational levels for local governments to be successful.

The study area we focus on imposes particular difficulties due to vast size of the region, lack of data especially at the inter-city relations or micro-economic actors. Complexity of the relationships also impose limitations to the study. Current changes in the legislative and administrative systems of the subject countries and cities also limit the scope of our study. Thus, we limit our study with descriptive statistics and policy evaluation. We take province of Istanbul and Odessa oblast as relevant regions, though there are some basic differences within the comparison. However, sister-city agreements at different levels increase the consistency of this type of definition of regions. Recent administrative changes in Istanbul also makes it a meaningful comparison.

As a first step, we draw a brief historical perspective of regional integration and disintegration within the Black Sea Region (**King, 2004, Ascherson, 1996**). Second, we try to evaluate the processes of globalization and regionalization and expected outcomes for local systems within the Black Sea Region following **Fukuyama (2004, Stiglitz (2002) , and Sassen (2001,2000,1994)**. Third, we try to evaluate the relationship between Istanbul (Turkey) and Odessa (Ukraine) providing supra-national and national level political, economic and cultural grounds for establishing horizontal relationships at the local levels.

Following the results, we may claim that a new global integration zone is emerging as the relationship between two cities is flourishing based on supra-national level political backgrounds. However, the pace of integration is slow, due to a variety of obstacles such as the ongoing transformation process. As a conclusion, we try to provide future prospects for a sustainable development of the Black Sea Region in the context of Euro-Asian integration. We believe that the quality of the current integration deserves further research to provide intelligence for strategic planning works of the cities in the Black Sea Region.

### **1. The initial integration and disintegration within the Black Sea Region**

Following **Amin and Thrift, (2002)**, we provide a short history of regional integration within the Black Sea Region, to understand the development of both cities reading the imprints of the past footsteps. Though the history of interregional trade dates back to ancient Greeks, it is possible to say that highest level of regional integration in the Black Sea Region was first

achieved after the 15th century, which also had a high level of integration with the Mediterranean space, due to Ottoman Empire's expansion and the conquest of the critical city of then Constantinople at 1453. By the 16th century, Black Sea was wholly integrated due to the expansion of the empire (**King, 2004**). In this period, Istanbul was the largest city in the world (**Mumford, 1961**), as it was both the administrative, economic and cultural capital of the vast region that covered a third of the Mediterranean and the whole Black Sea Region. However, development of a rival city, St. Petersburg, and the expansion of Russian Empire changed the picture by the 17th and 18th centuries. Istanbul, suffering from the overall underdevelopment of the Ottoman Empire and loss of land lost its importance during these centuries. New ports like Constanza and Odessa became rivals for the city. At the 19th century, Istanbul was rivalled by Odessa (**Ascherson, 1996, King, 2004**). This was a period of continuing disintegration within the empire, and loss of Egypt also further fuelled the disintegration process between Mediterranean and Black Sea regions. Thus, Istanbul's relative position marginalized while a bunch of world cities elsewhere in the world increasingly integrated within the new larger global space.

Meanwhile Odessa was flourishing. Established at 1794 at Khadzibei (Hacıbey), Odessa became a free trade area during 1819 and 1858. Following conflicts between Europe, Russia and Ottoman Empire, new trade arrangements were made and a re-integration to European economy started. Both at Odessa and at Edirne – Dedeğaç (Alexandroupolis) railways were built to enable transfer of grains and oil to Europe. At 1894 Odessa became the 4th largest city of the Russian Empire, after St. Petersburg, Moscow and Varsaw (**ABD and AUB, 2005**). Both Istanbul and Odessa became interlinked with international passenger ferries and attracted European businessmen and tourists for another 20 year. Thus, we may interpret this era as an initial integration era with the European space in the industrial age.

The conflicts and wars at the beginning of the 20th century and establishment of the Soviet Union have once again fragmented the Black Sea Region, that established a larger system from Eastern Europe to Asia. Moscow became the major dominant city within this system. Establishment of Republic of Turkey and promotion of Ankara as the capital at 1924 has put Istanbul into an even marginal position, ending its primacy in the Black Sea Region that lasted for 16 hundred years (**Keyder and Öncü, 1924**). After the World War II, Black Sea was not a region but rather a border, especially between the Euro-Atlantic Block and the Iron curtain.

During the post World War II period and until recently, Istanbul did not attract the attention of scholars that focused either in the European city systems or global or world cities. It has not also been much of interest within studies related to third world or underdeveloped countries, probably because problems that cities like Sao Paulo, Mexico City or Calcutta were huge related to those in Istanbul.

Istanbul, under conditions of an import substitution policy, remained as a national primary city until the political changes of 1980. Turkey's policy change in favor of international trade, export oriented industrialization and liberalization has opened Istanbul once again to the influences of world system. Short after, the dissolution of the Soviet Union and political change within the the Eastern block introduced a new era of disintegration and re-integration process in the Black Sea Region, under the influences of neo-liberal globalization.

## 2. Globalization and Re-integration within the Black Sea Region

### 2.1. Globalization and regionalization

The rise of international trade after 1970's, opening up of national economies to international trade, emergence of a post-fordist production, increasing flows of capital, information, goods, energy and people through technological innovations are the ingredients of globalisation. According to **Thomas (1997)**, "*globalisation refers broadly to the process whereby power is located in global social formations and expressed through global networks rather than through territorially-based states*". According to **Teeple, (2000)**, "*Globalization can be defined as the unfolding resolution of the contradiction between ever expanding capital and its national political and social formations*".

**Teeple, (2000)**, argues that some sceptics about globalisation ask what the difference of globalisation is while such transactions merely return to the rates of the late nineteenth century. However, there are fundamental changes in the mode of production, change in the capital ownership and the speed of such transactions. While until 1970's much of the capital accumulated in the international trade was originally national, after 1980 a trans-national capital ownership has emerged. Another shift is also fundamental to globalisation, that is the rise of advanced services, which enable such transactions, enhance highly complex research and development projects and competitiveness. A consequent effect of this change is the shift of power from the traditional middle class of the nation-state that is formed by national firm's labourer to the new middle class of the trans-national capital's information worker. As firms in these sectors do, this new class concentrates in only a few locations, where global cities emerge.

**Ryner (2002)** concludes that globalisation project aims to deepen and extend commodification of social life and to universalise a form of social integration that is based on the logic of self-regulating markets. He argues that though strong forces are working for the formation of such markets, its institutional stability is not yet assured.

The discontents about neo-liberal globalization prevails especially from these self-regulating market logic. It has been understood that as centrally planned national economies transform into self-regulating open markets, and as government power is reduced, local economies become more exposed to external shocks. The collapse of Third World Countries' economies at the end of the 1970's and the beginning of 1980's due to high public deficits has provided the reason for the establishment of the 'Washington Consensus', which aimed at shrinking the size and role of developing countries' nation state, through de-regulations and financial liberation, and strengthening the state in other fields. Unfortunately the result was further shrinking of the state, and losing capacity that was crucial for managing global shocks (**Fukuyama, 2004**). That is where discontents on globalization and particularly Washington Consensus arouse among people, as well as politicians, intellectuals, and even academicians like **Stiglitz (2002)**.

Regionalization has emerged at the post 1980 period. Increasing Asian competition, development of flexible production systems and the removal of borders have all necessitated to form regional production systems, that took place on a trans-national space. Trans-national regions did not constitute of rigid geographic borders, but for any production system they could be re-defined flexibly. We may conclude that part of the rise of the trans-national regions depends on the concepts in **Porter's (1990)** book 'Competitive Advantage of Nations' where he argues firms do not achieve a competitive status only with their internal capabilities, but the conditions and the possibilities provided by the country where they are located in help in enhancing its competitiveness. In an age where national economies fragmented and the importance of regional production systems were understood in Europe even in the 1980's,

the repercussions of this approach were ‘Regional Competition’ (**Cappellin 1993**), and to an extent, ‘Competition of Cities’, as proposed in the study of **Lever (1999)**. Thus, the need for developing competitive advantage at the regional and the city level was well understood in the 1990’s, especially in Europe which suffered seriously from the competitive Eastern Asian- particularly Japanese- and USA economies.

We may view European Union as a wide scale capacity building project at the supra-national level, which eventually depends on the establishment of supra-national, national and trans-national regional structures that enhance competitive advantages of the continent, to fill in the gaps that arouse from de-nationalization and de-regulations. Interregional co-operation enables establishment of flexible relationships between these regions that give rise to trans-national regions as means of spatial production units. That is why Europe is now considered as ‘Europe of Regions’, which implies that European Union’s existence depends on highly competitive regional systems which are formed by networks between cities that are interconnected with multiple linkages (**Herrschel and Newman, 2002**).

Thus, European Union’s approach on regions and cities, and thus its capacity concerns on local governance have also strong implications for the countries of the Black Sea Region, which promote Euro-Atlantic policies for almost a decade and a half (except Turkey which has been involved within the system early in the post WWII period).

1990’s started with the collapse of socialist production systems in the Euro-Asian geography. Sharp losses of production, increased poverty, illegal activities, out migration and conflicts sparkled in the Balkans, the Black Sea Region, the Caucasus and the Middle Asia. Together with the collapse of national production systems, institutional capabilities of governments were also crippled through rapid transition to market economies. While some of the Central and Eastern European countries could integrate to European economy, in the Balkans and the Black Sea Region still there are a variety of problems on going.

Turkey itself particularly experienced institutional capacity problems even before 1980’s in dealing with local problems like excessive migration and illegal housing. Post 1980 period did enhance the metropolitanisation and polarization processes within the country. Financial de-regulations, privatizations and shrinking of the state did not prevent public deficits or global shocks, while they fragmented the national production system to reconnect to world economy. Turkey experienced bitter economic shocks during the post 1990 period, which went hand in hand with increasing concentration of poverty in the metropolitan cities. Istanbul was where income inequalities sharply rose and socio-economic problems continued to grow as the city’s economy expanded under neo-liberal policies (**Geniş, 2004, Güvenç, 2000**). Decentralization of governance to the local level could not itself alone solve most of the problems as expected (**Keyder and Öncü, 1993**). The need for a better and higher management capacity at the local level prevailed.

## **2.2. Expected outcomes of globalization and regionalization within the black sea region**

At once, the problems in the Black Sea Region to integrate to contemporary global system seems to rise basically on supra-national and national level problems. However, there is a need to focus also on relationships at trans-national regional levels to understand the trends within the region. Development of city-regions, polycentric city systems and the transformation of cities themselves provide the basis for our interest : the emergence of a new global integration zone within the Black Sea Region.

## **The Transformation of World Cities into Global Cities**

Globalization is generally discussed in two different literature groups. “International Relations Theory” focuses on the development of the state-nation, where **Wallerstein (1995)** addresses that the best unit of analysis for social developments is the world system as a whole.

