

Ozaslan, Metin

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Spatial Development Tendencies and Emergence of New Industrial Districts in Turkey in the Post-1980 Era

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Spatial Development Tendencies and Emergence of New Industrial Districts in Turkey in the post-1980 Era

Dr. Metin Özaslan

Planning Expert

State Planninning Organization,

Necatibey Cad. 108/ 17, 06100-Yücetepe-Ankara

mozaslan@dpt.gov.tr

(312)2946708

Abstract

The aim of this paper is to analyse the changing macro-economic policies and their spatial impacts on the economic geography of Turkey after 1980's. The first section of the chapter is focused on the two main macro-economic policies namely inward-oriented development strategy prior to the year of 1980 and the outward-oriented development strategy after 1980. In the second section of the article regional disparities and the regional development policies in Turkey are briefly discussed. In the next section spatial effects of the outward oriented policies are analysed focusing on the spatial distribution of industry. Industrial shifts indicate that there are mainly four spatial development tendencies in Turkey namely, the rise of metropolitan cities as service centres, the industrial growth of hinterland provinces that are neighbouring cities around metropolitan cities on the basis of decentralising industry, the decline of economic activities in the provinces in which state economic enterprises are common, and the emergence of the new industrial districts/ cities on the basis of SMEs' networks and sectoral specialisation. The last section of the paper analyses the emergence of new industrial districts in Turkey focusing on the main features of five territorial cities namely Denizli, Gaziantep, Çorum, Kayseri and Kahramanmaraş. It is concluded that the new industrial districts developed on the basis of SME clusters have crushed the spatial development trends in Turkey based on metropolitan cities and they have conveyed the development dynamics to small and medium sized Anatolian cities. The districts that have followed a development path within the framework of their own endogenous potentials have succeeded in becoming a centre of attraction and have started to serve a significant function in the transfer of development to the less developed Anatolia. By disrupting the unbalanced development tendencies on the national level, emerging around a few growth poles, they have yielded an alternative development tendency against the polarised development tendencies.

Key Words: *Industrial transformation, economy policies, outward-oriented development strategy, spatial shifts, industrial geograpgy, new industrial districts.*

1. Introduction

Emergence of new industrial districts is related to the economic crisis experienced in the 1970s and economic policies implemented to overcome the crisis and changes in production organisations. The globalisation dynamics, which increased after the 1970s, have yielded significant changes on sub-national spatial structures, as well as on national economies. Turkey has initiated this period of change, which started in the 1970s in many countries, with resolutions known as the January 24th Austerity Measures in 1980, which contain comprehensive changes in macro-economic policies. Following 1980, which is the starting date of Turkey's outward oriented development strategy, considerable changes have been seen in the spatial distribution of industry as was evident in other countries. One of the most important consequences of this process on the economic geography has been the emergence of new industrial districts.

In this paper, the process of outward orientation in Turkey following the 1980s, macro-economic changes and the effects of these changes on the spatial distribution of industry will be analysed. Besides, the effects of the transition from inward oriented development strategy (*IODS*) to outward oriented development strategy (*OODS*), with the arrangements made in the economic policies in 1980, on the development performances of the provinces in Turkey between 1980 and 2000 will also be analysed. The performances of the provinces are evaluated using criteria such as GDP and exports. The provinces, which have made an important industrial leap in the defined period and provided this leap with its own local endogenous resources, are defined as new industrial districts. The main provinces, which fit into this definition and which are being analysed here are *Denizli*, *Gaziantep*, *Kayseri*, *Çorum* and *Kahramanmaraş*.

2. Economic Policies in Turkey and Transition from Inward Oriented to Outward Oriented Development Strategy

In general, two different development strategies, namely inward oriented/ import substitution (*IODS*) and outward oriented (*OODS*) have been implemented in the history of the Republic of Turkey. These strategies have had different effects on the organization of the industry, distribution of economic activities on national geography and the development of the industrial spaces or districts. Because of this reason, both industrial and development strategies should be briefly mentioned.

2.1. Inward Oriented Development Strategy Policies Prior to 1980

The first traces of the inward oriented industrialisation policies date back to the industrial policies implemented in the period of “*statism*” between 1933-1938. In İzmir Economy Congress, held in 1923, it was declared that private entrepreneurship would be the main impetus in the provision of development and the state should encourage and support the private sector (Ökçün, 1968; Sevgi, 1994). The applications until the beginning of 1930s have been in conformity with the resolutions adopted in the Congress. However, although many of the resolutions adopted in the Congress were implemented between 1923-1933, the expected developments on the national economy were not realised (Tezel, 1968). Reasons, such as the lack of necessary accumulation of capital in the private sector, problems related to infrastructure, insufficiency of qualified labour force, and the effects of the economic depression of 1929, although limited, have prevented reaching desired positive results in these economic policies. All these negative aspects have made the implementation of a new economic system, based on inward oriented development model, which requires direct intervention of the state in the economy, necessary in the 1930s. Therefore, Turkey has left its liberal economy policies implemented during the period 1923-1929 and has adopted the principle of *statism* (Derin, 1940; Boratav, 1974; Okyar, 1965; Tekeli and İlkin, 1982) and the First and Second Five Year Industrial Plans (FYIP) were prepared in the 1930s, in accordance with the principle of planned statism (Altıntaş, 1978).

Within the scope of the first FYIP, implemented in 1933-1938 many state economic enterprises (*SEEs*) had been established such as *Sümerbank* (1933) and *Etibank* (1935). Both institutions have performed considerable roles in the foundation of basic industrial, mining and energy enterprises, application of modern administrative techniques, training of industrial labour force, and development of corporations by establishing affiliates. Many enterprises, founded by these institutions formed the nucleus of some *SEEs*. Therefore, industrialisation through the public sector, both an increase in industrial production and a decrease in the effects of the worldwide crisis of 1929 on the Turkish Economy, became the main goal in the first FYIP period (Tekeli and İlkin, 1982; DPT, 1991).

The second FYIP, prepared in 1939 and intended to be implemented in 1940, aimed to make investments on various branches of the production sector, including heavy industry (İnan, 1989). The plan aimed to form a domestic market, that is nationalisation by combining the “*railroad policy*” of the FYIP in the 1930s and the raw material resources and local institutions (Kuruç, 1994). In summary, in this period, which imposes statism in industry (Sönmez, 1999; Tezel, 1999), an industrialisation leap, led by the state enterprises, commenced. *At first*, protective measures in international trade were increased. *Secondly*, in 1933 the First FYIP, the investment program of the state sector, which was to pioneer a development strategy based on IODS, was defined (Sönmez, 1999). In this period, many SEEs were established in weaving, mining, paper, ceramics and chemistry industries. However, while the first of these plans was implemented, the second could not be implemented due to the World War II.

The second period of the IODS dates back to the period 1954-1980. However, the IODS put in place during 1954-1960 was prepared as a remedy for the foreign payments crisis in 1954 and the decrease in agricultural production. As a result, it bears significant differences from the IODS implementations guided with the FYDPs between 1960-1980. Therefore, it will be more appropriate to interpret the policies, which were implemented before the second half of the 1950s, as a response to crisis and a transition period to IODS. In the first half of the 1950s, liberal policies were implemented and private sector was supported¹. Within this framework, there were attempts to privatise some state monopolies. However privatisation could not be realized due to the lack of capital in the private sector (Serin, 1963). Since the private sector fell short, the gaps caused by the deficiency of the private sector were supplemented by new public enterprises in the second half of the 1950s and hybrid institutions emerged as a new type of state entrepreneurship (Altıntaş, 1978). The second difference, between the periods before and after 1960, is seen in the distribution of industrial investments and in the sectoral priorities. Another difference is the addition of the planning dimension, to support the IODS through comprehensive development plans, within the establishment of the State Planning Organisation (SPO) in the 1960s.

The industrialisation strategy based on IODS implemented in the 1960s was based on an international trade regime, which required import licenses. With the import regime, the import of the goods produced in Turkey has either been obstructed or banned. Other than this, the import of the capital goods and inputs, needed by the industry was allowed. Therefore, it was supposed that the weak economy would strengthen behind walls of protection. On the other hand, there are two main aspects of this model: (1) domestic demand has been important in maintaining the continuity of economic growth and industrial development and the domestic markets, rather than international markets, have acted as impetus for the industry. Therefore, the expansionist policies and related income and redistribution policies gained importance in this period. (2) The provision of foreign currency, needed by the industry for the protection and development of the national industry has gained vital importance. For a successful industrialisation strategy based on IODS, a path connecting the production of consumer goods to durable consumer goods and finally to investment goods should have been completed. Transition from one phase to another caused the industry to require more imported inputs and the provision of sufficient foreign currency. Thus, the continuity of the industrialization strategy, based on IODS “*which has been maintained to reinforce the industrial grounds of the private sector, however, the cost of which*

¹ In 1946, Turkey adopted a more democratic system, instead of the previous single-party system and Democratic Party, which came to power as a result of the elections in 1950 and aimed to decrease the share of the state in the economy.

is high, in terms of usage of resources” (DPT, 1991, p. 2), has made it necessary to increase the savings to maintain a stable growth rate.

Two major oil crises in the 1970s adversely affected Turkey, as well as Western countries. Sudden increases in oil prices in 1973 increased the cost and the amount of foreign currency required for the continuation of the industrial production. Further, the increase in the need for foreign currency caused disturbances in the balance of payments. At the end of the 1970s the deficits in the balance of payments became unbearable. The inconvenience of the international conjuncture deprived the country of foreign loan opportunities and the country faced a foreign currency bottleneck. Economic instability, which became more severe due to the bottleneck of the balance of payments, coupled with political and social instability, brought industrial production to nearly a halt. Therefore, at the end of the 1970s, IODS was unsustainable both in terms of domestic balances and international conjuncture and subsequently collapsed. When the industrial accumulation, maintained within the framework of the IODS model, came to a point of collapse, “export oriented development strategy,” or in more general terms, “outward oriented development strategy (OODS)” was proposed. It was recommended that, Turkey should specialise in sectors, which may have advantages in the international arena such as textiles, foodstuffs and glass, and the labour-intensive sectors of iron-steel and automotive (Sönmez, 1999).

