

ANATOLIAN TIGERS:  
LOCAL ADAPTABILITY TO GLOBAL COMPETITIVENESS IN KAYSERI

by

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## ABSTRACT

This study aims to analyze the post-1980 export-oriented industrialization story of the leading provinces of Anatolia, the commonly called “Anatolian Tigers”, by focusing firstly on the Turkish manufacturing industry data with references to the impacts of the changing global economics and local adaptation to the liberal system; second, particularly through concentrating on the socio-economic institutional aspects of the development in Kayseri, a typical Central Anatolian rapid industrialized province.

A relative adaptation in particularly labor-intensive sectors of manufacturing industry regardless from state supports into the global market economies is observed in Denizli, Gaziantep, Kahramanmaraş, Kayseri, Konya ve Malatya that classified as Anatolian Tigers. The local institutions in Kayseri provided a ground to benefit from the advantages of flexible production models underlining the prominence of SME prevalently seen in Anatolian manufacturing firms. The manufacturing firms in Kayseri benefited from networks arising from the social ties seen in traditional relations, and from the localities of public and private institutions while at the same time modeling Asian Tigers cost reduction methods. In this regard, the sociological aspects of the Anatolian family and organizational firm structure and institutional assets of the provinces fitted to the conditions of international trade and the changes in organizational structure in international division of labor. Thus, the subject refers to an articulation of the local into global, and also the fit between the traditional societies and the competitive global economy.

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Bu çalışma öncelikle yeni dünya ekonomisine ve buna bağlı olarak ortaya çıkan uluslararası liberal piyasa modellerine yerelde verilen tepkileri ve adaptasyon sürecini dikkate alarak Türkiye İmalat Sanayii verileri üzerinden “Anadolu Kaplanları” olarak bilinen 1980 sonrası ihracata dayalı büyümede aşama kaydetmiş ve sanayileşme yolunda ilerlemiş Anadolu illerini ve özelliklerini belirlemeyi, ikinci olarak da bu süreçlerin sosyo-iktisadi ve kurumsal yönlerini anlamak için Orta Anadolu'da bahsedilen hızlı sanayileşmenin tipik bir örneğini teşkil eden Kayseri üzerine yoğunlaşmayı amaç edinmiştir.

Denizli, Gaziantep, Kahramanmaraş, Kayseri, Konya ve Malatya olarak sınıflandırılan Anadolu Kaplanları özellikle imalat sanayiinin emek yoğun sektörlerinde, devlet desteğinden bağımsız, daha çok kendi dinamiklerine dayanan ve 1980 sonrası liberal piyasa sistemine geçiş ile ortaya çıkan göreceli bir adaptasyon başarmışlardır. Kayseri örneğinde yerel kurumların ve Anadolu'daki yaygın Küçük ve Orta ölçekli işletmeciliğin Esnek Üretim Modelleriyle uyumu gözler önüne serilmiştir. Kayseri imalat sanayii firmaları geleneksel toplumsal ilişki ağları ve kamusal ve özel kurumlardaki yerellik unsurları ile değişen rekabet koşullarına uyum sağlamışlardır. Konu yerelin küresele olan eklemlenmesi ve geleneksel toplumlardaki sosyal ilişkilerin rekabetçi piyasa ekonomisinde iletişim ve dönüşüm ağlarını artırmadaki artan etkisini göstermektedir.

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## ABBREVIATIONS

ISI	Import Substitution industrialization
MUSIAD	Independent Industrialists and Businessmen's Association
CBRT	Central Bank of Republic of Turkey
CU	Customs Union
EU	European Union
EFTA	European Free Trade Association
GNP	Gross National Product
SME	Small and Medium-Scale Enterprise
KOSGEB	Small and Medium-Size Enterprises' Devevelopment and Support Institute
YTL	New Turkish Lira
AT	Anatolian Tigers
SEE	State Economic Enterprises
TurkStat	Turkish Statistics Institute
CIBE	Census of Industry and Business Establishments
ASMI	Annual Surveys of Manufacturing Industries
USD	United States Dollars
R&D	Research and Development
UCTEA	Union of Chambers of Turkish Engineers and Artichitects
TIP	Tradionally Industrialized Provinces
SIP	Secondary Industrial Provinces
VA	Value Added
VAT	Value Added Taxes
TFP	Total Factor Production
OECD	Organization for Economic Cooperation and Development
G8	Group of Eight Industrialized Countries
ISO	Istanbul Chambers of Industry
FDI	Foreign Direct Investments
BEST	Report Business Environment Simplification Task Force Report
KAYSO	Kayseri Chamber of Industry
OIZ	Organized Industry Zone