Another approach which derives from the first two is the ‘Global City Thesis’, capturing other aspects of globalization that are hard to examine within the limits of the nation-state concept. **Friedman (1986)** recalls that the “World City Thesis” is relevant with the new international spatial division of labour that is an outcome of the ‘trans-nationalization of the firm’ as the basic production unit. **Sassen (2001)** provides “The Global City Thesis”, depending on research on the new international spatial division of labour between cities of the world, as part of the neo-liberal economic system of the post-1980 period. She takes the neo-liberal globalization process as the key influence in the transformation of world cities into global cities, and we may conclude that doing so **Sassen** follows an approach parallel to **Wallerstein** where the whole global system is taken as the main unit of analysis on the background. **Sassen (2001)** also provides the intra-city division of labour, which is relevant to the network society of **Castells’ (1996)**.

According to **Sassen (2001)** these global cities have become

- A home for agglomerations where most of the administrative functions are concentrated in
- Principle bases for financial and other advanced services which replaced the leader sector of the previous period, the manufacturing industries,
- Centres of innovation in these new dominant economic sectors,
- Major markets where the innovative products of both financial and other services and manufacturing industries.

**Sassen, (2001)** provides us seven hypothesis of a Global City theory :

First, while economic sectors that mark globalisation are decentralised geographically, they are strongly integrated through telecommunication and high technology transportation systems. Second, central functions of headquarters such as management, coordination, servicing, financing, marketing and technology development become so complicated that many of these functions are outsourced by these sectors. These firms buy their services from highly specialised firms. Third, these specialised service firms are subject to agglomeration economies and they settle in the metropolitan centres to provide their complex and information intensive services. Global cities are the production sites for these kind of high value services. Fourth, as the headquarters of leading economic sectors outsource their activities, they increase their mobility throughout the world and expand their activities to other locations elsewhere in the world. Fifth, specialised service firms follow their customers to provide cross-border and city to city transactions through their specialised networks. Where these services settle, the city becomes more and more interconnected to these webs. Sixth, a growing number of information and related workers concentrate in these cities to form the new middle class, which has a higher income level than the traditional middle class composed of industrial workers. That is why intra-city income disparities also do increase in time. Seventh, some sectors become subject to informalization as they can not compete with the high rank services or headquarters within the urban space but still their net effective demand is located within the city. Informalizing some or all of production and even service activities let them survive under these circumstances.



We may assume that **Sassen's** hypothesis provide a framework for the transition of national economies and world cities within the Black Sea Region, to constitute a global integration zone. But we need some modifications as Sassen's global city analysis usually refers to cities that have a global hinterland, and are cities of already established large economic systems. For our case it is a region in transition, the geography is still fragmented and the hinterland of the cities in this region are changing.

**Herrschel and Newman, (2002)** emphasises this issue by reminding that identifying cities only with their roles in the command of the global economy may overplay their functional roles at the expense of their historical and cultural roles that shape them. Thus we have to extend the global city concept to the global city-region, to identify the unit of analysis by both global functions, and to employ cultural and historical roles, as well as local institutional structure that shape the city-region by both national and extra-national influences.

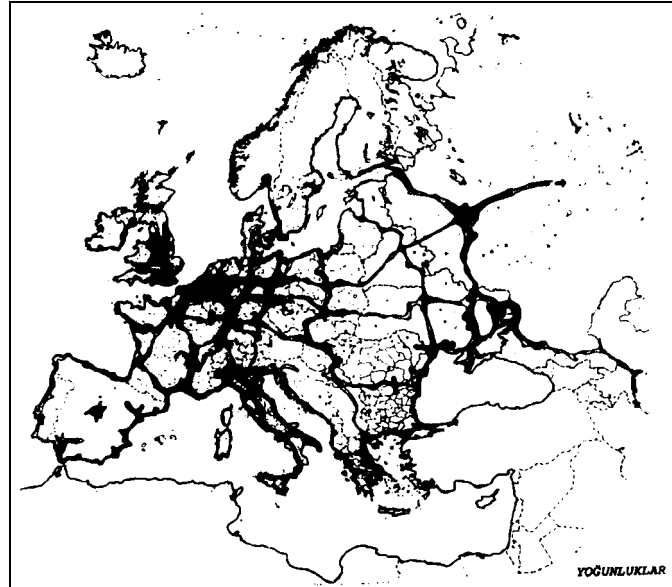
We may thus apply this global city-region concept to our case, where these global city-regions develop networks among each other to establish a global integration zone.

### **Future of Europe and the Black Sea Region**

Black Sea Region is at the moment rather a frontier for the European Union. Whether it will be an integrated part of Europe like the Baltic Sea Region or the Danube Basin is still a question (**Drevet, 2002**). Thus the emergence of a global integration zone in the Black Sea Region is an important issue related to the future structure of the European Union.

Some opinions and scenarios in the future spatial development of Europe provides a valuable insight to our proposition of the emergence of a new global integration zone within the Black Sea Region. European spatial development and integration has been a concern since 1960'es, (e.g. **Doxiadis, 1969**), but the approaches to spatial development has diversified in the 1990'es and 2000's due to the expansion of European structures to east and increasing need for tighter relations within the Euro-Asian region.

**Figure.1 Doxiadis' Europe at 2060**



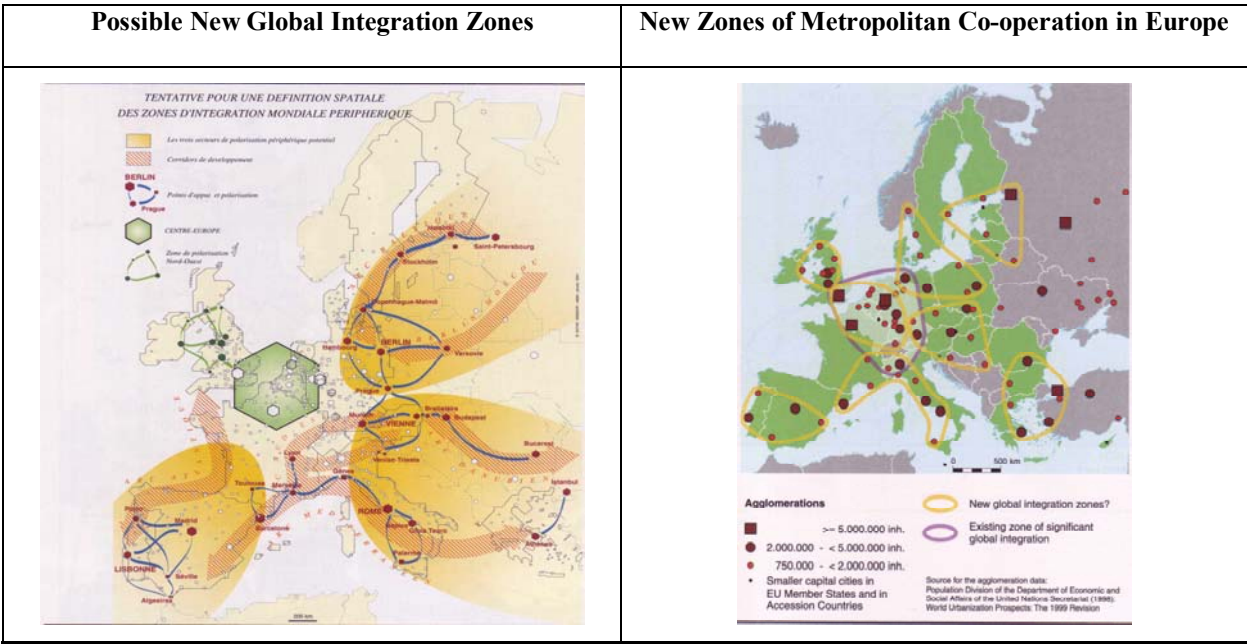
Source: (Doxiadis, 1969, *An Introduction to the Science of Human Settlements, Ekistics*, Vol. 29, n.175, S.383), Adopted from Göçer (1977).

In some recent scenarios, the agglomeration of economic sectors of the new economy within a strong core in the north-western Europe is the main focus. Before, this region was named as the Blue Banana, that extended through Milan. But the growth of Berlin and the strong

structure of the core including cities like London, Paris, Amsterdam, Brussels and Hannover caused a change in the views, which is today referred to as a “Pentagon” (Wannop, 1995, French Presidency 2000). These approaches share the opinion that development would radiate through Europe through transportation corridors. Another example for such an approach is that “Red Octopus Scenario” of van der Meer (1999).

There is an opposition to such approaches as there are huge imbalances in terms of regional development within Europe. A counter opinion offers a network development, which has a poly-centric structure and drives its force from local co-operation and integration within sub-continental trans-national regions. The common logic is that it is possible to make a better use of local resources, knowledge and potential, and mobilize resources, and regions may “learn” to compete by doing. Diversity of economic activity across these regions is a key component as it provides a shelter for common economic shocks and puts less pressure on environment (Mehlbye, 2000) .

Figure.2 Two Approaches



Source: French Presidency (2000)<sup>1</sup> ve Guigou (2002)<sup>2</sup> within Waterhout (2002)

Source: Mehlbye (2000) within Waterhout (2002)

We see that two approaches differ significantly from each other, when it comes to discussing role of Istanbul within the future of Europe, and its own surrounding territory in the Black Sea Region. The mono-centric approach promotes the development of a channel (an urban corridor) through Istanbul. From the perspective of Istanbul, this view does not represent the actual development within the region, as it does not consider historical socio-economic ties within the region, and does not take current local co-operations into account. The polycentric approach is both more suitable to reflect the present conditions in local co-operation, and is more desirable for decreasing regional disparities within the European space (Waterhout, 2002).

<sup>1</sup> French Presidency, 2000, Contribution to the Debate on the Long Term ESDP Polycentric Vision of Europe. Elaboration of a Long-Term Polycentric Vision of the European Space. Final Report, Vol.2. Paris: DATAR , Fransa

<sup>2</sup> Guigou, J-L, ed.2002., Aménager la France de 2020: Nouvelle Edition Revue et Augmentée. Paris: DATAR, Fransa

**Mehlbye's (2000)** new possible global integration zones approach provides us a look at the polycentric development which draws a realistic framework for Istanbul. Istanbul is considered as a possible gateway to global economies and functions together with important centres like Athens, Thessaloniki, Sofia, Bucharest, Izmir and Bursa in this scenario. Odessa is shown as a national centre, which does not belong to any new global connections.

### **Emergence of a New Global Integration Zone in the Black Sea Region?**

With this perspective, we propose that a new global integration zone might be emerging in the Black Sea Region as part of European system, due to influences of globalization and regionalization, and particularly due to Euro-Atlantic policies.

An analysis on the formation of a new global integration zone should first of all take into account similar economic-spatial developments that are typical, like concentration of producer services and FDI. Second, due to complexity of this huge system of city-regions and difficulties in collection of data in the Black Sea Region, we have to narrow down our case to a particular relationship between two important city-regions with good access to international markets, like the port city Istanbul from Turkey and the port city Odessa from Ukraine. Third, we have to focus rather on the quality of the integration between these city-regions, like the variety of relationships and if they are mutual relationships rather than only single-sided transactions. This implies us to examine different issues that are proposed by **Cappellin (1993)** as essential to regional integration, that it requires a common historical background, mutual trust, mutual targets, common institutional backgrounds, multiple forward and backward linkages that create internal flows above the average.