2.2. Period of Transition to Outward Oriented Development Strategy

The economic and social crisis, which worsened at the end of the 1970s were to be remedied by the comprehensive stability and structural adaptation (restructuring) policies, declared on January 24, 1980 (BBHİM, 1980). The measures adopted on this date, not only constitute a turning point for the resolution of the existing crisis, but also for the role of the state in industrialization process and in the economy (Cavlı, 1991; Kilci, 1994). Therefore, the economic policies applied in the 1980s are significantly differed from the policies applied in the 1960s and 1970s. The basic change is the transition from protective policies, which were dominant in the previous period, to policies, which were dominated by market powers (Kazgan, 1985; Boratav, 1988; Sönmez, 1999; Kepenek, 1999). The market economy system, which was defined with the policies in 1980 and applied in 1983, has yielded a period, which was based on private sector and market economy and in which the price mechanism dominated. Therefore, the distribution of resources, and the investments and interventions of the state are reduced to a minimum (Hiç, 1992). Opening the economy to the international competition and liberalisation, have become a powerful instrument, preparing the basis of the structural change in the Turkish economy and have forced both the public and the private sector out of the usual attitude clichés (SPO, 1991).

With the new economic program, transportation, communication and other infrastructure investments have significantly increased. The bureaucratic obstacles on the foreign trade have mostly been reduced and exports have been encouraged with various instruments, such as incentives in cash and devaluations (Fisunoğlu, 1992; Eraydın, 2002; Şenses, 1989; Aktan, 1992). This new program greatly liberalised the trade and good flows, and removed the control and import quotas on the input and output of foreign products with the structural arrangements and tax rates have been rearranged (Olgun and Togan, 1984). Consequently, the firms are forced to operate in a more competitive environment.

Until the 1980s, while the state investments were significant in the industrial (production) sector, after 1980, state investments in the production industry have been radically decreased (SPO, 1991). Beginning in 1985, 153 state economic enterprises have been taken under the coverage of privatisation across the country (ÖİB, 1996). Subsequent to the 1980s, the public sector has ceased direct industrial investments through SEEs and has mainly focused on infrastructure

(Altınok, 1992; Artan, 1991; Kilci, 1994) and regulation. In this period, entrepreneurship has become a “*mission*”, which is taken out of the coverage of the public sector and has been submitted to the private sector with incentives (Kuruç, 1994). While the share of the industrial sector in total public investments was 20.7 % in 1978, it has decreased to 18.7 % in 1984, 4.5 % in 1990 and 2.9 % in 1994 (Sönmez, 1999). As it can be seen in Table 1, while the relative share of the public sector in gross fixed investments between 1980-2001 decreased, the share of the private sector has gradually increased.

As a result of the restructuring policies, as Table 1 shows below, significant improvements have been achieved in macro-economic indicators and in particular import and export values. The volume of exports, which was USD 2.9 billion has increased by more than 10 times, to USD 31.3 billion by 2001, and the imports has increased by five times from USD 7.9 billion to USD 40.4 billion.

Table 1: Main Economic Indicators of Turkey (1980-2001)

	GNP		Growth Rates				Gross Fixed Investments (**)		Foreign Trade (Million \$)	
	GNP (*)	Per Capita (\$)	Agri culture	Industry	Services	GNP	Public Sector	Private Sector	Exports	Imports
1980	69.749	1.570	1.1	-3.3	-3.7	-2.8	462	694	2.910	7.909
1985	68.199	1.356	-0.5	6.2	5.1	4.3	3.236	3.897	7.958	11.343
1990	152.393	2.711	6.8	8.6	10.3	9.4	27.684	62.208	12.959	22.302
1995	171.979	2.794	2.0	12.1	6.3	8.0	328.577	1.553.648	21.636	35.709
2000	201.484	2.987	3.9	6.0	8.9	6.3	8.602.103	19.971.790	27.775	54.503
2001	144.607	2.110	-6.5	-7.5	-7.7	-9.5	11.300.047	22.170.344	31.334	41.399
2002	182.929	2.634	6.9	9.4	7.5	7.9	17.335.397	30.146.896	36.059	51.554
2003	238.409	3.390	-2.5	7.8	6.7	5.9	17.588.271	39.834.913	47.253	69.340
2004	301.639	4.172	2.0	9.4	10.2	9.9	19.314.124	59.467.619	63.121	97.540

(*) At current prices, million dollar. (**) At current prices, billion TL.

Source: State Planning Organization (2002)

The most important development in the sectoral composition of exports has been realised in the exports of the manufacturing industry. The Turkish economy has experienced a trend of relatively high growth from 1980 to 1994. Contraction was not evident at any point during this period. With the exception of the crises in 1994, 1999 and 2001, industry has undergone steady growth. After the crisis years, the industry has again been in a trend of growth and growth has been recorded in the following years. Again in the period following 1980, per capita GDP has increased, in accordance with the increase in the population of the country. From the examination of the period between 1980-2001, it can be seen that there was a direct relationship between the rate of industrial development and the rate of the development of GDP. When the industry increases its share in GDP, the greatest contribution to this has come from manufacturing industry. Furthermore, the OODS policies have provided a suitable environment for the SMEs, with high capacity of adaptation and small and medium-sized cities (SMCs) with a high capacity of organisation, to enter the process of economic development.

With the OODS policies establishment of “International Trade Capital Companies (ITCC)” have been supported and plans were made to carry out services such as carrying out international trade transactions and finding new markets through these companies. With the application of these policies large-scale enterprises were supported (İlkin, 1991). In the 1990s, encouragements for the outward orientation of the SMEs have topped the agenda and arrangements permitting

these companies to make exports through multi-partner companies, named as “Sectoral International Trade Companies (*SITC*)”, were established by the collective initiatives of SMEs. These SITCs have also aided the companies in some fields, which require expertise, along with the foreign market research (Sivri, 1993). Moreover, in the mid-1980s, “free-zones” were established in order to maintain the trend of increase in the international trade, to attract foreign capital, to provide transfer of technology, and to increase the exports of manufactured goods (Tekeli and İlkin, 1987). As a result of these policies great increases have been achieved in the volume of the international trade, exports in particular and changes in the product composition of the exports.

In this period, as in the rest of the world, SMEs have started to gain importance in the economic structure of the country (Özcan, 1995). One of the main reasons for this is the appearance of vertical disintegration tendencies in large companies due to the crises in the 1970s and increasing subcontracting activities (Piore and Sabel, 1984). Large-scale companies, which include all units within its own structure in a vertically integrated organisation and which provide scale economies owing to this characteristic, have entered a process of vertical disintegration with the crises. As a result sub-contracting and inter-firm relations have become more common. The lower level of wages in SMEs has directed the large companies to contract out their productions (Çakmak, 2004). Another reason is the structure of Turkey, which is traditionally dominated by artisans and small enterprises in the production and service sectors (Müftüoğlu, 1998). SMEs, employing 1-250 employees, constitute 98.8 % percent of all enterprises in Turkey (Paksoy et al., 2004; TKB, 2001). The SMEs’ creation of employment with low levels of capital, which means the low level of the capital they used per employed person have further increased their importance in the Turkish economy (SPO, 1996). The SMEs have claimed a role of real thrust in the economy, in terms of growth, employment, industrialisation and employment after the 1980s (Paksoy et al., 2004; TKB, 2001). Furthermore, they have been less affected by the crises with their flexible structures (Ekin, 1996; Çakmak, 2004) and they have proven their ability to compete with large-scale firms (Pyke and Sengerberger, 1990; 1992). The share of the SMEs, with respect to employment and value added after the 1980s, have increased dramatically. However this increase has been realised in employment in higher levels. Within this framework, the role of the SMEs in the economy of Turkey, which suffers from high levels of unemployment, has become an undeniable fact (Çakmak, 2004).

Another development in the Turkish economy is increasing importance of the small and medium cities’ (SMCs) specialisation in particular sectors. The increasing significance of SMEs with the increasing vertical disintegration trends in corporate organisations, in the 1970s, and the flexible specialisation model’s becoming functional have increased the importance of the SMCs. These kinds of cities possess small society structures and intensive social bonds, making the flexibilities, required by flexible specialisation type production organisations easier. Therefore, they possess several advantages for industrial organisation, based on flexible specialisation in the era of globalisation. Within this framework, the emergence of SMCs, such as Denizli, Gaziantep, Kayseri, Çorum and Kahramanmaraş, as important industrial spaces in the dominance of the globalising market and the competition conditions, form an important aspect of the change experienced in the post-1980 era.

5.3. Regional Disparities and Regional Development Policies

With the declaration of the Republic, the public sector has played significant roles in the formation of development in Turkey and priority has been given to industrial development. However, the priority of the period between the 1920s and the 1960s has been on national development and until the planned era in the 1960s, regional development has been neglected

(Çapçı, 1975). Such a perspective has caused the agglomeration of industry and services in a few cities in the western part of the country (Yücel, 1994; Özcan, 1997). Although some of the SEEs are distributed across the country (Sönmez, 1995; Mutlu, 1991) the criteria in selection of location has been; the distance to raw materials and national security concerns, rather than regional development. Local political pressures and political choices have also caused the establishment of SEEs at some locations (Altınok, 1992; Artan, 1991; Okyar; Dinler, 1994). Nonetheless, many cities, including new industrial districts (NIDs) such as Denizli, Gaziantep, Çorum and Kahramanmaraş have made only limited use of these SEEs investments.

On the other hand, regional development has become one of the priority issues in the Planned Era subsequent to the 1960s (Damalı, 1974). One reason for this is the over-concentration of the industry and capital at a few centres and the increase in regional disparities. In this era, industry has been located randomly in city centres and negative examples of industrial agglomerations have been seen in Haliç (İstanbul) and in Bornova (İzmir). Along with the increase in industrial investments in certain regions, modernisation in agriculture and the developments in transportation and communication infrastructures have accelerated the process of migration from underdeveloped regions to developed regions (Kartal, 1992; Keleş, 1978; 1976; 1982; Yasa, 1991; Sencer, 1979; Sezai, 1992). With migration, rural and territorial capital, along with the labour force, has flowed towards the developed regions (Özcan, 1997). The fact of migration has put into motion a vicious circle and has further increased the development disparities between the regions (Dincer et al, 1996; 2003; Tekeli, 1991). Consequently, there have been two negative consequences of such a development experience. *The first* of these is the emergence of urbanisation, infrastructure, social and environmental problems in the urban areas of industrial concentration (DPT, 1991; 1993; Güzelsu and Taner, 1988; Eke, 1982; Kozanoğlu, 1993; Toprak, 1988; Peynircioğlu and Üstünişik, 1994; Şenyapılı, 1978; Kıray, 1982; Kongar, 1973; 1982; Tatlıdil, 1987). *The second* aspect is the underdeveloped regions and the intensive inter-regional migration problem (OECD, 1988; Mutlu, 1991; Dinler, 1994; MGK, 1991).