Therefore we make three assumptions:

- First, there must be similar political backgrounds for the emergence of such a global integration zone. Under influences of globalization, regionalization and Euro-Atlantic structures, we assume that similar political re-structuring processes are developing within the Black Sea Region. This implies establishment of trans-national co-operations at the local government level, additionally to those at the national level. Hence we expect that co-operations at multiple levels should be established.
- Second, we assume that similar spatial socio-economic developments are occurring in the city-regions within the Black Sea Region. Here we try to find evidence of over-concentration of economic activities, especially producer services and foreign direct investments in these city-regions, with respect to their national economic system. We use results of other research studies in evaluating the process of this transformation, but we try to follow the approach by **Sassen (2001,2000,1994)**. We also try to evaluate the position of city-regions of the Black Sea Region in the global system of cities, following research held by those like **Taylor and others, (2002 a, 2002b)**, and **Derruder and others (2003a, 2003b)**, which basically provide parallel patterns with the approach of **Sassen (2001)**.
- Third, we assume that there is increasing trans-national integration between the city-regions within the Black Sea Region through mutual investments and multiple channels established at the inter-urban and regional level in the Black Sea Region. We try to use descriptive statistics and evaluate policy statements by top level officials or investors in the region, to analyze the pace of trans-national integration.

Due to complexity of the research, we narrow down our study into the specific case of the provinces of Istanbul and Odessa. One reason for focusing on the province rather than the

core cities is the city-region structure of these provinces, where decentralisation of central governance creates a local governance system which may be best captured at the province level. In the next section we try to find evidence to support our assumptions and our thesis that a new global integration zone is emerging within the Black Sea Region.

### **3. The Case of Istanbul and Odessa**

The fluency of Turkey's membership to EU and the future of Ukraine makes it particularly an interesting case to study the relationships and the relative position of two sister cities within the global urban system. Istanbul and Odessa can be considered as the most important transportation nodes in the Black Sea Region.

Now we discuss about our assumptions. Our first assumption is that there are similar political developments that form the basis of a successful regional integration. The quality of this regional integration requires to be coherent with current influences of neo-liberal globalization and regionalization, regarding our proposition on the emergence of a global integration zone.

#### **3.1. Political Background**

A political background that would enable a successful trans-national regional system requires policy convergence at three levels between two countries:

##### **a) Convergence in international politics**

Emergence of a global integration zone, first of all, requires the existence of a common long term interest at the national level. A common political agenda opens up channels for further integration and either relaxes or eliminates borders. Production, distribution and consumption systems become integrated with the elimination of borders. In the context of neo-liberal globalization, this implies further integration to the global systems at the longer run. We may assume that a common economic policy (for mutual benefits) and a common security approach (for mutual trust) provide the basis of convergence in international politics which lead to the emergence of a global integration zone between subject countries.

Turkey and Ukraine's relationships have been evolving since the very beginning of the political change in Ukraine at 1991. Turkey was among the first countries to recognize Ukraine's independence, and relationships flourished quickly parallel to policies of supra-national structures like the United Nations, the EU, NATO and World Trade Organization. Ukraine and Turkey both aimed at membership to the European Union.

Today there are over 70 agreements between Ukraine and Turkey, but the basic agreement is the Treaty of Friendship and Cooperation Between Turkey and Ukraine signed at 4<sup>th</sup> May, 1992 (**Ukrainian Embassy, at Ankara, 2003**).

The establishment of the Black Sea Economic Co-operation at 25<sup>th</sup> June 1992 has further enhanced the relationships between two countries. The Black Sea Economic Co-operation Organization is based on the principles laid down in the Helsinki Final Act, Conference on Security and Cooperation in Europe (CSCE) documents and the principles of the Paris Charter for a New Europe. The goals and principles in the Summit Declaration of the Black Sea Economic Co-operation are in conformity with the provisions of the United Nations Charter. The BSEC Organization also co-operates with the United Nations Economic Commission for Europe (UNECE).

Considering the will to support each others integration to Euro-Atlantic structures, the below table helps us to draw a picture about the current situation.

**Table.1 Turkey and Ukraine – Common Grounds**

	Turkey	Ukraine
Association Agreement with the EEC	12 September 1963	-
Additional Protocol to Association Agreement with the EEC	27 Nov.1970	-
Customs Union	6th March 1995	-
Membership to CE	9 August 1949	9.11.1995 / 16th September 2002 as a special guest of Parliamentary Assembly of the EC
Application for Accession to EU	14th April 1987	
Partnership with EU	-	14 <sup>th</sup> June, 1994.
Membership to BSEC	1993	1993
Membership to OECD	14th of Dec. 1960	(Not a member but has contact)
Membership to NATO	1952	Ongoing membership dialogues
Membership to UN	24 Oct. 1945	24 Oct. 1945
Membership to WTO	26th March 1995	applicant

As given in the table above, Ukraine is not a member of the OECD. But Ukraine participates in the Network of Co-operation between Investment Promotion Agencies established by the OECD Istanbul Centre in 1996. The network allows Ukrainian officials to regularly consult their peers on policy promotional techniques and other matters and aims to improve experience of Ukraine in investment promotion (**Peitsch, 1997**).

Though Turkey implements the rules of Customs Union, Ukraine currently enjoys most favoured-nation status with the European Union for export operations, and is not required to bind its own tariffs. Thus there are both similarities and differences, or in other words, either convergence and divergence in the international policies of Turkey and Ukraine where the former prevails because Ukraine's relationship with the EU, NATO and WTO is usually blurred with its other relationships in the region (**Woronowycz, 2004**). This fluency in the international policy of Ukraine is not surprising concerning public opinions of Ukrainians.

We see that in the Western and South-Western Regions (where Odessa is), there is more inclination to membership of Western institutes or national independency while on the east and southeast there is more inclination to strengthening of other bodies like a union between Russia-Belarussia and Ukraine (**Centre for Peace, Conversion and Foreign Policy of Ukraine 2000**). **Molchanov (2004)** and **Woronowycz (2004)** argues that more tangible steps have to be taken by Ukraine to demonstrate its will to join to the EU, which are especially associated with the Copenhagen Criteria, a concern of Turkey as well.

For our interest, perhaps the most important indicator of future convergence in international politics is the adoption of the EU-Ukraine Action Plan by 21<sup>st</sup> Feb. 2005, with priorities of cross-border and trans-national co-operation and development of the free market economy. For the coming decade, Turkey's 9<sup>th</sup> National Plan of 2007-2013 and Ukraine's Economic and Social Development Strategy for 2002-2011 together with the EU-Ukraine Action plan will be key elements in the development of trans-national co-operation which would strengthen the convergence of international policy of both countries.

## Spatial Integration

Spatial integration is a key element for the realization of re-integration in the Euro-Asian space. The development of transportation, energy and communication corridors provides the basis of development within this space, where Euro-Atlantic structures and especially European Union is dependent to energy resources in Middle Asia. Spatial integration and development does not only enable the flow of goods, information and energy, but it is thought to support the economic development of the less developed Middle Asian and some Black Sea countries, to increase stability in the longer run. Thus our proposition of an emerging global integration zone depends very much on the physical infrastructure and spatial integration.

The initial project of transportation important for the region was the North-South Trans-European Motorway Network (TEM), which started at 1977 under coordination of United Nations Economic Commission for Europe (UNECE). Though Ukraine did not take place in TEM at that time, Turkey's accession to the region is highly improved through road corridors in Bulgaria and Romania.

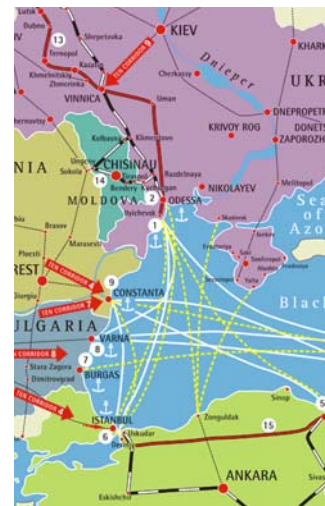
During the 1980's, development of Trans-European Networks (TENs) became a priority of European integration. Unlike TEM, these networks included all kinds of transportation and telecommunication networks. In the 1990's these networks expanded to enable the Euro-Asian integration based on a market economy. The first expansion was the Black Sea Pan European Transport Area (PETrA), which later evolved into Transport Corridor Europe-Caucasus and Asia (TRACECA), by 1998 to build the Silk Road of the 21<sup>st</sup> century. Ukraine takes place in this project.

Principle targets of TRACECA provide a strong ground on regional integration for Turkey and Ukraine in the long run as they propose provision of access to European and world markets, regional cooperation among member states of TRACECA, and optimal integration of TRACECA with TENs. TRACECA does not only deal with infrastructure but also with integrating legislative and operative systems.

If we have a brief look on TRACECA and the position of Istanbul and Odessa, we see that both are major transportation nodes within the TRACECA area. The ports of Odessa and Illichevsk in the Odessa Province are the major ports together with Istanbul and Derince (Turkey), Burgaz and Varna (Bulgaria), Constanza (Romania) in the Western Black Sea Region.

We may conclude that TRACECA provides access to both sides in the case of Istanbul and Odessa, where Istanbul finds the opportunity to access to Baltic – Black Sea markets through Odessa, and Odessa finds the opportunity to access the large Turkish and Mediterranean markets.

**Figure.3 Transport Routes in Western Black Sea Region  
to be developed within the TRACECA Programme**



source: [www.traceca-org.org](http://www.traceca-org.org)

## b) Convergence in local governance and decentralization

The nature of the relationship we assume relies on the establishment of trans-national cooperation among local governments in the Black Sea Region. For our case, we face different levels of decentralisation of governance in Turkey and Ukraine, but there is a convergence in the pattern of decentralisation. The decentralisation processes of the European Council and the United Nations are imposed in both countries. Decentralisation process in Turkey follows a different pattern due to its membership to Organization of Economic Co-operation and Development (OECD), but we may conclude that Ukraine's ongoing partnership with the OECD and the pressure of EU and NATO on the democratization of the governance system might in the longer run lead to a convergence between Turkey and Ukraine in this field.

Regarding Istanbul, The **OECD (2001)** report 'Cities for Citizens: Improving Governance for Metropolitan Areas' and its principles endorsed by the OECD Territorial Development Policy Committee in June 2000 (**OECD 2000**) are of utmost importance for the transformation of governance in Istanbul Metropolitan Area through decentralization of authority. Indeed, recent legislative changes have expanded the authorities of metropolitan municipality and introduced strategic management approach.

The most solid political ground about local governance and decentralization of central authority, shared by Turkey and Ukraine, is the one based on European Council and European Union policies. Turkey in the South-Eastern Europe and Ukraine in the Central and Eastern Europe have both taken parts in the '*European Outline Convention on Transfrontier Co-operation Between Territorial Communities or Authorities Concerning Interregional Co-operation*' as may be seen in table below.