From the perspective of the problems in the developed regions, especially in fast growing cities such as İstanbul, İzmir, Ankara and Adana, the disruptions in the environmental conditions in all areas of industrial concentration, as well as the formation of some negative economic conditions, have become restricting. Moreover, since the number of migrants into the cities exceeded the number of the employment created by the cities, the employment in informal sectors has increased, and the pool of unemployment has grown (DPT, 1971). In addition, the infrastructure costs in the urban areas over a certain size, have started to increase, and the unit price of the regular development of the cities have increased to higher levels (Dincer et al., 1996). On the other hand, deficiencies of physical and social infrastructure have constituted an obstacle for the local and regional economic development process in the underdeveloped regions (Damalı, 1974; Eraydın, 1981; Mutlu, 1991). Therefore, the economic policies supporting agglomeration in the process of development have lost their functions, due to decreasing efficiency in the developed cities and the increasing poverty in the underdeveloped regions. Thus, decentralization of development has become both possible and desired.

Therefore in the planned era, regional development and the industrial decentralisation policies have entered the agenda of the country and some policies have been implemented to mobilise the local private capital and to facilitate its investments in its region of origin. The most significant ones of these are; integrated regional development plans (*IRDPs*), investment incentives, Priority Development Areas (*PDAs*) policies, Organized Industrial Estates (*OIEs*) and Small Industry Sites (*SISs*). While the distribution of the industry across the country after the 1960s (Çapçı, 1975) and the mobilisation of the local potentials gained importance, five yera development plans (*FYDPs*), which were implemented in this era, gave priority to the principle of reducing the disparities between the regions (DPT, 1963; 1968;

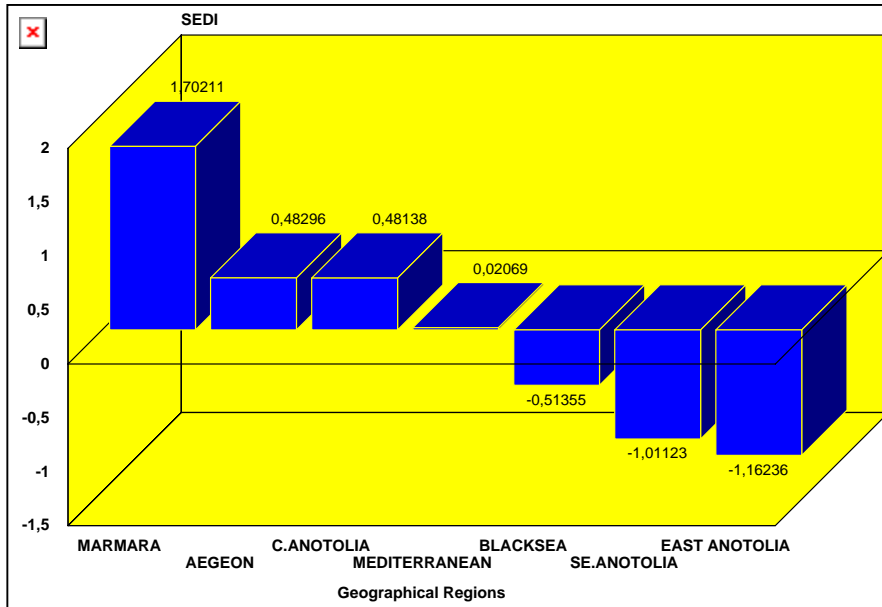
1973; 1979). However, the policies implemented in the first four development plans have followed a fluctuating path (İzgi, 1979; Eraydın, 1983; Dinler, 1994). On the other hand, the process of industrial concentration in the western areas (including the public sector investments, although limited) has continued and therefore the regional disparities have increased. The main reason for this is the failure to provide the sufficient physical and social infrastructure investments, which constitute the minimum conditions for the survival of industry in the underdeveloped areas (Soysal, 1975; Damalı, 1974; TOBB, 1989; 1994) because of Turkey's limited resources allocated for regional development, large geographical size and the dispersed settlement structure (Dincer et al, 1996; DPT, 2003; TOBB, 1994).

Considering these kinds of restrictions, it has been stressed that the “growth poles” model had to be adopted both for the effective usage of the national resources and to provision of a balanced regional development (Arat, 1975; Eraydın, 1979; 1983). With the concentration of the industry in the urban centres and high potential of growth (DPT, 1971), it is thought that the scale and the external economies, derived from agglomeration economies, would be provided. As well as that, the industry, which has developed in these centres, would spread over the surrounding area and therefore provide a balanced development all over the country. Within this framework the phrases “growth poles” (Dinler, 1994), “regional development centres” (TOBB, 1989; 1994, Eke, 1994) or “industrial agglomeration centres” (Eraydın, 1979; 1983), have been pointed out. In order to determine the regional development centres and their hinterlands a comprehensive study, which was completed in 1982, has been made (DPT, 1982) and 16 regional centres across the country have been selected.

Despite all these efforts, neither Perroux-type growth poles model nor IRDPs with the exception of South-eastern Anatolia Regional Development Plan (GAP) could be implemented effectively in Turkey. Although many IRDPs have been prepared for various regions at different times, all of these, with the exception of the GAP, have not had an opportunity for comprehensive implementation (Dincer and Özaslan, 2004a; 2004b). Moreover the GAP could not provide the desired effect due to problems in the organizational structure (Geray, 1995) and failure in allocating necessary financial resources (DPT, 2003). Although other policies, such as PDAs and OIEs have made significant contributions in the mobilisation of the local potentials in some areas, they have fallen short in removing regional inequalities across the country. During this process, the inter-regional disparities within the country have maintained their existence.

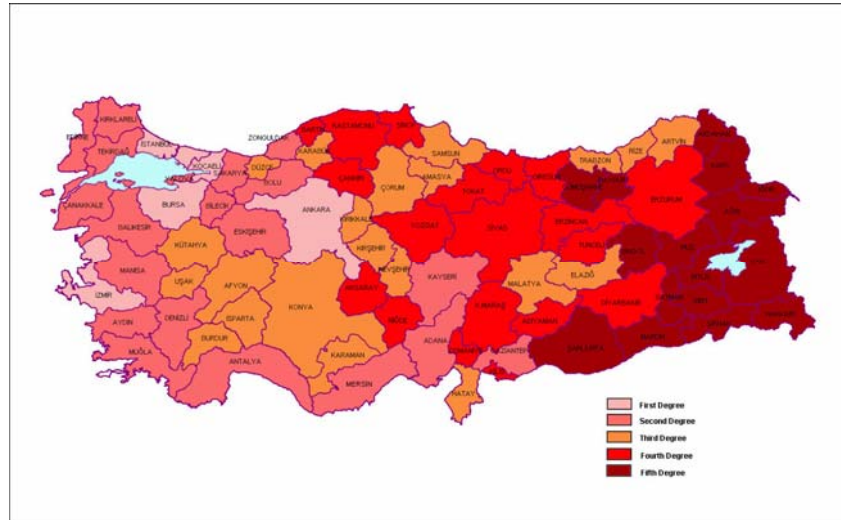
To sum up, although the Turkish economy have made a considerable progress in terms of structural transformation and integration into the international markets, regional disparities still pose a serious problem in the 21st century. The long-term economic growth performance achieved by Turkey has not created the desired effect in terms of removing the regional inequalities. The public investments (Akdede and Erdal, 2004), the incentive measures oriented to the underdeveloped regions (TOBB, 1994) and various regional development policies (Gerni et al., 2004), have had a limited effect on balancing regional inequalities. During this process, the bilateral polarization between the developed metropolitan cities and the underdeveloped regions has become more apparent (OECD, 1988; Eser, 2004; Demir and Yiğidim, 2004). As it can be seen from Graph 1 and Map 1, prepared in accordance with the social and economic development index (SEDI), at the regional and provincial levels, there are significant development disparities between the regions within Turkey. The map shows that the development level decreases from the West to the Eastern part of Turkey.

Graph 1. Regional Disparities in Turkey, in Terms of SEDI



Source: Dincer, Özaslan and Kavasoglu, 2003

Map 1. Provincial Development Hierarchies in Turkey, in Terms of SEDI



Source: Dincer, Özaslan and Kavasoglu, 2003

At present, the inequalities among the regions maintain their existence as a tangle of problems, which also affect the social and political structures of the country. The most significant reasons of the regional inequalities seem to be the failure to establish an effective administration and planning structure, which will provide an impetus to the bottom-up development at the

provincial and district levels, in the rural areas and the deficiencies in the central administration. Provincial and district administrations have displayed inadequacies, with respect to the organizational and functional perspectives in an environment of changing economic, social and political conditions and the emerging needs (Dincer and Özaslan, 2004). The failure of top-down public policies (TOBB, 1989) has directed the attention to the bottom-up local/ regional development approaches, which emphasise the dynamism of the local actors (Gerni et al., 2004), urban entrepreneurship (Özcan, 1995; 1997) and the development of local endogenous resources and the development and planning initiatives at the provincial level (Dincer and Özaslan, 2004; Eser, 2004; Özşen et al., 2004). And also statutory developments such as “development agencies” and administrative reforms have come to the agenda in the last several years aiming bottom-up development.