**Table.2 Council Of Europe European Outline Convention on Transfrontier Co-operation Between Territorial Communities or Authorities Concerning Interterritorial Co-operation**

	Turkey – Southeastern Europe			Ukraine – Central and Eastern Europe		
	Date of signature	Date of Ratification	Date of Entry into Action	Date of signature	Date of Ratification	Date of Entry into Action
European Charter of Local Self Government (15.10.1985)	9th Dec. 1992		1 <sup>st</sup> Apr. 1993	N/A	-	-
Madrid Convention* of European Council (21st May 1980)	1998		2000	N/A	-	-
Additional Protocol* (9th Nov.1995)	Not signed	-	-	N/A	-	-
Protocol No.2. * (5th May 1998)	Not signed	-	-	3th of Nov. 1998	4 <sup>th</sup> of Nov. 2004	5 <sup>th</sup> of Feb. 2005

\* the European Outline Convention on Transfrontier Co-operation Between Territorial Communities or Authorities Concerning Interterritorial Co-operation

Both countries are willing to establish trans-national co-operations at the local level and decentralisation of authority, and thus have become members of *Congress of Local and Regional Authorities of Europe*. The table below demonstrates parallel developments in legislative bases that build a base for trans-national cooperation at the local level:

**Table.3 Turkey and Ukraine – Acts on Trans-national Cooperation of Local Governments and Decentralisation**

	Turkey		Ukraine	
	Date	Act	Date	Act
The Principles	1982	Principle Act of Turkey		
Trans-national cooperation at the local level	2002	Act. No. 4749 (Act on Public Finance and Debt Management)	10 Jul. 2003	“About the Approval of the State Development Program of Small Towns”
	2004	Act no.5272 (The Municipal Act)	2003	documents submitted to the Cabinet of Ministers of Ukraine in 2003
	Jun.2004	Act no. 5216 (The Greater City Municipal Act)	18 Nov. 2003.	Law “About the Transfrontier Cooperation”
	2004, 2005	Act.No. 5197/2004 that is changed by Act.5302/2005 (Provincial Special Administration Act)		
Regional Development and Administration	2004, 2005	Act.No. 5197/2004 that is changed by Act.5302/2005 (Provincial Special Administration Act)	2003	documents submitted to the Cabinet of Ministers of Ukraine in 2003
	Jun.2004	Act no. 5216 (The Greater City Municipal Act)		
	-	Draft Law on Regional Development Agencies		

On the side of Ukraine, we see that , following NATO Summit, EU has refused to start an action plan in the mid-2004. Ukraine has ratified the additional protocol of the Outline Convention at November 2004, and has only recently put into action by 5<sup>th</sup> February 2005. We see that the EU Action Plan has started by 21<sup>st</sup> of February, just two weeks later.

Ukraine - EU Action plan is a complementary plan to Partnership and Co-operation Agreement between EU and Ukraine and is to last for 3 years onward from 2004. The action plan includes important elements for cross-border co-operation, strategic planning at the national and regional level until 2015, privatization, financial deregulations, foreign direct investments, commitment to Pan-European Transport Corridors and continuing involvement to TRACECA project, trade of services and many other issues from defense to research.

The implementation of this action plan is a basic indicator of convergence of policy at the local level as well as the national level between Turkey and Ukraine. It means that EU Cohesion Policy as provided in the Community Strategic Guidelines for 2007-2013 (**CEC, 2005**) will be an important policy in determining the orientation of local governance and spatial development approaches, where a polycentric urban-regional development, diversification of economic and social structure through trans-national cooperation and thematic and geographic concentration of economic activities are emphasised, which would eventually support the emergence of a global integration zone within the subject territory.

Nevertheless there are still arguments about the regional administrative capacity in both countries (**Loewendahl-Ertugal, 2005 and Romaniuk, 2002**). EU Commission identifies regional administrative capacity as a core requirement together with efficiency in regional and local public administration for efficient implementation of *acquis* and the dispersion of structural funds (**Hughes et al, 2000**). As an example, progress reports on Turkey since 2000 requires Turkey to strengthen its institutional capacity for regional development at the central level by State Planning Organization, and at the regional level by establishing Regional Development Agencies (**CEC, 2004**)



### c) Establishing institutional backgrounds at the local levels

Another indicator that shows political convergence is a real agreement between local governments.

After the Black Sea Co-operation was initiated by Turkey and enacted by 1992, many twin city agreements were signed among Black Sea countries.

By 1997, 10 twinning agreements were signed between Turkey and Ukraine, including that between The Municipality of Greater Istanbul and The Municipality of Odessa. The articles of the agreement is as follows:

#### Box.1 Articles of Twin City Agreement Between Istanbul and Odessa , Nov. 1997 (Municipal agreement)\*

1. Both sides will promote co-operation in culture, information, science and technology, arts, environment, health, sports and tourism in the framework of traditional and historical ties.
2. Both sides will develop co-operation among institutions to make use of the experiences in these co-operation areas and they will try to exchange experience in these areas.
3. Both sides will exchange personnel and specialists to develop the work in these areas and realize exchange of knowledge and experience. They will enable reciprocal internships and technical education
4. Both sides will try to join scientific conferences, seminars and meetings to develop relations held in the sister city.
5. Both sides will technically support each other, and will inform the other about developments and tenders in this framework.
6. both sides will try to name places in their cities to represent the other's cultural and historical values.
7. Both sides will help to represent the other's culture in events like fairs, festivals etc.
8. both sides will support visits of students and teachers of the other to improve relations
9. Both sides will support each other in international grounds and will try to co-operate in international events.

*\*Translated by the authors of this study*

The protocol was signed by Eduard GURVITZ, the municipal mayor of Odessa and Recep Tayyip ERDOĞAN, then municipal mayor of Istanbul, who became the prime minister of Turkey after 2003 elections.

We shall also add that the establishment of **Black Sea Capital Cities Association** at 1998, has a supplementary effect on the integration of other cities within the Black Sea Region as this Association involves both municipalities and central governments' local administrations within its body. We see that later, at 26<sup>th</sup> June 2002, a further step for integration between Istanbul and Odessa came. The Governorship of the Province of Istanbul<sup>3</sup> and The Governorship of the Odessa Oblast signed a co-operation agreement in trade, science, technology and social issues that covered the whole city regions, and extended the opportunities of cooperation to other fields that were not covered within the framework of municipal agreements.

We have to mention here a few words from an interview by the Ambassador of Ukraine to Turkey, Dr. Ihor Dolhov, published in the **Turkish Daily News** in January, 2003:

*“.....Let me point out here an important aspect that, in my view, could positively effect further relations between Ukraine and Turkey. Our both states entered the year of 2003 with newly formed governments. They are supported by parliamentary majorities, respectively, in Ukraine and Turkey, that is, for sure, an important prerequisite for the efficient accomplishment of governmental tasks regarding domestic and*

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<sup>3</sup> Central Government's local administration unit

*foreign policy. Since both governments determined the regional cooperation as a priority pillar of their external activities, I think that such a mutual approach should be used for boosting intergovernmental cooperation between Ukraine and Turkey..... The Government of Ukraine determined to further enhance the regional cooperation towards the aim of establishing the twins' relations between provinces and cities of Ukraine and Turkey." (Turkish Daily News, 2003)*

According to **Dolhov**, Local governments, universities, local chambers of industry and commerce co-operated in the framework of regional co-operation. There are student exchanges, children's group visits and other activities as well. Following Dolhov's interview, a workgroup was established at 29<sup>th</sup> April, 2003, by an additional protocol. The workgroup visited Odessa between 28-31 July, 2003, together with the vice-mayor of Governorship of Istanbul, members of executive assembly of Istanbul, two district municipalities of Istanbul, Marine Trade Chamber of Istanbul, Chamber of Trade of Istanbul, Turkish Assembly of Exporters, Foundation for Commercial Co-operation of Turkey, Turkish Airlines, Commission of Foreign Economic Relations Turkish-Ukrainian Business Council, some businessmen. Two more protocols were signed during this visit, one about city twinning this time at the district level, between Municipality of Eminönü district of Istanbul and Municipality of the district of Belgorod – Dnestrovskiy (Akkerman) of Odessa.

We must also stress that the cooperation agreements do function in actual life. Ferry lines between Odessa and Istanbul were established after the twin city agreement in 1997 (**Turkish Daily News, 2003**). In the 1999 Earthquake around Istanbul, Ukraine's emergency aid teams could be seen all around the region. Istanbul municipality was there after the flood in Odessa at year 2000 (**Radikal, 2003**).

These twin city agreements and state policies on developing twin city agreements confirm our assumption of convergence of policies at the local government level, a key element in establishing a global integration zone. The ever-increasing number of other twin cities also confirms that there is a strong will in building global relationships on neo-liberal grounds. Up to date, number of twin cities of Istanbul has risen to 49, while those of Odessa to 17, from all over the world.

### **3.2. Emergence of Istanbul and Odessa as National-Regional Centres of International Trade, and their place in the global context**

Our second assumption was that neo-liberal globalization and regionalization processes lead to similar spatial socio-economic changes within the Black Sea Region which brings some cities to the fore gaining power in the global organization of production. Therefore, we expect to find similarities between Istanbul and Odessa as they become more and more exposed to effects of globalization and regionalization.

One of the key spatial socio-economic changes is the shift of administrative power from the state institutions to private multinational companies, and its repercussions on the world cities of a nation-state. This usually follows agglomeration of producer and distributive services in certain cities, and an agglomeration of FDI (**Hall,1999, Sassen, 1991**). Thus we will try to analyse if both Istanbul and Odessa attract foreign capital, increase their population and turn into cities where private companies in producer and distributor services agglomerate. Our limitations imply us to evaluate only other studies, rather than conduct a comparative analysis of our own, for this time.

One particular issue we have to mention is that the transition to neo-liberal system is not a painless process. People of the Black Sea Region has suffered rising illegal and informal activities, as poverty arouse due to sharp drops in productivity levels in these countries. If we return to **Sassen's (2001)**, Global City Thesis, the seventh hypothesis, the rise of informal

activities emerge as an expected outcome of neo-liberal globalization in cities subject to its effects. We have witnessed a large labor migration to Turkey, frankly, to Istanbul, from Ukraine and other Black Sea countries in the post 1990 period. This was a much different migration than the forced migration or what we can call “slave trade” in the 16th century Black Sea. The collapse of productivity within the Black Sea Region countries and increasing poverty forced many people to rush to Istanbul seeking work. According to a conservative estimation, illegal immigrants in Istanbul, the Marmara Region and the Black Sea provinces of Turkey reached to 250.000 people (**Duymaz 1995 and Erder, 2000 within Geniş, 2004**) 4. Some other estimates in the newspapers vary between 150.000-1.000.000 immigrants (**Kirişçi, 2003**).

These sectors these immigrants were employed included informal manufacturing production, construction, retail, household services and illegal activities. Informal manufacturing activities and retail went hand in hand in the European side of Istanbul Metropolitan area, where most of these activities were concentrated within a few locations like Laleli and Aksaray at the historical peninsula, Karaköy next to historical peninsula. Large illegal housing stock and slum areas enabled accommodation. Apart from immigrants, many people from the Balkans and the Black Sea Region came to Istanbul for luggage trade.

Both our own observations and **Geniş’s (2004)** field interviews tell us that the luggage trade between Turkey and these transition economies played a key role in the initial integration. According to an interview of **Geniş (2004)** luggage trade reached to approximately 5 to 10 billion USD annually in Istanbul. Especially in Laleli district at 2001, 95% of all sales of 4500 shops were made to visitors from former Soviet Union countries, Bulgaria, Romania and some Central European countries. According to a study report prepared by Erkut for **Genar (2002)**, depending on field survey executed in the historical peninsula, even after the economic crisis of 1998 in Asia and Russia, still about half of all customers of the manufacturers, retailers and wholesalers were from Black Sea Countries. These manufacturers, retailers and wholesalers preferred to employ citizens of Black Sea countries as they could use their native languages which was very important in establishing trust between diverse cultures. Citizens of Black Sea countries also seemed to accept to work in an informal way, without permission, insurance or other rights, and without adequate living conditions.

İstanbul and Odessa are key locations for the informal migration, which could be regarded as a side effect of this transition period. As an example, during the first half of 2002, 688 women (mostly Moldovians) were deported from Turkey and sent to Odessa, the main junction for human trafficking (**USAID, 2002**). Therefore, we hope that the successful development of a global integration zone through increasing integration between these two cities will provide better opportunities to people of the region. Now let’s return to our evaluation on the spatial development of İstanbul and Odessa as national centres in the post 1980 period.

#### a) İstanbul’s Transformation into a Global City

**Keyder and Öncü (1993)** is one of the earlier studies that mention about transformation of İstanbul from a world city into a global city under neo-liberal policies of the post 1980 period

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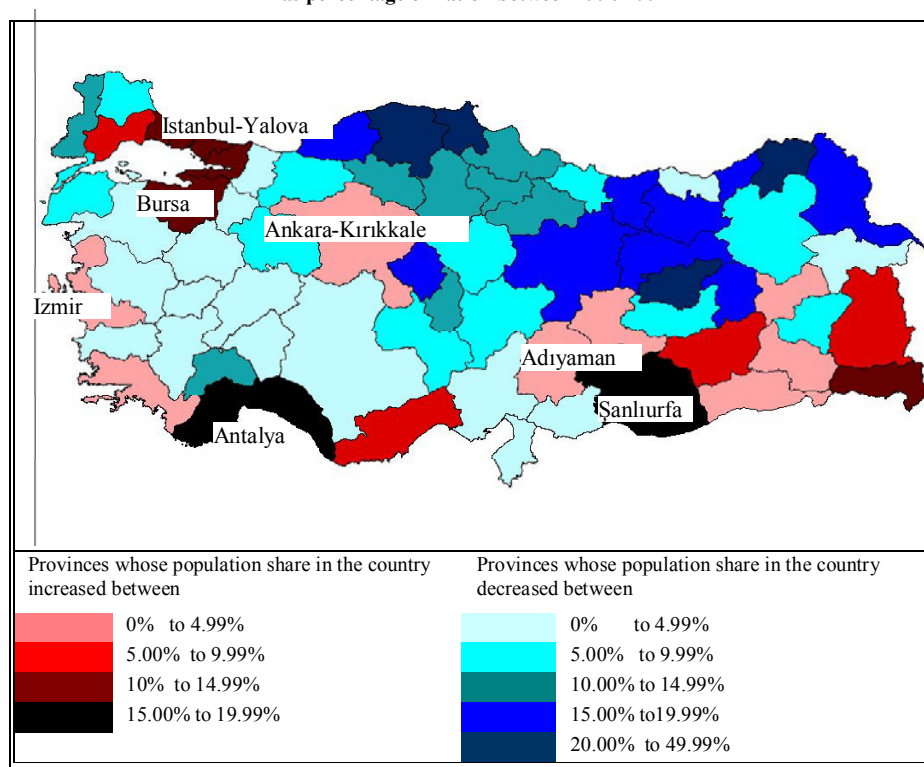
<sup>4</sup> **Duymaz, İ., 1995**, Türkiye’de Yabancı Kaçak İşçilik (İllegal Foreign Work in Turkey), İstanbul, Friedrich Ebert Vakfı

**Eder, M., 2001**, The Challenge of Globalization and Turkey’s Changing Political Economy in *Turkey in World Politics: an Emerging Multi-regional Power*, edited by R. Barry and K. Kirişçi, Boulder & London: Lynne Rienner

that is characteristically influenced by de-nationalization, decentralization and financial deregulations in Turkey. The change in the spatial organization in this period supporting this view may be found in some studies like those of **Erkut and Baypinar, (2003)**, **Baypinar, (2003)** and **Gezici and Hewings (2003)**. The major findings provide us a picture where we see a continuing concentration of population and economic activity within major metropolitan areas like İstanbul, Bursa, İzmir, Antalya and Ankara. **Erkut and Baypinar (2003)** and **Baypinar (2003)** provide also evidence of the formation of an urban region around İstanbul metropolitan city. Key findings show that the region's share of population in the country continues to increase, foreign direct investments and producer and distributor services are most concentrated in this region, supporting the emergence of İstanbul and its surrounding as a new global city-region.

The size of the population in İstanbul has grown significantly in the post 1980 period, which increase its weight not only in the Black Sea Region, but in the Balkans, Eastern Mediterranean and the Middle East. İstanbul's population rose to 10,187,328 people at 2000, from 4,741,890 at year 1980 while Turkey's population increased to 67,803,927 from 44,736,957 at the same period. Thus İstanbul has gained political power within Turkey as well, due to increasing share of population within the country.

**Figure.4 Change in the population share of provinces in the country as percentage of nation between 1990-1997**



Source : Erkut and Baypinar, 2003

This transformation is partially due to the export-oriented industrialisation of İstanbul and its surrounding neighbours and the re-location of financial centres from Ankara to İstanbul due to financial deregulations. Increasing integration to neo-liberal global system also have attracted foreign direct investments (FDI) to the city and its vicinity. International specialisation of Turkey in textiles and machinery manufacturing industries, The spill over of industrial workplaces in the neighbouring provinces, and the extreme concentration of producer (especially financial) services within the core of İstanbul are the key logics of this transformation process (**Geniş, 2004, Erkut and Baypinar, 2003, Baypinar, 2003, Keyder and Öncü, 1993**).

**Table.4 Growth and Diversification of Manufacturing Activities in Metropolitan Regions of Turkey During 1980-1998 Period**

	Provinces (Metropolitan Cities)			TURKEY
	Istanbul (and Yalova***)	Ankara (and Kırıkkale***)	Bursa	
Regional Specialisation Level at 1980*	0.376	0.604	0.557	1.022 (mean)
Regional Specialisation Level at 1998*	0.346	0.623	0.354	0.962 (mean)
Number of manufacturing workplaces at 1980*	3,919	560	395	8,707
Number of manufacturing workplaces at 1998*	4,007	1,004	856	12,332
Total change in the number of manufacturing workplaces between 1980-1998**	88**	444**	461**	3,625**
Number of employees at 1980 in manufacturing industries**	242,115	41,179	32,593	786,995
Number of employees at 1998 in manufacturing industries**	338,051	67,710	112,965	1,206,164
GDP Per Capita Change 1990-1997	%17.05	%12.89	%7.53	21.06%
Cumulative Net increase in the number of firms in finance, insurance and real estate services 1990-1995	8,290	3,391	547	19,622
Cumulative Net increase in the number of firms in transportation and storage sector	3,763	877	233	9,978

Source: Baypinar, 2003b, Using State Institute of Statistics of Turkey's Data

\*Regional specialisation levels are calculated by Baypinar, 2003a, using a dissimilarity index where regional specialisation levels vary between 0 and 2, the higher indicating less diversification. See Traistaru et al (2002) for methodology

\*\*Manufacturing workplaces include those with 10 or more employees. Statistics are derived from annual averages.

\*\*\*Yalova and Kırıkkale were districts of Istanbul and Ankara, but have become provinces later.

**Table 5** below demonstrates us Istanbul's emergence as the basic global gateway city in Turkey, attracting almost all foreign direct investments in most of the producer services, most of the investments in distributive services and about half of the investments in transformative industries, similar to discussions of Sassen (2001), and Hall (1999).

**Table.5 Cumulative Number of Multinational Firms in Istanbul and Turkey, between 1980 and 2002**

Sector	Turkey		Istanbul		Istanbul/Turkey
	Number of Firms	%	Number of Firms	%	
Extractive industries	232	3.8	58	1.6	25.0
Transformative industries	1,825	30.0	914	25.7	50.0
Distributive Services	2,823	46.4	1909	53.7	68.0
Producer Services	485	8.0	398	11.2	82.0
Social Services	78	1.3	54	1.5	69.0
Personal Services	640	10.5	224	6.3	35.0
<b>Total</b>	<b>6,083</b>	<b>100.0</b>	<b>3,557</b>	<b>100.0</b>	<b>-</b>

Source: Geniş, 2004, data by Undersecretary of Treasury of Turkey

#### **b) Development of Odessa in the Post Soviet Era**

The historical importance of Odessa rose from the grain trade that ran from Odessa to Thessaloniki and to Ukrainian Markets. The trade volume of Odessa has surpassed that of St. Petersburg by 19<sup>th</sup> century, through trade of grains. The region has become a strong international industrial centre by the end of the 19<sup>th</sup> century, with over 500 industrial plants and 16.000 workers (**RBAC,2004**). In the Soviet period, it has become a key location as a port for the naval forces, as well as a gateway to the rest of the world.

The collapse of the Soviet economic system has had far reaching implications under influences of globalization in Ukraine and Odessa. By 1999, the GDP of Ukraine was only 35% of that in 1989, which gave rise to widespread poverty and related problems (**Ishaq and Hare, 1997**). One of the dramatic reflections was the rise of the city as a transfer node for trafficking of women, not very much mentioned beneath the rise of the city as a transfer node of natural gas and petroleum products. Another immediate effect was the problems related to the Soviet Black Sea Fleet, one of the largest fleets in the world, which contributed to the economy of this port city.

Odessa province slightly lost population, parallel to the general trend in the country, due to complex reasons. Ukraine's population dropped from 51.9 million at 1990, to 51.6 million at 1991 and to 47.6 million at 2003, reflecting a dramatic increase in mortality rates, sharp decline in birth rates and out migration (**CEC, 2004**). The population of Odessa Province was 2.653.300 by the beginning of 1991, but it dropped to 2.423.275 by 2004. The city's population was 1.106.000 by 1990, and it has lost some population until today as well. By 2004, the city's population was 1.012.900. One of the sharpest falls in population was after 1998 economic crisis, when region's population dropped about 19.200 people in one year **Ministry of Environmental Protection and Nuclear Safety, Ukraine (1999)**.

One of the worst effects of economic decline on the city should have been the increase in poverty which lead to the increasing informal activity that gave rise to AIDS and other problems. The Ministry of Health of Ukraine has estimated the number of epidemics about 500.000 by 2002. According to the USAID data, in Odessa, AIDS was three times more prevalent as in other southern and eastern provinces like Dnipropetrovsk, Mikolayiv and Donetsk (**USAID, 2004**).

Thus Odessa has been influenced significantly from the negative initial effects of transition to a market economy, though it had an advantageous location for international. The human development indicators show that the region still is at the bottom of the list in Ukraine. At 1999 it was the 26<sup>th</sup> and it was 27<sup>th</sup> at 2000 and 2001 according to regional human development index by a UNDP's Ukraine Human Development Report 2001 (**Mrinska, 2003**). This means it was one of the two least developed regions together with Donetsk, an old industrial centre.