4. Spatial Effects of the Outward Orientation Policies: Main Changes in the Spatial Distribution of Industry in Turkey

In Turkey, both in the periods before and after 1980, industry was agglomerated in major metropolitan centres. These industrial centres are led by İstanbul, İzmir and Adana, which are located in the western part of the country and which are dominated by the private sector investments. The industrial centres, mainly developed on the basis of the SEEs in the IODS era are the capital city of Ankara, Zonguldak in the mining sector (Kıray, 1964), Karabük in iron-steel (Engin, 1999a), Kırıkkale in machinery-chemical industry and oil refining (Atalay, 1989) and Eskişehir in railroad and railroad car production (Engin, 1999b). The over-concentration of the industry in the western regions has worsened the regional disparities between the western and the eastern parts of the country.

As a result of the implementation of OODS and the decrease of the relative importance of the public sector in the 1980s, the development disparities among the regions have increased and deindustrialisation and recession have taken place in many regions and provinces (Tekeli, 2004, Eser, 2004)². However, during that time, some urban centres, defined as the new industrial districts (NIDs) have begun to industrialise rapidly and become prominent. Despite the failure of the top-down regional development policies of the state, which have been mainly implemented since 1960s, the NIDs, which have simultaneously emerged as industrial centres in various parts of the country are considered important for the spread of industry and development all over the country (Özcan, 1995; 1997; Eraydın, 2002). The bottom-up development model of the NIDs have replaced with the former approaches of Perrouxian top-down growth poles creation policy.

After the 1980s, the spatial distribution of industry in Turkey has changed in accordance with the changes in the world economy. In table 2, prepared to display the spatial breakdown of the manufacturing industry in the OODS period following the 1980s, the provinces are analysed in four groups. The changes in the economic and industrial structures of four provincial groups between 1980 and 2000 are analysed within the framework of manufacturing industry establishments (*MIEs*), manufacturing industry employment (*MIEMP*), manufacturing industry value added (*MIVA*) and GDP indicators. The first group is composed of four large cities namely İstanbul, İzmir, Ankara and Adana. The industry has historically concentrated in these four provinces and they are commonly defined as traditional regional centres (*TRCs*). The second group includes seven hinterland provinces (*HPs*) namely Kocaeli, Sakarya, Bursa, Tekirdağ, Kırklareli, Manisa and İçel, which have entered the development process with decentralised

² There is a consensus stating that the OODS period, based on neo-liberal policies has resulted in increasing regional inequalities. Some scholars have shown this tendency with quantitative data (Mutlu, 1991; 1989; Akdede and Erdal, 2004; Demir and Yiğidim, 2004).

industry from the TRCs. The third group consists of 2 provinces namely Zonguldak and Kırıkkale, which have entirely developed on a basis of state economic enterprises (*SEEPs*). Finally, in the fourth group, there are 5 provinces, which are Denizli, Gaziantep, Kayseri, Çorum and Kahramanmaraş, which are defined as NIDs within the framework of the definition that was mentioned previously.

First of all, it should be stated that “NIDs” are defined in different ways in the literature and there is no consensus regarding the definition of NIDs and their features. The specialisation of NIDs in various sectors, which has been exemplified from different regions of countries on different development levels, and their possession of different raw material and market resources, technological hardware, local and national support institutions, and local and national regulation modes, in the general sense, naturally makes it difficult to develop a commonly agreeable definition and to reach an agreement on its recognizable features. On the other hand, the need to define and differentiate NIDs has become a necessity for analysis. Because of this reason, the five NIDs, analysed in this paper, have been defined within the framework of the following criteria. The NIDs; (1) should not be the hinterland of any TRCs and should be developed using their own local entrepreneurs and resources, instead of decentralised non-local entrepreneurs and capital from other regions, (2) should display a successful growth performance in terms of industrial indicators in the OODS period after 1980, (3) should be specialised in particular sectors on the basis of SMEs, and (4) should be oriented towards foreign markets and have higher export performance.

Table 2. Spatial Distribution of Manufacturing Industry in the OODS Period After 1980

Provincial Groups	Years	MIEs	MIEMP	MIVA	GDP
TRCs	1980	63.71	50.39	47.70	38.4
	1990	60.09	48.28	47.73	39.8
	2000	50.67	42.96	43.16	40.7
HPs	1980	11.80	15.59	28.18	15.3
	1990	13.53	19.61	30.50	16.9
	2000	19.36	25.03	32.35	17.2
SEEPs	1980	1.29	3.23	4.28	-
	1990	1.01	3.25	3.55	2.1
	2000	0.59	1.38	2.87	1.3
NIDs	1980	4.98	4.23	2.74	5.6
	1990	5.04	5.05	2.73	6.2
	2000	9.06	9.19	5.79	5.8
Other Provinces	1980	18.23	26.58	17.10	-
	1990	20.32	23.79	15.49	35.0
	2000	20.32	21.44	15.83	35.0
Turkey	1980-2000	100	100	100	100

(1) TRCs: Traditional Regional Centres (4 Provinces); HPs: Hinterland Provinces (7 Provinces); SEEPs: State Economic Enterprises Based Provinces (2 provinces); NIDs: New Industrial Districts (5 Provinces)

(2) The manufacturing industry includes workplaces employing 10+ employees.

Source: State Institute of Statistics (SIS) Database.

As seen from the table, the shares of former important industrial centres such as TRCs and SEEPs in the total manufacturing industry values of the country have relatively decreased in terms of all indicators. However, the contribution of the TRCs to GDP has increased during the

period. The only explanation for this trend is the development of service sector activities in TRCs, to the disadvantage of other sectors and the transfer of industry established here to the surrounding provinces. On the other hand, the increase in the industrial indicators of HPs confirms this decentralisation tendency. Additionally, worsening of the industrial indicators of the SEEPs is due to the closing or privatisation of SEEs (Sönmez, 1995). The provinces, which are included in the NIDs group, have increased their shares in all mentioned industrial indicators. The fact that, this growth is not reflected on the GDP, which is the ultimate indicator, may be explained by the recession in other main sectors, such as service and agriculture in NIDs.

Table 2 indicates that four trends related to the spatial distribution of industry in Turkey become dominant within the last two decades. *The first* of these is the rise of the service sector activities in TRCs and the dispersion of industry to the surrounding hinterland provinces. *The second* is the agglomeration of the industry, decentralised from TRCs, in the neighbouring provinces. *The third* is the industrial recession in the SEEPs in which SEEs are dominant. *The fourth* and the most significant is the emergence of NIDS in different regions of country, based on their endogenous potentials specialising in particular sectors. These four trends are analysed below in detail.

4.1. Decentralisation of Manufacturing Industry and The Rise of Service Sector in Traditional Regional Centres

In the beginning of the national development process industrial agglomeration in certain metropolitan cities is a common fact in many developing countries³. It is observed that the large cities, located in the relatively developed parts of the countries, form the most attractive places for the development of industry. Their qualities as agglomeration economies and the intersection points of the transportation economy, give a relative superiority to these centres (Eraydın, 2002; Dinler, 1994; Damalı, 1974). Moreover the market facilities and the advantages in the provision of a labour force (Çapçı, 1975) are other important reasons in the formation of these cities.

The spatial development in Turkey has historically concentrated in the Marmara Region, including İstanbul, which is the national economic capital of Turkey. İzmir and its vicinity in the Aegean region, Adana-İçel axis in the Mediterranean Region, and Ankara in Interior Anatolia, have emerged as other growth poles (Sönmez, 1995; Eraydın, 2002). These four centres, which is defined in this paper as TRCs have maintained their growths in the pre-1980 IODS period, based on industry and service sectors (Özaslan, 2003). However, the dominance of the Marmara Region, with İstanbul as centre, has always been greater among these four cities (Filiztekin and Tunalı, 1998). The GDP share of Marmara Region between 1965-1979 has increased from 30.6 % to 34.6 %. While İstanbul was at the centre of the development in Marmara Region, the industrial sector has claimed the role of a locomotive in the development. In 1965, the share of İstanbul alone in the total MIVA of Turkey is 30.57 % (Bulutay and Ersel, 1965) and 33.36 % in 1975 (Özötün, 1975). In the 1980s, while the key pole position of İstanbul became more evident. İzmir, as the economic centre of the Aegean Region has become a second growth pole following İstanbul (Sönmez, 1995).

An interesting development following the 1980s is the rise of service sector rather than industry, which has contributed to the emergence of the TRCs in the past. On the other hand, although the share of the manufacturing industry in these cities decreased, their roles in controlling and distributing the manufacturing production have increased (Karakurt, 2004a). Although they have a smaller hinterland, TRCs function as centres of planning and control for trade, administration,

³ Some of these metropolitan cities in the emerging or developing countries are Sao Paulo in Brazil, Manila in Philippines, Karachi in Pakistan, Buenos Aires in Argentina and İstanbul in Turkey.

finance, production and service sector activities. While cities such as; New York, London, Tokyo and Paris are shown as examples of the global cities, which are the key decision points of the world economy, a classical example of this type of city in Turkey is İstanbul.

As seen from Table 3, in the OODS period, the contributions of the TRCs to the GDP have increased. However, there has been a relative decrease in their contributions to the total manufacturing industry values. The basic reason for this tendency is the swift rise of the service sector in these areas. Just like many metropolitan cities in other countries, the large cities in Turkey have maintained a rapid development based on high technology manufacturing industries in addition to finance, banking, marketing, trade, and tourism sectors. While these centres withdrew from low value added and labour intensive manufacturing activities, they have mobilised their resources to become centres in the regional scale with manufacturing industry based on high technology and service activities. As seen from Table 3 given below, while the manufacturing industry shares of TRCs declined, their GDP shares have either increased or remained stable.

Table 3. Manufacturing Industry in Traditional Regional Centres

Provinces	Years	MIEs	MIEMP	MIVA	GDP
İstanbul	1980	45.01	30.82	27.59	20.0
	1990	42.40	30.61	27.52	20.7
	2000	31.88	26.64	24.42	22.1
İzmir	1980	9.89	9.26	10.94	8.1
	1990	9.91	9.20	13.34	7.6
	2000	9.19	8.35	11.63	7.6
Adana	1980	2.38	5.03	5.39	3.1
	1990	2.13	4.28	3.97	3.6
	2000	1.95	2.74	2.66	3.0
Ankara	1980	6.43	5.28	3.78	7.2
	1990	5.66	4.20	2.90	7.9
	2000	7.65	5.23	4.45	8.0
Other Provinces	1980	36.29	49.61	52.30	61.6
	1990	39.91	51.72	52.27	60.2
	2000	49.33	57.04	56.84	59.0
Turkey	1980-2000	100	100	100	100

(1) The manufacturing industry includes workplaces employing 10+ employees.