This is surprising when we consider that Odessa is a region which attracts foreign direct investments quite successfully. Today Odessa is a home for more than 560 companies from 63 countries, with about 289.3 Million USD of foreign direct investments (**ABD and AUB, 2005**).

Table.6 Foreign Direct Investments in Some Ukrainian Regions

Province (Oblast or city regions)	Percentage of FDI attracted by the province (Jan. 1996)
Kiev	35
Odessa	17
Donetsk	13
Dnipropetrovsk	10
Lvivska	10
Rivenska	0.5
Vinnitska	0.3
Volynska	0.5

Source: Ishaq, 1997, data by Ministry of Finance of Ukraine,

According to **Ögütçü and Kinach, (2002)**, 40% of cumulative FDI was attracted by Kiev and its surrounding, while Odessa performed among those like Donetsk, Dnipropetrovsk, Poltava and Zaporizhya by the end of 2001. **Mrinska, (2003)** addresses Odessa among the first group of regions which enjoy the highest share of national and foreign investments, high level of education, skilled labour and developed services, among Kiev, Donetsk, Kharkiv, Lviv, and Dnipropetrovsk. We may conclude that Odessa has transformed into an international centre of second importance within Ukraine, which is primarily a service city rather than an industrial core like Donetsk. The primary service city is still Kiev, due to high level of centrality inherited from the Soviet Union.

For the next decade, we may expect a relative increase in the importance of Odessa if further decentralisation and financial regulations will be experienced in Ukraine, as we have observed such influence in Istanbul.

#### c) Istanbul and Odessa in the Global System of Cities

At this section we evaluate the relative position of Istanbul and Odessa in the neo-liberal global system depending on a group of studies which focus on the distribution of global producer services across global cities in which they establish their own networks. These producer services enable the functioning of complex flexible production systems while they build horizontal and vertical linkages among different actors. Thus command power in the global economy is concentrated highly in these cities.

These cities both provide access to their hinterland for global investors, and reciprocally, provide access to world markets for those who choose to locate in them, as in the case for Sao-Paulo or Miami (**Taylor and others, 2002a**). Last but not the least, these cities themselves are huge markets that attract both local and foreign capital at first hand, because the possible benefits of locating in such a city surpasses any other city within the vicinity. Due to openness to global shocks, especially those cities in developing or transition countries can be considered open to risks.

We have to point to the fact that most of these studies base on global service providers as they are thought to be best indicators of control power in a global economy. As most of the data collected at the nation-state level isolate the cities from the real world and thus do not provide suitable information on the transactions between these individual agglomerations of global service providers, it is thought that data on global service providers may capture some features essential for the measurement of control power of a city at the global scale.

According to **Beaverstock and others, (1999)**, Istanbul and Kiev are among global legal service centres, but Istanbul is also a global banking and advertisement centre. Thus Istanbul emerges as a multifunctional producer services centre. Other centres emerging are Athens,

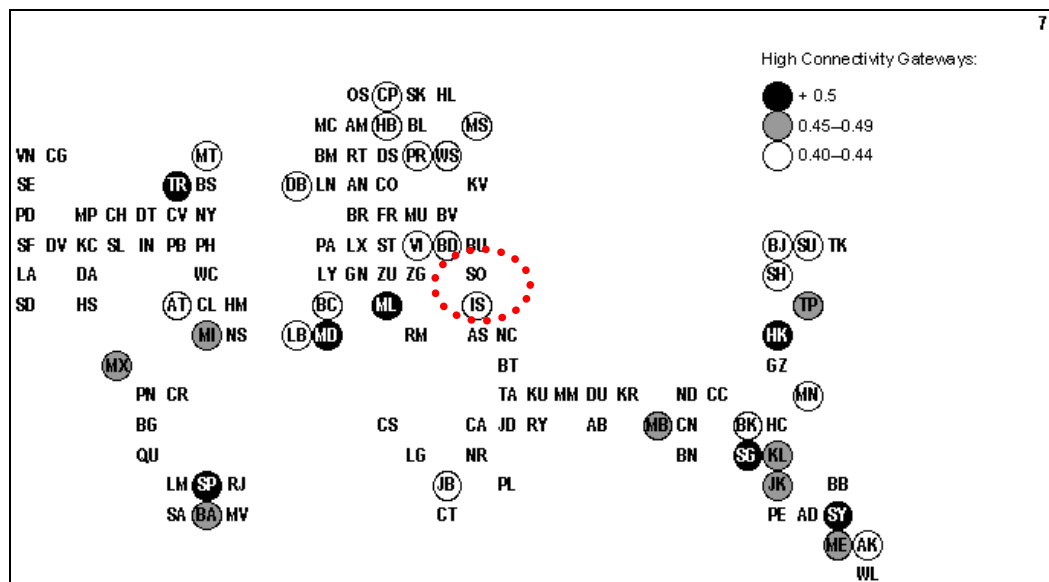
Bucharest, Moscow and St. Petersburg within the region of Black Sea Economic Co-operation.

The study research by **Taylor and others (2002a)** identifies global cities as global service centres, and inter-global networks as a network that consists of inter-twined relationships between global business and finance firms. Therefore the study neglects the influences of sectors like industry or retail, as these services are thought to represent the transactions that are part of these sectors as well.

**Taylor and others (2002a)** imply that global cities are not only centres where power is concentrated, that they are as well strategic centres following **Sassen (1994)**. Here they take unique positions within the political geography-offered by **Sassen (2001)** which is an outcome of increasingly inter-twined strategic centres through neo-liberal globalization- as the principle basis. In this sense they conclude that it is not possible to simply rank cities according to their global power as these cities gain power from their unique position within the network they are connected to, and from reciprocal relationships<sup>5</sup>. Apart from these limitations, such studies still provide some insight in understanding relative position of cities in the global city system.

The data set covers 123 cities around the world and locations of 100 global service provider firms. Global connectivity, connectivity to financial centres, dominance, global command centres, regional command centres, gateway cities and gateways to emerging markets are discussed in this study. For our concern in this study, Istanbul is in this group of global cities, together with Kiev, Bucharest, Sofia, Athens, Nicosia and Beirut, which implies all these cities have a significant level of connection to global markets.

Figure.5 Global Cities as High Connectivity Gateways



Source: Taylor and others, 2002a

The major finding of the study by **Taylor and others (2002a)**, to our concern, is that neither Istanbul nor cities in the surrounding trans-national region do possess high connectivity to

<sup>5</sup> We have to emphasise that the importance of these relations is measured with a bias that imposes the strength of the relationships of global cities with global command centres like London, New York and Tokyo, thus may hide important elements regarding the emergence of a global integration zone within our study area.



global financial centres<sup>6</sup>. Though there is a large agglomeration of financial services with an increasing share of foreign capital, it is surprising that the region is struck between newly developing financial regions in Europe and the striking growth of a region of financial centres in the Pacific Asia.

Istanbul is not a regional command centre according to this study, but is also rivalled by no other city in its own trans-national territory. The city emerges as global gateway city with high connectivity to other global cities (Istanbul is represented as 'IS' in **figure 5**).

Another concern for Istanbul is that there is a huge blank geography where countries in the Middle Asia and Caucasus, but these regions have historical connections with the city. Concerning the situation of Odessa, other historical city relations with Warsaw and Moscow must be taken into account, as these centres also possess high connectivity as gateways to global economies like Istanbul (**figure above**).

Another study by **Taylor and others (2002b)** focuses more on the locations of headquarters and offices of 46 firms that provide global advanced producer services. These firms include media, finance and legal-administrative consultancy firms. Istanbul is categorized as a third rank (gamma) city, where London, New York, Tokyo, Paris, Frankfurt, Milan, Chicago, Hong Kong, Singapore and Los Angeles are alpha cities (first rank). Istanbul emerges as the only city as a global centre within its surrounding region. If we put Odessa in the centre, Moscow is in the second rank while Prague, Budapest, and Warsaw are third rank centres. In this perspective it is possible to say that Odessa is in the middle of these world cities, on the very border of a huge blank geography.

**Derruder and Witlox (2002)** provides another rank system using the same data set but their methodology is based on a fuzzy logic statistical approach where they have grouped Cairo and Istanbul as in the same rank of cities. In the North, Moscow and Warsaw are similarly grouped. Ankara is grouped with regional cities like Tashkent, Baku, Alma Ata and Tahrán which are also capitals in their respected countries. In this approach, Odessa again becomes a border city in the global context, where in the north there is Warsaw and Moscow, and in the south Istanbul and Cairo.

In two other studies, **Derruder and others' (2003a, 2003b)** have expanded the data set used by **Taylor and others (2002a, 2002b)** to 234 cities from the world, and used fuzzy cluster analysis. Istanbul has not emerged as a global centre this time, and neither did Odessa.

Thus, as a result for this section, our conclusion for this section is that our proposal of the emergence of a new global integration zone only partially proves to be true, regarding low performance of development in Odessa relative to other regions in Ukraine and the wider trans-national territory surrounding the city-region. A further decentralization in the local government system), financial deregulations and Ukraine's membership to World Trade Organization could accelerate the mechanisms of neo-liberal globalization and our proposition may strengthen (**DEİK, 2004, Oğuz, 2003, Turkish Daily News, 2003, Romaniuk, 2002**).

On the other hand, Istanbul emerges as a global command centre with multiple functions that are part of the basic processes of neo-liberal globalization; within the Black Sea Region. Odessa seems to be located as a gateway that provides accession between the existing and emerging global centres like Warsaw, Kiev and Moscow, and Istanbul. This conclusion does

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<sup>6</sup> We should however reserve that in the last 4 years there has been further integration to global capital in the finance industry in Istanbul.

not deny our assumption of local integration, but alters it in a way that puts Odessa in the place of a border city ironically after name of Ukraine, ‘the border country’.

### **3.3. Re-Integration in the Black Sea Region and Istanbul and Odessa**

We now try to focus on our third assumption that there is increasing trans-national economic integration between Istanbul and Odessa at multiple levels. Our approach here is to use descriptive statistics and firm-level information in interregional trade and investments at the city-region level where data is available. The major limitation here is that it is not possible to measure if the relationship between two cities are higher than average level of relationships between these two cities and any other city in a different country. As the relationship between Istanbul and Odessa depend highly on national policies, a look at the general situation of the bilateral trade between Turkey and Ukraine will be helpful.

#### **a) Trade in the Black Sea Region**

The bilateral trade relations of Turkey and Black Sea countries have based largely on the so-called luggage trade during the first decade after the dissolution of the Soviet Union. Due to missing established distribution channels and trade links, people filled in the gap and luggage trade prevailed. People of newly independent states simply started to visit other countries and shop themselves to sell these goods in their own countries. In Istanbul, this kind of trade concentrated largely in a few locations like the historical peninsula and some other locations in the Western side close to either international ferry links and the international airport. The amount of trade in Istanbul through luggage trade rose up to 5-10 billion USD annually according to the estimates, which was almost equivalent to half of Turkey’s exports at that time (**Geniş, 2004**). However, after 1998, countries like Russia and Ukraine targeted on the gradually decrease of luggage trade to enable more institutionalised forms of trade.