Source: State Institute of Statistics (SIS) Database

Of significance here is that İstanbul, among the cities of metropolitan character has reinforced its function to act as a regional centre based on financial and other service sectors (Eraydın, 2002). While İstanbul continues to decentralise its industrial facilities to its hinterland, it has started to claim the function of a global city, which is dominated by service activities and has become one of the decision-making centre of not only Turkey, but a geographical region covering the Black Sea, the Middle East, the Caucasus, the Balkans and North Africa (Sönmez, 1995). Therefore İstanbul has become the leading Turkish city in terms of interaction with the world economy, serving the international markets and attracting the attention of the international markets, in this sense (Yücel, 1994; Karakurt, 2004a). One of the reasons for the service sector-based development of İstanbul as a global city is that “*the financiers and holdings, which are in relation with the global finance capital are all in İstanbul*” (Sönmez, 1995 p. 16). Moreover, some policies, applied by the administrators of the city, to exploit the potential of the city, have

been effective (Şenlier and Eryılmaz, 2004). The most important alternative to İstanbul in becoming the service centre of the country is İzmir as the centre of Aegean Region. However, in both IODS period before 1980 and in OODS period after 1980, İstanbul with the Marmara Region has constantly increased its share. Other growth poles, İzmir and Adana have maintained their development, while Marmara along with İstanbul in its centre, has widen the gap with all other regions (Sönmez, 1995).

4.2. Industrial Growth in Hinterland Provinces

The second trend is the rapid industrial growth of the HPs by the 1980s. The fast industrialisation was related to the spatial distribution of industry around large cities. Three settlement clusters attract attention, which gained importance in process of dispersion from concentration areas to the close centres (Eraydın, 2002; Özaslan, 2003). These clusters are the following: Kocaeli, Sakarya, Bursa, Tekirdağ and Kırklareli in the hinterland of İstanbul, Manisa, in the hinterland of İzmir and İçel and Hatay in the hinterland of Adana. With the effect of the decentralisation dynamics in TRCs, these provinces have maintained a positive development process (Tekeli, 1992). On the other hand, it can be said that the provinces surrounding Ankara have maintained a development process, which is independent from the industrialisation dynamics in Ankara. Although there is an intensive trend of decentralisation in Ankara, this trend has been within the boundaries of the province rather than out of the province (Şenyapılı and Güvenç, 1991; Tekeli, 1991).

The first and the most significant of these three clusters is located around İstanbul. The development in this location has accelerated due to the demands for new land as a result of the industrial development in İstanbul Metropolitan Region. In the beginning of 1970s, the eastern part of the region has been particularly more attractive for the industry. In the first phase, the industrial establishments, which could not find suitable plots in İstanbul due to external diseconomies, such as high prices for estate have started to settle towards Kocaeli, on the Gebze axis (Mutlu, 1991). While the main sectors, concentrating on this development axis are chemistry and metallurgy, the share of Kocaeli in the total MIVA of Turkey, has increased from 5.69 % in 1965 (Bulutay and Ersel, 1969) to 9.18 % in 1975 (Özötün, 1980). Following the first development in the east, the industrial development has shifted to the west (The Thrace Region) and the firms, which aim to stay close to the İstanbul, have started to choose lands in the axis of Tekirdağ. While the share of Tekirdağ in the MIVA of Turkey was 0.20 % in 1965 (Bulutay and Ersel, 1969), it has increased to 0.51 % in 1975 (Özötün, 1980). Moreover, it has been observed that in the 1970s, Bursa integrated with the İstanbul industry and has started to develop rapidly. Using its historical small scale manufacturing experience and industrial potential, Bursa has constantly increased pace of its development with textile and automotive sectors (Pırnarcıoğlu, 2000). Within the 1965-1975 period, the share of Bursa in Turkey's MIVA has increased from 1.61 % (Bulutay and Ersel, 1969) to 4.53 % (Özötün, 1980). As a result of the industrial growth, the population of the city has displayed a great increase, since the end of the 1970s. The population of Bursa, which was 273,000 in 1970, has increased to 1.2 million in 2000. Since the city could not absorb this population, new settlement areas in the belt of the city, which are especially occupied by middle and upper class people (suburbs), have been formed and therefore the city has grown physically (Karakurt, 2004b). The establishment of one of the first OIEs in Bursa, the construction of the new ones and the policies supporting the local industry have influenced this development.

The second clustering is the industrial developments around İzmir Metropolitan region, which specialized in foodstuffs and textile production. The pace of development in Manisa, Denizli, Afyon, Isparta, Burdur and Muğla was extremely high in the 1970s (Eraydın, 2002). Especially,

Manisa became attractive for the industrialists, who wish to escape from the high estate prices in İzmir (Özcan, 1997). The OIE established in Manisa has speeded up the process.

The third clustering area has taken place around the Adana Metropolitan Region, which has specialised in cotton and textile production. The industrial activities, which had clustered in Adana in the beginning, have started to move towards first Tarsus-İçel axis and then to Hatay. The agriculture potentials, as well as the industry and the most important of all, the presence of a free zone and international ports in İçel and Hatay have increased the development processes (Özaslan, 1996). As a matter of fact İçel and Hatay act as a port for the Eastern and South-eastern Anatolian Regions (Tekeli, 1992).

The fourth cluster is including the provinces of Yozgat, Çankırı, Çorum, Niğde, Nevşehir and Kırşehir located around Ankara. While there were very limited industrial settlements in these provinces before the 1970s, the developments following 1980 point to a very fast industrialisation (Eraydın, 2002). However, the development in these areas has maintained a path, which is independent from Ankara. As stated above, although there is an intensive industrial decentralisation dynamic in Ankara, this trend has been towards the OIEs and SISs around the city centre but not towards other provinces.

As is observable in Table 4, the HPs surrounding the TRCs have displayed significant growth performance following the 1980s. These provinces, which have displayed a fast development performance with the industry dispersed from the neighbouring provinces rather than their own endogenous dynamics, have increased their shares in the GDP of Turkey.

Table 4. Manufacturing Industry in Hinterland Provinces

Provinces	Years	MIEs	MIEMP	MIVA	GDP
Kocaeli	1980	2.61	5.64	14.44	4.0
	1990	3.03	5.42	15.00	4.4
	2000	4.70	5.45	12.97	4.4
Sakarya	1980	0.79	1.28	1.19	1.2
	1990	1.00	1.02	0.66	1.0
	2000	1.39	1.39	1.10	1.1
Tekirdağ	1980	0.71	1.24	1.42	1.1
	1990	1.26	2.20	2.04	1.1
	2000	2.51	4.33	4.20	1.3
Kırklareli	1980	0.42	0.39	0.35	0.6
	1990	0.50	0.74	0.91	0.9
	2000	0.75	1.43	1.34	0.8
Bursa	1980	4.54	4.15	3.50	3.1
	1990	5.04	6.92	5.82	4.0
	2000	6.90	9.13	7.41	4.2
Manisa	1980	1.84	1.31	0.77	2.1
	1990	1.89	2.02	1.83	2.7
	2000	1.75	1.99	2.02	2.8
İçel	1980	0.88	1.57	6.51	3.2
	1990	0.80	1.30	4.24	2.8
	2000	1.37	1.31	3.30	2.6
Other Provinces	1980	88.20	84.41	71.82	84.7
	1990	86.47	80.39	69.50	83.1

	2000	80.64	74.97	67.65	82.5
Turkey	1980-2000	100	100	100	100

(1) The manufacturing industry includes workplaces employing 10+ employees.
Source: State Institute of Statistics (SIS) Database

4.3. Industrial Decline in State Economic Enterprises Based Provinces

One of the basic characteristics of the spatial shifts that occurred in the developed countries following 1970s, is the rapid decline of the Fordist industrial organisations, based on large-scale standard goods production accompanied by the recession of the old industrial regions. The declining provinces in Turkey are the provinces such as Kırıkkale and Zonguldak, which possess a high number of SEEs and which have been experiencing economic and social problems with the diminishing role of the public entrepreneurship. Parallel to the changing role of the state in the process of economic growth, the third trend observed in the geographic distribution of industry, is the decrease in the shares of the provinces, which have been traditionally developed on the basis of SEEs, both in the national manufacturing industry and GDP.

While the private sector enterprises in Turkey are concentrated in TRCs (Mutlu, 1991), SEEs have been distributed relatively balanced across the country (Sönmez, 1995). The regions, in which the SEEs' employment is concentrated are the following: the Black Sea, which contains mining and iron-steel industry, Central Anatolia, including the capital city of Ankara, in which the headquarters of SEEs are located, and relatively underdeveloped regions such as Eastern and South-eastern Anatolia and the Mediterranean. Especially, in underdeveloped regions such as Eastern and South-eastern Anatolia and the Black Sea, the share of the state in MIEMP and MIVA exceeds fifty percent. The state's withdrawal from the economic activities, or in other words "*the state's leaving its lead role*" (Tekeli, 1992), or "*quitting industrial activities*" (Eser, 2004), has yielded consequences, which have increased regional disparities (Sönmez, 1995).

Table 6: Manufacturing Industry in State Economic Enterprises Based Provinces

Provinces	Years	MIEs	MIEMP	MIVA	GDP
Kırıkkale	1980	0.00	0.00	0.00	-
	1990	0.21	0.91	1.88	0.6
	2000	0.13	0.52	2.41	0.5
Zonguldak	1980	1.29	3.23	4.28	2.6
	1990	0.80	2.34	1.67	1.5
	2000	0.47	0.87	0.46	0.8
Other Provinces	1980	98.71	96.77	95.72	97.4
	1990	98.99	96.75	96.45	98.0
	2000	99.41	98.62	97.13	98.4
Turkey	1980-2000	100	100	100	100

(1) The manufacturing industry includes workplaces employing 10 + employees.

(2) Since Kırıkkale was a district of Ankara before 1990, related data could not be found.