Luggage trade’s function was to transfer consumer products to the Black Sea countries where there was an immediate need to satisfy. For Turkey, Black Sea meant raw materials and energy. Turkey’s need to diversify its energy inputs after the Gulf War lead to increasing imports from Russia and other countries. Ukraine’s importance increased as a transport route to Turkey. Turkey’s developing machinery industries also required large supplies of coal, iron and steel (see the tables below). Thus, a kind of inter-industry trade developed, where Turkey largely supplied consumer goods and imported raw materials.

**Table.7 Turkey’s Foreign Trade Between 1996-2004 (in Thousand USD),**

Years	BSEC countries		New Independent States		Ukraine	
	Turkey's Exports to	Turkey's imports from	Turkey's Exports to	Turkey's imports from	Turkey's Exports to	Turkey's imports from
2004	6,778,626.45	15,368,135.51	3,961,619.42	12,926,893.93	575,826.91	2,509,351.39
2003	5,044,444.23	9,297,693.90	2,962,592.51	7,777,110.63	444,967.28	1,331,505.47
2002	3,598,969.50	6,587,757.35	2,278,877.68	5,554,504.15	313,265.00	991,097.28
2001	2,932,470.83	5,553,205.82	1,978,150.09	4,630,241.48	289,179.62	757,625.63
2000	2,466,866.61	6,746,470.89	1,648,736.69	5,693,035.59	258,121.19	981,559.78
1999	2,232,283.98	4,307,609.62	1,532,805.51	3,733,802.93	225,821.19	773,686.39
1998	3,290,239.50	4,357,566.78	2,666,523.36	3,724,360.24	274,317.06	988,781.32
1997	3,824,985.68	4,495,436.69	3,512,047.62	3,615,083.79	337,045.00	917,760.13
1996	2,926,481.84	3,896,559.67	2,663,908.73	3,074,152.97	267,538.50	761,658.43

Source: State Institute of Statistics, Turkey

## b) Turkey and Ukraine-Trade Relations

Turkish-Ukrainian trade relations in the post-Soviet era started by the establishment of the Turkish-Ukrainian Business Council at April, 1991. Since then, bilateral trade between Turkey and Ukraine has developed very slowly. Turkey's imports are concentrated more on raw materials or intermediate inputs like iron and steel, while Turkey's exports varies, including food, machinery and metal products. It is possible to say that intra-industry trade has not developed much during the period. However, recent increase in trade volume between Ukraine and Turkey has raised hopes and is followed by the establishment of International Turkish and Ukrainian Businessmen Association at Kiev in 28th August 2004.

Table.8 Foreign Trade of Turkey and Ukraine ('000 USD)

Year	Exports of Turkey	Imports of Turkey
2004	575,827	2,466,984
2003	444,967	1,331,505
2002	313,265	991,097
2001	289,180	988,781
2000	258,121	981,560
1999	225,821	917,760
1998	274,317	856,340
1997	337,045	773,686
1996	267,539	761,658
1995	198,534	757,626
1994	76,285	535,071
1993	39,449	472,706
1992	35,848	90,003

Source, State Institute of Statistics, Turkey

Trade between Ukraine and Turkey in 2004 was still highly depended on Turkey's large imports of iron, steel and mineral fuels for its machinery and automotive industries. The current structure of trade is usually criticized of being under-diversified (DEİK, 2004, Turkish Daily News, 2003, Oğuz, 2003). This could be interpreted as a sign of weak economic integration as such trade does not allow transfer of technology and development of mutual relationships. Rather it allows a flow of goods only, and economic integration does not deepen. Future development of trade should require diversification of trade through establishing intra-trade linkages within a variety of industries.

Table.9 Composition of Bilateral Trade Between Turkey and Ukraine at 2004 \*

Turkey's Exports to Ukraine 2004			Turkey's Imports from Ukraine 2004		
Product	Amount in USD	Share %	Product	Amount in USD	Share %
Plastics	72,317,262	12.81	Iron and Steel	1,465,474,370	59.41
Machinery and Boilers	52,366,746	9.28	Mineral fuels	299,108,199	12.13
Edible fruits	41,078,321	7.28	Fertilizers	169,243,930	6.86
Electric ware	33,336,924	5.91	Inorganic Chemicals	111,659,239	4.53
Salt, Sulphur, Cement etc.	31,581,678	5.60	Wood and Wooden furnitures	95,096,531	3.86
Automotive and related	27,850,859	4.93	Fruits and oily seeds	61,720,724	2.50
Soaps	23,464,539	4.16	By products of food industries	46,008,214	1.87
Iron and steel ware	21,414,565	3.79	Grains	30,381,295	1.23
Paper and paper products	19,257,309	3.41	Plastics	27,620,789	1.12
Textiles	18,358,652	3.25	Organic Chemicals	21,563,591	0.87
Other	223,415,298	39.58	Other	138,894,906	5.63
<b>Total</b>	<b>564,442,150</b>	<b>100.00</b>	<b>Total</b>	<b>2,466,771,788</b>	<b>100.00</b>

Source: Haytaoğlu, 2005

\*There is a slight difference in trade amounts about year 2004 here and in the table above, even though both data are obtained by State Institute of Statistics of Turkey.

We see that Turkey has a net loss in the overall trade but benefits from trade of services. Bulk of the trade of services rely on distributive services like marine and air transportation. Turkey benefits from the marine transportation services which have the highest share in the exports of Turkey in services. Still, in overall trade, services share a very small portion of trade. This is partially due to some restrictions in Ukraine, which are expected to be removed soon (Turkish Daily News, 2003).

**Table.10 Turkey – Ukraine Trade of Services, 2002 (Thousand USD)**

	Export of Turkey	Share in Total Services Trade (%)	Imports to Turkey	Share in Total Services Trade (%)	Balance
<b>TOTAL</b>	<b>42,174.95</b>	<b>100</b>	<b>16,298.4</b>	<b>100</b>	<b>25,878.10</b>
<b>DISTRIBUTIVE SERVICES (only transp.)</b>	<b>36,227.66</b>	<b>85.9</b>	<b>8,901.73</b>	<b>54.62</b>	<b>27,325.93</b>
<b>Transportation Services</b>					
- Marine Transportation	28,776.71	68.23	2,096.66	12.86	26,680.05
- Air Transportation	5,214.12	12.36	6,761.36	41.5	-1,547.24
-Rail Transportation	300.16	0.71	0.30	~0.00	299.86
- Other Transportation Services	1,936.67	4.60	43.41	0.26	1,893.26
<b>JOURNEYS</b>	<b>2,818.16</b>	<b>6.68</b>	<b>3,342.01</b>	<b>20.51</b>	<b>-523.85</b>
<b>COMMUNICATION SERVICES</b>	<b>893.22</b>	<b>2.12</b>	<b>762.04</b>	<b>4.67</b>	<b>131.18</b>
<b>PRODUCER SERVICES</b>	<b>891.44</b>	<b>2.11</b>	<b>1,676.48</b>	<b>10.29</b>	<b>-785.04</b>
<b>PRIVATE SERVICES, CULTURAL AND LEISURE SERVICES</b>	<b>4.61</b>	<b>0.01</b>	<b>1.55</b>	<b>~0.00</b>	<b>3.06</b>
<b>FORMAL SERVICES NOT INDICATED ELSEWHERE</b>	<b>97.24</b>	<b>0.23</b>	<b>1,189.04</b>	<b>7.30</b>	<b>-1,091.80</b>
<b>REPAIRS</b>	<b>1,242.62</b>	<b>2.95</b>	<b>425.55</b>	<b>2.61</b>	<b>817.07</b>

Source: Haytaoğlu, 2005, data by Ukrainian State Committee of Statistics

### Bilateral Investments

Bilateral investments are key indicators of an emerging integration between trans-national regions as they demonstrate a deeper integration that enables transfer of capital, technology and intra-industry trade. For our case, evidence of mutual investments is one of the key issues for the emergence of regional integration zone.

The structure of the mutual investments is rather one-sided here, where Turkish investments in Ukraine surpass the Ukrainian Investments in Turkey significantly. Still, both countries' share in the foreign investments in the other represents only small shares. At the end of 2003, direct foreign investments from 114 countries accumulated in Ukraine amounted 6.6 billion USD, in which Turkey represented only 0,048 billion USD with 288 companies. Turkish companies in the 1990'es have started investing to newly independent states due to needs like investment diversification and the high inflation rate in the country. Companies that produced consumer goods and retailers preferred to start businesses all over in this geography, especially to key targets like capital cities as Moscow, Alma Aty and others.

Ukraine's investments in Turkey are neglectible regarding the size of the foreign investments in Turkey, with 4-5 companies around a total investment of 5.3 million USD at 2004

**(Embassy of Republic of Turkey to Ukraine in Kiev, 2005).** These companies operated in distributive services and shipping related activities, only.

Recently, the fall of the inflation and better investment environment in Turkey has created a suitable atmosphere to invest locally. Recent rises of Ukraine's exports shall also promote investments in Ukraine, thus we may expect a slow down in bilateral investments in both countries as they have become attractive locations themselves for investments.

Table.11 Total Investment Volume of Turkey in Ukraine 2002-2003

Sector	01.01.2003		01.01.2002	
	Total Volume of Investments (Million USD)	%	Total Volume of Investments (Million USD)	%
<b>Total Investments of Turkey</b>	<b>38,1</b>	<b>100.0</b>	<b>36.9</b>	<b>100.0</b>
<b>Extractory industries</b>				
Agriculture, fishing, hunting and related business	1.4	3.67	1.29	3.5
<b>Transformative Industries</b>				
Food and Agricultural products manufacturing industry	6.2	16.27	9.90	26.9
Light industry (Textiles, wearing apparels, leather products)	0.5	1.31	0.50	1.4
Machinery manufacturing industry	0.7	1.84	0.70	1.9
Chemicals and petrochemicals industry	10	26.25	6.40	17.4
Wood and related products manufacturing industry	0.7	1.84	0.60	1.6
Cellulose, paper and imprinting industry	0.1	0.26	0.10	0.3
<b>Distributive Services</b>				
Transportation	1.2	3.15	1.00	2.7
Sale and repair of transportation vehicles	0.2	0.52	0.20	0.5
Wholesale	5.7	14.96	5.00	13.6
Retail	1.2	3.15	1.10	2.9
<b>Transformative Industries</b>				
Construction	1.7	4.46	1.30	3.5
<b>Producer Services</b>				
Financial services	7.7	20.21	7.70	20.9
<b>Social Services</b>				
Otel and restaurants	0.6	1.57	0.60	1.6
<b>Personal Services</b>				
Education – (social services)	0.2	0.54	0.50	1.3

Source: Haytaoğlu, 2005, data by Ukrainian State Committee of Statistics

We see sharp raises in chemicals and petrochemicals industry, wholesale and repair while a sharp decline in the food and agricultural products manufacturing industry investments. Following news on firm level, the reason for the drop of food related industries is the unsatisfactory brewery investments, while the rise in chemicals industry is rather related on investments in detergents and soap industries.

Obstacles in obtaining trans-national city level data on financial services limit our evaluation of bilateral relations between Istanbul and Odessa seriously. Up to date, capital transfers between Odessa and Istanbul are held through third country links. That introduces a serious barrier to regional integration as costs of producer services increase through indirect links.