Source: State Institute of Statistics (SIS) Database

Table 6 includes two classical provinces namely Zonguldak and Kırıkkale, the economies of which almost entirely depend on SEEs. The main difference of these cities as compared to the others, is the fact that while both of the cities were small villages or town-like settlement units in the beginning of the Republican era, with the SEEs in the mining and iron-steel sector in Zonguldak (Kıray, 1964) and the defence and oil refining sectors in Kırıkkale (Atalay, 1989), the provinces have entered a fast economic growth, urbanisation and social change process.

However, the developments occurring after 1980 have caused recession and decline in these cities.

4.4. The Emergence of New Industrial Districts

The fourth, but the most attractive spatial development tendency experienced in Turkey in the OODS period is the emergence of new industrial districts. In parallel to the developments in the world in the 1970s, the decrease of the role of the state in Turkey in the 1980s have caused the small and medium-sized cities, based on SMEs with high flexibility and entrepreneurship, SME clusters, and inter-firm networks, to acquire competitive advantages. While the SEEPs based on the public entrepreneurship and industrial investments declined, the NIDs have entered into a process of rapid development, relatively independent from the decentralisation trends in the metropolitan areas and from SEEs. In these provinces, which were previously defined as underdeveloped regions until recently, a fast export-based industrialisation process, based on SMEs has been observed and their contributions to the formation of the manufacturing industry of the country has increased dramatically.

The NIDs, which attract the attention of also the press along with the scholars and the practitioners are often described as “*Anatolian Tigers*” with a reference to the fast industrialising countries of Southeast Asia. The main NIDs in the country are the provinces of Denizli, Gaziantep, Çorum, Kayseri and Kahramanmaraş. While the NIDs in Turkey emerge as alternative development paths to TRCs and HPs, they also serve to reduce the inequalities across the regions (Eraydın, 2003; Badur, 1997). These provinces contributed significantly to regional development and became regional centres as recommended to be created in a planned manner with top-down public policy in the 1960s and 1970s.

Table 7: Manufacturing Industry in New Industrial Districts

Provinces	Years	MIEs	MIEMP	MIVA	GDP
Denizli	1980	1.34	0.94	0.61	1.4
	1990	1.12	1.19	0.69	1.4
	2000	3.74	3.61	1.90	1.5
Gaziantep	1980	1.61	0.94	0.41	1.2
	1990	1.32	1.26	0.64	1.8
	2000	2.33	2.21	1.53	1.5
Çorum	1980	0.64	0.27	0.13	0.7
	1990	0.91	0.36	0.13	0.8
	2000	0.78	0.44	0.24	0.7
Kahramanmaraş	1980	0.22	0.25	0.14	1.1
	1990	0.46	0.42	0.22	1.1
	2000	0.60	0.71	0.39	0.9
Kayseri	1980	1.17	1.83	1.45	1.2
	1990	1.23	1.83	1.05	1.1
	2000	1.60	2.22	1.74	1.2
Other Provinces	1980	95.02	95.77	97.26	94.3
	1990	94.96	94.95	97.27	93.9
	2000	90.94	90.81	94.21	93.9
Turkey	1980-2000	100	100	100	100

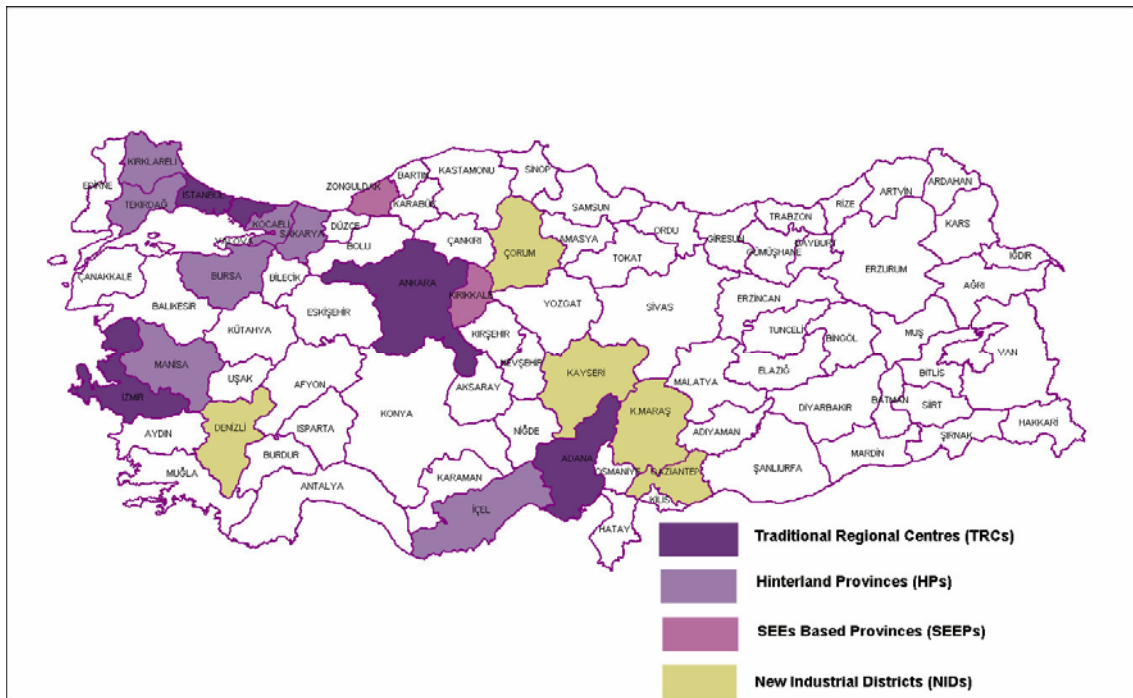
(1) The manufacturing industry includes workplaces employing 10 + employees.

Source: State Institute of Statistics Database

Having examined the shares of the NIDs in MIEs and MIEMP in 1980 and 2000, a rapid increase is observed in almost all provinces (see Table 7). The fact lying beneath this is the specialisation of NIDs in particular sectors or products, permitting small sized enterprises such as textile. On the other hand, although the shares of the NIDs in MIEs have increased compared to other provinces, this increase has not been as much as the one in MIVA. One of the main reasons for relatively low MIVA increase is the search for a competitive power, based on cheap labour (Eraydın, 2002; Kuruç, 1994; Sönmez, 1999; Kepenek, 1999). Another reason is the dominance of SMEs in the NIDs. This situation is also reflected in the GDP, which is the ultimate indicator of performance.

The emergence of the NIDs in Western countries, in Italy in particular, has been related to the “tertiarisation process”, and it has been stated that, the NIDs had diffused all over the country, as local systems of light industrialisation (Sforzi, 1990). It has been stated that these kinds of diffused industrialisation areas, were located next to the Fordist centres (Courlet and Pecqueur, 1981). As it can be seen above, the places developing as a result of the tertiarisation process in Turkey, in connection with the development of the service sector, are located in the vicinity of the TRCs, termed as the hinterland provinces. While these places undergo a process of development with the industry decentralised from TRCs, observable in Map 2, the NIDs in Turkey are spread all over the country and they are located far away from the TRCs, They undergo a process of development, which is independent from these centres.

Map 5.2: New Industrial Districts in Turkey



The emergence of the NIDs in Turkey has been evaluated within the framework of the transition from Fordist production organisations to post-Fordist organisations (Eraydın, 1992; 2002; Buğra, 1998) and they are defined as small and rustic towns, which displayed the ability to utilise the advantages presented by global transformations in developing countries and regions

(Pınarcıoğlu, 2000). This model has been evaluated as the take-off of the Anatolian SMCs (Özcan, 1995; 1997) and as an alternative to the development model based on large cities. The NIDs, are considered as consequences of the structural changes in the world after the 1970s, and in Turkey after the 1980s. For example, according to Eraydın (2002; p.73), “*the first leap in Denizli, Gaziantep and Çorum dates back to 1980s and the fast economic growth had appeared as a result of the mutual interaction between liberal macro-economic policies and local accumulated capacity and the policies nourishing local dynamics*”.

One of the most significant aspects of the emergence of the flexible specialisation model in production organisations is the increase of the importance of SMEs in the economy. Particularly significant is the realisation of a local development process by the NIDs based on SMEs. As can be seen from Table 8 below, important part of the MIEs increases in the NIDs between 1980 and 2000, were realized in SME groups, employing 10-49 and 50-199 employees. This situation displays the integrity of the trends of concentration and transformation into SMEs. Contrary to the increase in the number of MIE in both groups in the NIDs, the shares of the MIEs in groups 10-49 and 50-191 have decreased in other provinces.

Table 8: Distribution of Industrial Enterprises in NIDs According to Size Groups

Provinces	MIEs Groups	1980		1990		2000	
		MIEs	%	MIEs	%	MIEs	%
Denizli	10-49	88	1.34	55	0.95	268	3.84
	50-199	22	1.53	25	1.21	95	3.23
	200+	7	1.02	19	1.83	53	4.41
	Total	117	1.34	99	1.12	416	3.74
Gaziantep	10-49	116	1.76	70	1.21	174	2.50
	50-199	16	1.11	32	1.54	60	2.04
	200+	8	1.17	15	1.45	25	2.08
	Total	140	1.61	117	1.32	259	2.33
Kayseri	10-49	68	1.03	59	1.02	94	1.35
	50-199	19	1.32	29	1.40	58	1.97
	200+	15	2.19	21	2.03	26	2.16
	Total	102	1.17	109	1.23	178	1.60
Çorum	10-49	52	0.79	59	1.02	52	0.75
	50-199	3	0.21	20	0.97	32	1.09
	200+	1	0.15	2	0.19	3	0.25
	Total	56	0.64	81	0.91	87	0.78
K. Maraş	10-49	15	0.23	31	0.54	43	0.62
	50-199	2	0.14	3	0.14	15	0.51
	200+	2	0.29	7	0.68	10	0.83
	Total	19	0.22	41	0.46	68	0.61
Other Provinces	10-49	6247	94.85	5488	95.24	6341	90.95
	50-199	1375	95.69	1963	94.74	2684	91.17
	200+	651	95.18	973	93.83	1085	90.27
	Total	8273	95.02	8424	94.96	10110	90.93
Turkey	10-49	6586	100	5762	100	6972	100
	50-199	1437	100	2072	100	2944	100
	200 +	684	100	1037	100	1202	100
	Total	8707	100	8871	100	11118	100

Source: State Institute of Statistics Database (2004)

Another factor, which distinguishes the NIDs in Turkey from other cities, is the advantage of accumulation they possessed before the OODS period in the period following 1980s, which helps positioning of these provinces in a more advantageous place compared to other provinces in the process of outward orientation (Özaslan, 2004). While the OODS process emphasised particular sectors in the country, the process of sectoral specialisation has increased in the cities defined as NIDs, in particular Denizli and Gaziantep. Just like the NIDs in the Southern Europe and Italy, a local development model based on flexible specialisation, has brought the industrial system in all NIDs to a competitive structure. Despite their differences in articulation to international markets, they have benefited from the advantages of outward orientation as the pioneering provinces in the outward orientation process.

Table 9 shows the distribution of manufacturing industry by the sectors. As seen from the table, after 1980s specialisation tendencies have increased especially in the textile sector and the processes of horizontal integration and flexible specialisation between the SMEs have gained impetus. The specialisation tendencies have been on the sectors such as textiles, foodstuffs and automotive, which have the competitive advantages in industry, has increased (Sönmez, 1995; 1999; Eraydın, 2002). Sectoral specialisation trends have gained impetus on, along with Denizli and Gaziantep, textiles in Kahramanmaraş (Paksoy, 2000), stone and earthenware industry in Çorum (Eraydın, 1997; Badur, 1997), and forestry products and furniture in Kayseri (Özaslan, 2003; Özaslan and Şeftalici, 2003). Along with the sectoral specialisation, the flexible specialization trends based on inter-firm networks, especially in Denizli, has increased (Eraydın, 1992; Pınarcıoğlu, 2000).

Table 9: Sectoral Breakdown of Manufacturing Industry in NIDs

Provinces	Sectors	MIEs			MIEMP			MIVA		
		1980	1990	2000	1980	1990	2000	1980	1990	2000
Denizli	Textile	1.72	1.54	8.37	2.08	2.24	8.43	1.51	1.67	7.82
	Metallurgy	5.08	3.64	5.22	0.67	1.02	2.26	0.26	0.99	2.22
	Earth-Stone	0.67	1.02	2.81	0.33	1.69	3.22	0.05	1.30	2.10
	Chemistry	0.89	0.97	1.86	0.60	0.43	0.89	0.10	0.09	0.37
	Total	1.34	1.12	3.74	0.94	1.19	3.61	0.61	0.69	1.90
G. antep	Textile	2.67	1.71	4.30	2.00	3.00	5.10	1.04	2.16	6.85
	Foodstuffs	1.62	1.64	2.57	0.87	0.96	1.23	0.54	1.20	1.05
	Chemistry	0.89	0.97	1.86	0.60	0.43	0.89	0.10	0.09	0.37
	Paper	0.82	1.17	1.77	0.36	0.53	1.13	0.27	0.13	0.51
	Total	1.61	1.32	2.33	0.94	1.26	2.21	0.41	0.64	1.53
Kayseri	Forestry Prod	0.85	0.63	4.85	0.26	-	19.47	0.05	-	25.11
	Metallurgy	1.42	2.86	2.61	1.46	1.43	1.51	1.87	1.67	4.25
	Metal Tools-Machinery	2.03	2.05	2.43	1.12	2.00	2.59	0.48	0.62	1.27
	Foodstuffs	1.03	1.58	1.76	1.33	1.69	1.10	1.28	0.95	1.03
	Total	1.17	1.23	1.60	1.83	1.83	2.22	1.45	1.05	1.74
Çorum	Earth-Stone	6.38	7.58	5.15	2.64	3.31	2.98	1.34	0.97	0.49
	Metallurgy	0.20	0.52	1.31	-	-	0.18	-	-	0.08
	Foodstuffs	0.49	0.74	0.94	0.15	0.20	0.51	0.18	0.09	0.73
	Metal Tools-Machinery	0.22	0.40	0.46	0.05	0.14	0.25	0.02	0.06	0.14
	Total	0.64	0.91	0.78	0.27	0.36	0.44	0.13	0.13	0.24
K. maraş	Textile	0.18	0.64	1.00	-	0.93	1.57	-	1.02	2.02
	Foodstuffs	0.54	0.95	0.88	0.12	0.64	0.70	0.04	0.34	0.20
	Metallurgy	0.61	0.52	0.52	0.06	-	-	0.01	-	-
	Metal Tools-Machinery	0.09	0.20	0.46	-	0.07	0.16	-	0.03	0.04
	Total	0.22	0.46	0.60	0.25	0.42	0.71	0.14	0.22	0.39
Turkey	Total	100	100	100	100	100	100	100	100	100

Source: State Institute of Statistics Database (2004)

Although the NIDs in Turkey have made a leap after the 1980s, the cornerstones of the industrialisation of these cities have been laid in the past and the current industrial structure has been formed as a result of an accumulation process. Table 5.9 also shows that these cities have a significant portion in Turkey's industrial indicators and had been specialised on certain sectors prior to 1980.

Another factor, distinguishing NIDs from other provinces is their level of outward orientation and their performances in international trade. Since the emergence of the NIDs is related to the globalisation and outward orientation, their performances in international trade gain importance. The export data on the 5 NIDs, including the period between 1995-2001 shows that these cities have achieved considerable success in foreign trade. While the increase in the total exports of Turkey is 50 % between 1995-2001 (see Table 5.10), the exports from Denizli have increased by five fold, in Gaziantep and Kayseri by two fold and Kahramanmaraş by seven folds. Only Çorum, among the NIDs has not shown remarkable performance (Table 5.10).

Table 10: Export Performance of the NIDs (Thousand US Dollar)

Provinces	1995	1996	1997	1998	1999	2000	2001
Denizli	184,864	171,816	228,701	228,893	244,653	269,169	443,485
Gaziantep	199,405	174,324	279,938	319,736	301,940	309,321	384,564
Çorum	20,866	16,333	12,763	20,115	18,132	18,369	18,896
Kayseri	155,118	195,225	216,452	232,707	197,121	234,692	296,304
K.Maraş	18,926	23,169	65,443	90,461	125,507	103,006	134,212
Unknown		310,496	278,282	281,961	301,238	459,525	398,319
Turkey	21.481.929	23,224,465	26,261,072	26,973,978	26,587,225	27,774,906	31,342,035

Source: Undersecretariat of Foreign Trade Database (2003)

5. General Features of the New Industrial Districts in Turkey

The industrial districts in Turkey are located in different parts of the country. The differences in the geographical locations and the intra-regional division of labour have inevitably caused the emergence of different district models. To illustrate, Gaziantep's characteristic as a historical regional centre in which the commercial activities have been concentrated and the characteristic of Denizli as a hinterland of İzmir have caused these two models to display different characteristics (Sanalan et al., 1973; DPT, 1982; Eraydın, 1983; Pamuk, 1998). Similarly while Kayseri has been a commercial and industrial centre since early ages (Ayata, 1991; 1982; Van Velzen, 1978), Çorum and Kahramanmaraş have been defined as relatively less developed provinces (Eraydın, 1997; KTSO, 2003; Görücü and Görücü, 2004). Moreover, although there are common aspects in the evolution of the local development processes, the phases experienced in accordance with the local peculiarities and their current industrial and economic structures, display differences. Along with the differences derived from geographical location, local resources, local socio-cultural structures and relations and the differences in local knowledge and skills yield the present differences in local economies (sectoral specialisation, industrial organisation, exportation structures, etc). All these differences influence their articulation models to the national and international markets and cause an increase in diversity, thus making it difficult to make a definition within the framework of a single model. In short, industrial district models in Turkey display tremendous heterogeneity. The socio-economic and historical dynamics of the well-known industrial districts and their general features have been shortly discussed below.

The leading example to industrial districts of Turkey is *Denizli*. Denizli, located in the Aegean region, may be defined as the specialisation of a province, which was considered as underdeveloped compared to the surrounding developed provinces on the basis of a product (towels-bathrobes) and its orientation to the international markets (Eraydın, 1992; 1998; 2002; Özaslan, 1999). Many factors have played roles in the industrialisation of Denizli. Traditional weaving industry and other artisanal activities have increased the local knowledge and capital accumulation (Cillov, 1949) and this accumulation has formed the core of today's industry in Denizli (Pamuk, 1998; Eroğlu, 1997). The geographic location of the region, the presence of the raw material resources, the behaviours and the attitudes of the entrepreneurs, co-operatives and multi partnership worker companies (MPWCs), agglomeration advantages and incentives are the factors, which contributed to the development of the industry of Denizli (Mutluer, 2004). On the other hand, the state policies have played a significant role in the local development process of Denizli, as well as the local dynamics. Denizli has been taken under the coverage of *Priority Development Areas* in 1973 and has obtained important industrial incentives (Sarica, 1991; 2001; Işık, 2000; Mutluer, 1995). Moreover, the establishment of OIE and provision of cheap industrial plots with infrastructure has encouraged the development of industry (Tapia, 1997; Eraydın, 1998; Pamuk, 1998; Mutluer, 1995; 2004). Again in the 1970s, the MWPCs, established by the workers from Denizli working abroad, have played significant roles in industrialisation (Mutluer, 1997; Özelçi, 2002). Many factors have played a role in the local development process of Denizli. As will be analysed in the following chapters, the local development and districtisation process of Denizli took shape as a result of a process of accumulation, but not as the result of a paradigmatic transformation.

Another industrial district example is *Gaziantep*. The historical development process, inner-region function, and location of Gaziantep are quite different from Denizli. While Denizli was a relatively underdeveloped province of the developed Aegean Region, Gaziantep has functioned as a commercial and industrial centre for the South-eastern Anatolia Region, which has always been underdeveloped (Sanalan et al., 1973; DPT, 1982; Eraydın, 1983; Pamuk, 1998). It can be said that the analogy of '*the cathedral in the desert*' is best suited for Gaziantep. Within this framework, Gaziantep may be defined as the specialisation of a regional centre, which has been relatively more developed compared to the underdeveloped provinces surrounding it on many sectors and its orientation to the markets of the underdeveloped and developing countries (Eraydın, 1998; Özaslan, 1999). The local development process of Gaziantep has also developed in a cumulative process. In this process, the capacity of entrepreneurship based on artisanship and tradesmanship local agricultural potentials, geographical location and regional division of labour together with state supports and the outward orientation process experienced within the past few decades have all played a crucial role.