Another major obstacle to integration has been the incomplete fundamental changes in banking system in both countries. Though banking system is continually changing in Turkey,

in Ukraine financial system was still heavily under control of state until 2004. The law that enables foreigners to establish bank branches in Ukraine was in the agenda of the Parliament of Ukraine at 2003 (**Embassy of Republic of Turkey to Ukraine in Kiev, 2005**). The speech by Dolhov becomes important regarding this law (**Turkish Daily News, 2003**):

- *Establishing and developing finance and credit mechanisms, particularly by setting up branches of Turkish banks in Ukraine and vice versa is very important for the improvement of our cooperation.*

A recent information is that Turkish banks are expected to start operation in Ukraine by 2006 (**Embassy of Republic of Turkey to Ukraine in Kiev, 2005**). That would provide direct links within the region, decreasing costs of producer services for companies. These direct links will be provided by either Turkish or foreign banks, which are or will inherently represent multinational capital within their capital structures.

### c) Istanbul and Odessa Integration

To evaluate our assumption, we try to figure out the level of mutual investments within both city-regions, as an indicator of progressing economic integration. We also try to evaluate the mutual structure of economic relationships in manufacturing, services, transportation and tourism sectors between Turkey and Ukraine in the framework of the relations of Istanbul and Odessa where data is available.

#### Mutual investments

Foreign direct investment figures show us that basic actors in Odessa Region are US, UK and Switzerland, while other actors in the nearby countries like Greece, Cyprus Lebanon, Turkey and Hungary enter Odessa through capital relations with the USA (**ABD and AUB, 2005**).

As Ukrainian investments in Turkey are not diversified and cover just a few companies, we can only evaluate the level of Turkish investments in Odessa. We observe a continuous increase in the number of Turkish companies in Odessa in the recent years. Odessa's share has significantly increased by 2004 in terms of number of firms, but due to the retrieval of Turkish brewery investment by 2003, the amount of the investment in terms of USD has not changed significantly. We also observe a loss in the amount of Turkish investments in Odessa by 2005. Thus it is possible to say that Odessa experiences problems in further attracting Turkish investments.

Table.12 Turkish Investments in Ukraine

	Number of Turkish Companies			Amount of Turkish Investment ('000USD)*		
	In Ukraine	In Odessa	Share of Odessa	In Ukraine	In Odessa	Share of Odessa
01.01.2005				49.231	4.773	9,6%
01.01.2004	331	83	25%	47.426	5.814	12,26%
01.01.2003	288	35	12%	37.807	3.850	10,18%
01.01.2002	265	33	12,5%	36.761	5.554	15,13%

Source: Deputy of Trade Embassy of Turkey to Ukraine in Kiev, 2002, 2003, and 2004

\*There are slight differences in the amount of investments in each report. We have used the latest information given in these reports.

Turkish companies do not only invest in Ukraine but also compete each other for the larger market beyond the country. As an example, Istanbul based soap and detergent companies could be given: EVYAP invested in Odessa – Illichevsk by 2003, while İstanbul based BETA started a joint company named ‘Olvia Beta Cleaning Products Company’ in Dnipropetrovsk recently (**KOSGEB, 2005**). This competition shall be viewed as a direct result of the globalization (or, preferably, regionalization) of Turkish companies at the post 1990 period (**Kapital, 2004**).

Though there is a slow down, further integration is to interest of Turkish investors. Small and Medium Industry Development Organization of Turkey suggests that Turkish investors should not only invest in retail and wholesale but also invest in manufacturing sector (**KOSGEB, 2005**).

### **Transportation and Communication**

What constitutes the basis of bilateral investments between two countries and two cities is the transportation links that enable them. About the same time TRACECA started, Istanbul and Odessa has signed the protocol for city twinning. Following the protocol, ferry lines were opened between Odessa and İllichevsk to Istanbul and Derince, which became one of the important marine links among others like those between Illichevsk – Samsun, Skadovsk - Zonguldak, and Yevpatoriya - Zonguldak.

An important fact is that the Ro/Ro – passenger line of Samsun-Illichevsk, Ro/Ro line of Zonguldak-Yevpatoriya and Zonguldak-Skadovsk, and the passenger line of Istanbul-Odessa and Derince(Izmit)-Illichevsk are all run by Turkish companies that are resident in Istanbul. Other companies in Ukraine are located in Odessa. Thus we may conclude that the concentration of distributive services in these cities indicate a level of mutual integration.

**Table.13 Some Examples of Headquarter Locations in Transportation Sector**

Link	Company	City	Location Where Head Office is Located in	Branch Office in Other country
<b>Samsun-Illichevsk</b>	KİPTUR-BENE	Istanbul	Aksaray, Istanbul	
<b>Istanbul-Odessa</b>	KİPTUR-BENE	Istanbul	Karaköy, Istanbul	
<b>Istanbul-Odessa</b>	Vival-Marine	Ukraine	Odessa	
<b>Istanbul-Odessa</b>	UKRFerry Shipping Company	Ukraine	Sabanskiy Lane, Odessa	Fındıklı- Istanbul (Batırail with Batı Nakliyat ve Ticaret A.Ş.)
<b>Derince-Illichevsk</b>	UKRFerry Shipping Company	Ukraine	Sabanskiy Lane, Odessa	
<b>Derince-Illichevsk</b>	Batı Nakliyat ve Ticaret A.Ş.	Istanbul	Fındıklı, Istanbul	
<b>Zonguldak-Skadovsk</b>	Karadeniz Ro/Ro İşletmesi A.Ş.	Istanbul	Altunizade, Istanbul	
<b>Zonguldak - Yevpatoriya</b>				

Currently about 30 enterprises with Ukrainian capital operate in Turkey, which mostly deal with services related to luggage trade and transportation of Ukrainian visitors to Turkey. Some of these companies are Aerosvit, Adriatic and Dniproavia in air transportation, Blasko, Inflat and Ukririchflot in marine transportation(**The General consulate of Ukraine in Istanbul, 2005**), most of which operate through Istanbul according to our own research.

Odessa is highly connected to Istanbul, Moscow, Vienna, Warsaw and Budapest via daily air connections which is a consistent result with the above mentioned global city studies of **Taylor and others (2002a)**, **Derruder and others (2003a,b)** and **Beaverstock and others (1999)**, showing that Odessa is a gateway within this larger geography.

Among services, strategic relations arise through trans-regional infrastructure as well. A strategic relation between Istanbul and Odessa stems from the 3500 km. fiberoptic connection between Italy, Turkey, Ukraine and Russia (ITUR). The Palermo-Istanbul, Istanbul-Odessa and Istanbul-Novorossisk submarine connections require further research as evidence of information flows between these countries, which would eventually lead to expansion of information related services within these cities.

Last but not the least, a strong connection between Odessa and Istanbul is due to the Russia-Turkey natural gas pipeline under construction currently. Thus two cities are connected via multiple networks that cover passenger, goods and energy transportation and electronic communication.

### **Tourism**

Tourism is a complex industry including distributive, social and personal services and flow of people in an analytical perspective. Tourism may be related with both business links and cultural relations between countries. In our particular case of Turkey and Ukraine, both reasons provide the basis for tourism activity. The now diminishing luggage trade was the main reason for touristic activities from Ukraine and other newly independent states in the 1990'es (**Geniş, 2004**). On the other hand, Turkish citizen's visits to these countries were merely by entrepreneurs who sought for business opportunities, thus smaller in size in terms of visitors.

Dolhov (**Turkish Daily News, 2003**), points that amount of Ukrainian visitors are about 10 times more than those visiting Ukraine, though Ukraine owns a variety of resort centres. A reason to this is probably the structure of trade currently. Another reason could be that Turkey is a main tourist destination, with well established tourism industry that dates back to 1969 and new investments with high quality. Turkey is a main destination but not a departure for any country in Europe. Thus it seems difficult that there will be a balanced flow of tourists at the country scale.

**Table.14 Total number of foreign tourists that visit Istanbul**

<b>Years</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2004</b>
Total number of foreign tourists that visit Istanbul	1,121,931	2,007,384	2,420,541	3,473,185
Total number of tourists that visit Turkey	5,389,308	7,726,886	10,428,153	17,516,908
<b>Share of Istanbul in Turkey (%)</b>	<b>20.8</b>	<b>26.0</b>	<b>23.21</b>	<b>19.82</b>

Source: State Institute of Statistics, Turkey

Considering Odessa, though industries through foreign direct investments flourish, the main income of the region depends on recreation and tourism that developed in the Soviet Era according to **Demchuk and Zelenyuk, (2005)**, and an increase in the number of visitors are expected through increasing per capita income of former Soviet Union countries' citizens. According to **ABD and AUB (2005)**, around 660.000 tourists travelled to Odessa region, of which 174.000 were foreigners. Majority of foreign tourists were from Russia, Germany,



Italy, Moldova, Belarus, Poland and Turkey. A third of these tourists either arrived by the cruisers using Danube and Dniper Rivers or ferries using the Black Sea.

Istanbul attracts almost twenty times more foreign tourists than Odessa does. The logic of the tourism between these two cities depends on the travels of Ukrainians for luggage trade, and other reasons which we mentioned above, and the travels of Turkish businessmen who either have investments or trade relations with Ukraine. End of the luggage trade would lead to a decrease in the number of Ukrainian visitors, while increasing number of Turkish investments in Ukraine would balance the tourist flow in the future. Yet, Istanbul remains as a receiver due to its function as a cultural and historical centre for the entire Black Sea region. This provides a strong reason for further regional integration that would support the emergence of a global integration zone.

#### **4. Conclusions**

We have tried to evaluate the emergence of a new global integration zone within the Black Sea Region in the case of Istanbul and Odessa. We may conclude that there is a progressive convergence in the political grounds between Turkey-Ukraine and Istanbul-Odessa, mainly in the framework of the global structures that are predominantly part of the Euro-Atlantic supra-structure. There is not much evidence of similarity in spatial development of Istanbul and Odessa, particularly due to political in clarity in Ukraine, especially on the decentralization of governance as a reflection of other major obstacles. There is evidence of economic and social integration, between Turkey-Ukraine and Istanbul-Odessa, which experiences slow development, and negative side effects like informal activities.

As a conclusion we may argue that integration of two cities might heavily depend on the Ukrainian foreign and domestic policies, and the relations with supra-national structures like the World Trade Organization and EU. We may expect a progress in economic integration by the removal of trade barriers, where Istanbul and Odessa would be direct beneficiaries as both production and transfer centres. Further decentralization in Ukrainian economy and local policy might lead to a re-population in Odessa Region, as happened in Istanbul after the 1980 period.

The people of the region has been suffering decreasing life quality, informal activities, increasing health problems (especially in Ukraine) and economic fluctuations worsening poverty. We believe such problems require solutions at the local level through strategic decisions of local governments. Under such conditions of de-nationalization and decentralization of authority, local governments on both sides of the sea shall take responsibility about the negative side effects of neo-liberal globalization, while promoting regional integration. We may simply conclude that only economic integration would not be named a success, regarding the decreasing life expectancy among those who are most effected about the negative outcomes of this re-integration process. The success of this new (possible) global integration zone depends on its promise to provide a higher life quality, deeper mutual integration and local governments' will to share responsibility.

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