The third city attracts attention, as an industrial district is *Çorum*. Located on the way between Ankara and Samsun, Çorum, although it is close to Ankara, has followed a path of development, which is totally independent from the decentralisation trends in Ankara. Furthermore, it has displayed a local development performance based on basically endogenous resources. Because of this reason, the local development model of Çorum is evaluated as a bottom-up development, which is far away from statism and it does not contain state investments and is completely based on local entrepreneurs and resources (Badur, 1997). The industry of Çorum, which was transformed from a rural structure to industry, has developed especially in the sectors of bricks and textiles. However, although there are no state economic enterprises in Çorum, the incentives in the 1980s have played an important role in the emergence of Çorum as an industrial district (Badur, 1997). Therefore the province has obtained the chance to make investments on new sectors by increasing its capital accumulation. The local resources, the know-how and capital accumulation, concentrated on certain sectors (Eraydın, 1997) have played an important role in

the development of the industry in Çorum. As a result of the accumulations and experiences obtained during this process, more and more entrepreneurs have established their second and even third factories. On the other hand, inter-firm networks in Çorum are relatively less developed and this handicap inhibits reaching the international markets (Eraydın, 1997). Informal channels (relations of spouses, friends and relatives) are used in the provision of international relations. The immigrant workers of Çorum origin, who work abroad, contribute to the economy of Çorum, positively. It is expected that, the networks formed with the workers abroad will help the province to become an export zone (Dişbudak, 2001).

Another industrial district is *Kahramanmaraş*. While Kahramanmaraş was an underdeveloped province in terms of its economic and social characteristics, with the rapid development in the industry, starting from the beginning of 1980s it has transformed from a traditional agriculture-based structure to an industrialised province (KTSO, 2003; Görücü and Görücü, 2004). In the local economic development process, lead by SMEs, the developments in many sectors, the textile sector in particular, has created an economically dynamic city (Görücü and Görücü, 2004). The main sectors of specialisation of the industry of Kahramanmaraş are textile, metal tools, and machinery (Özaslan and Sabuncu, 2000). The cornerstone of the industry of the province is formed by companies of yarn, weaving, dye, and ready-to-wear clothes (Paksoy, 2000). While there were only three textile factories, including one belonging to state in Kahramanmaraş until 1980, entrepreneurs of Kahramanmaraş have started to benefit from the privileges provided with the inclusion of the province to Priority Development Areas in 1968 (Görücü and Görücü, 2004) and the foreign trade incentives implemented after the 1980s. In the words of Görücü and Görücü (2004) “*by correctly using*” public investments, they have started an industrial leap.

The last industrial district example is *Kayseri*. Although historically possesses an important potential of entrepreneurship, Kayseri was a small industrial city in the past. With its increasing industrial performance especially after 1980s, it has taken its place among the provinces defined as “new industrial districts” (Özcan, 1995; DPT, 2000). Private sector investments, which were established as small enterprises in the import-substitution era following the 1950s, increased both in numbers and in sizes in the 1970s. The sectoral specialisation tendencies in furniture, textiles and metallurgy that have a historical legacy have emerged in the 1980s. The presence of a subcontracting production model and inter-firm cooperation tradition in those sectors (Ayata, 1991; 1982, Özcan, 1995; Van Velzen, 1978) has played a significant role in the industrial growth. One of the most important factors in the success of Kayseri is its historically rich entrepreneurship and industry base, which dates back to the early ages. The lack of fertile agricultural areas around Kayseri has caused the development of the culture of commerce and production on the basis of trade and industry (Hıfzı Nuri, 1922). Therefore, the local socio-cultural structure has developed around the values and norms of artisans (Özaslan, 2003; Özaslan and Şeftalici, 2003). Another important factor in the local development process of Kayseri is the public sector investments made after the foundation of the Republic. In the province, which acquired a railroad and power plant at the end of 1920s, large scale public investments have been established in the same years, which assembled or repaired vehicles such as aircraft and tanks. These investments have contributed to the industrial development after the 1950s, especially in terms of qualified labour, raw material necessary for production, and the development of the subsidiary industries in sectors like metallurgy and textile. Following the 1980s, there has been an increase in the number of the large enterprises belonging to the private sector. An important reason for this is the incentive system implemented after 1985 (Şeftalici, 1994). Moreover, the establishment of organized industrial estates (OIEs) and the grant of priority development areas status to the OIEs within the framework of the incentive system have

caused a rapid increase in the number of large establishments in Kayseri (Özaslan and Şeftalici, 2003).

To sum up, although all the industrial districts in Turkey have increased their development speed in the outward-orientation period after 1980s, they had also displayed a remarkable industrial performance in the past. Moreover, it is observed that every single industrial district example has utilised various historical accumulations in reaching their current structures.

6. Conclusion

The globalisation dynamics and emergence of the new industrial districts have entered the agenda of Turkey with the outward-oriented development strategy implemented as of 1980s. In this paper two main industrialisation strategies namely inward-oriented development strategy (IODS) and outward-oriented development strategy (OODS) were analysed in the context of industrial shifts on the space and emergence of new industrial districts. In addition, the paper focused on the issues of regional disparities and the regional development policies.

In the inward-oriented model, which had been in effect from the 1930s to 1980, expansion of domestic market was regarded as the source of economic growth. While the state economic enterprises served considerably to function in the industrialisation process in this era, the private sector investments have been supported by various state incentives. However, as a result of the negative effects of the oil crises on Turkey in the 1970s, which led to the problems of balance of payment the inward-oriented model was replaced by the outward-oriented model. With the outward-oriented development model, various measures were introduced in accordance with the requirements of market economy and to open up the economy to external competition. As a consequence of this policy shift, the Turkish economy has gained comparative advantage in labour intensive products and a number of new industrial districts based on SMEs have emerged with a quite significant economic performance.

One of the most significant problems of Turkey in both the inward-oriented and outward-oriented eras has been the regional disparities. However, in the era extending from the beginning of the Republic (1923), until the 1960s, basic priority has been given to national development and thus balanced regional development was neglected. In the planned era, starting in the 1960s, some public policies aiming to remove regional disparities were put into place, but the effects of these policies remained limited. With the withdrawal of the state from direct involvement in the production process in the post-1980 era, the regional disparities have further increased.

Although the problem of regional disparities still persists in the macro-geography of the country, considerable changes have emerged in the spatial distribution of the industry as a result of the macro-economic political changes in the 1980s. The first of these is the retreat of the industry in metropolitan cities/ traditional regional centres, due to the rise of the service sector and industrial decentralisation. The second tendency is industrial clustering and industrial growth in the hinterland provinces located around the metropolitan cities, in accordance with external investments (decentralisation). The third is commencement of a process of decline in the state economic enterprises based provinces, which had displayed a trend of development with the state enterprises. The fourth and the most striking tendency is the new industrial districts, which have emerged spontaneously in various regions of Anatolia, based on endogenous factors.

The four main factors, distinguishing the five industrial districts, analysed in this paper from other cities, are as follows: (1) Just like in hinterland provinces, as distinct from extraverted investments and entrepreneurs, the widespread existence of local entrepreneurs and investments, (2) Their successful local development performance in the outward-oriented era, (3)

specialisation in particular sectors and widespread existence of autonomous SMEs in contrast to large vertically organised corporations, and (4) high export performance. Although the five industrial districts in Turkey display differences with respect to these characteristics, each have travelled through different local development paths and the accumulations they have achieved in the past also help to explain their present industrial and economic structures. The short analysis in this chapter displays that the industrial district models in Turkey demonstrate heterogeneity. The districts, which possess different accumulations in the past, have experienced different processes of articulation to the foreign markets in the outward-orientation era. However, each has been able to successfully internalise the global opportunities with local entrepreneurship and stock of knowledge and skills.

The emergence of the new industrial districts has attracted attention in many aspects. The *first* of these is the common belief stating that while the regional disparities across the country increased and the state policies aiming to remove disparities fail, the industrial districts had displayed a development with a bottom-up model. This development occurred without benefiting from the top-down state policies and independent from the decentralisation in the metropolitan centres. This situation has aroused several doubts, concerning the traditional role of the state in industrialisation, economic development and removal of regional disparities. The emergence of the industrial districts has yielded discussions within the framework of the contrasts between the top-down central government and bottom up local dynamics and public and private sectors. The industrial districts are seen as local development examples, based on private sector, which have emerged spontaneously despite deliberately/planned state policies and the private sector and market model has been emphasised. In addition, by considering them as a bottom-up local development model, despite the top-down central government approach, they have been seen as a development model based on local dynamics.

The *second* point of attention is the fact that the new industrial districts developed on the basis of SME clusters have crushed the spatial development trends in Turkey based on metropolitan cities and they have conveyed the development to small and medium sized Anatolian cities. The districts that have followed a development path within the framework of their own endogenous potentials have succeeded in becoming a centre of attraction and have started to serve a significant function in the transfer of development to the less developed Anatolia. By disrupting the unbalanced development tendencies on the national level, emerging around a few growth poles, they have yielded an alternative development tendency against the polarised development tendencies. On one hand, the tendency of the state-supported provinces retreats, on the other hand the direction of the decentralisation dynamics in the metropolitan cities spread towards the relatively developed western regions, instead of “leaping” to Anatolia. This pattern of development in the regions has yielded discussions that inquire as to whether the new industrial districts could be a local and national development model as is the case in other countries.

While the state in Turkey has focused on the top-down policies in the field of development, such as growth poles (the examples could be regarded as SEEPs), regional development plans and priority development areas, the emergence of the industrial districts has increased the significance of the SMEs and the small and medium-sized cities (SMCs) and bottom-up development policies, based on these have been brought on to the agenda. The basic reasons for this could be summarised as follows: (1) the failure of the top-down development policies of the state and the increase in the regional disparities, (2) decreasing state allocations for regional development, and (3) the failure of the state in implementing region-specific policies, since it possesses a hierarchical and bureaucratic structure. All these reasons have yielded attention on the issues concerning what kind of a development model was followed by the districts and if this model is applicable for other territories.

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