## PREFACE

“Think globally, act locally.”<sup>1</sup>

The most vital contribution of a social scientist is to find explanations about understanding society by establishing significant causality relations among the social facts. To be in pursuit of the causes and effects, to inquire into the factors determining an event, even when there exists a chicken- egg relation between two facts are respected endeavors that put us one step forward in our understanding on society. In this regard, while the world and the societies transform from one phase towards another, the area of interests of the academics also changes in the same way. Likewise, the socio-economic and cultural changes seen in globalized world through the rapid diffusion of goods and the rise in trade volume, and adaptation processes to the liberal policies throughout the world. The regional, national and local movements that have emerged in response to the new order of the global system have been the focus given attention by several academics in recent studies, seeking to understand the transformations and developments involving society, and why and how those facts emerged.

Turkey exemplified both of these trends in its transformation in the 1980s. As Turkey did not remained outside of the global trends, the global integration and the local sociological and economic responses occurred in accordance with the transformation. Thus, certain academics in Turkey also have concentrated on subjects such as Turkey’s adaptation to the liberal market and the evolution towards and the consequences of the

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<sup>1</sup> David Brower, 1969, a slogan for Friends of the Earth, available [online] at: [www.foe.co.uk](http://www.foe.co.uk)

liberal market and likewise, the fact that the strength of Islam related political debates and peripheral references to the discussions regarding the Turkish political atmosphere.

Academics from each discipline began to question why and how political Islam found the grounds to flourish and how it achieved it. Among several explanations on the issue, Şerif Mardin puts the centre-periphery relation in Turkey as the basic division axis, Anatolian capital, the so-called Tigers, became the driving force for the periphery, or the representatives of the rising of this class in Anatolian. In this regard, Anatolian capital, expressing the rising economic performance of certain classes in international markets and their articulation to the world economic system and its role in the creation of counter elites, are worth particular attention. The appealing part of the subject is that the case represents a transformation which has direct correspondence in the Turkish economic and political environment. It is chicken-egg relation in the local-global dimension prompts questions regarding the sociological structure in Anatolia.

One other point I found valuable is that the story of Anatolian Tigers (*Anadolu Kaplanları*) does not give an external explanation to the change in Anatolia, unlike many argumentations discussing the reasons for the bleeding of the center to explain the strengthening of the periphery. Instead, the subject proposes an internal way of explaining the rapid transformation by highlighting the roles of the actors of Anatolia in rapid industrialization resembling to a self-pertaining story. Therefore, leaving aside the socio-economic even political explanations, drawing external factors for the increasing role of Anatolian industrialization in Turkish politics, attributing to the dissatisfaction of the society to the existing systems, I focused on the second part of the question where the internal changes in Anatolia occurred. Since, so far, very few academic studies examined the subject, this study primarily aims to analyze the industrialization story of

the leading provinces of Anatolia, commonly called the “Anatolian Tigers”, by focusing particularly on the Turkish manufacturing industry with references to the impacts of the changing global economics. From the global perspective, the subject refers to the articulation of the local to the global, the remarkable fit between the traditional institutions of Anatolian culture and the conditions of global competitiveness that gave rise to the collective efficiency at the cultural level.

As the comprehensiveness of the subject became clearer in the research process, the scope of the study had to be narrowed down with the explanations for the rise of Anatolian economies, first though concentrating on one province, Kayseri. One aspect of the economic performance lies in the socio-institutional structure of the province. Thus, the main argumentation of the study rests on the compatibility of the Anatolian socio-economic environment and socio-institutions with the global market conditions where competitiveness became the first rule of the game. Furthermore, the study seeks to explain the causality of sociological settings in Kayseri, or in Anatolia, and economic performance. How the sociological structure of the Anatolian family, organizational firm structure and institutional assets of the provinces fit the conditions of international trade and the changes in the organizational structure in firms in the flexibility framework are two of my concerns throughout the study.

To begin I need to make a comment on the usage of the phrase “Anatolian Tigers” which causes confusions. A number of studies use the term as equivalent to “green/Islamic”<sup>2</sup> capital corresponding to specific firms, while some others view the

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<sup>2</sup> See the articles of Kemal Can. “Yeşil Sermaye Laik Sisteme Ne yaptı?” *Birikim* 99 (1997) p.59-65; Ömer, Demir, Mustafa Acar and Metin Toprak. *Anatolian Tigers or Islamic Capital: Prospects and Challenge. Middle Eastern Studies*, 40:6, 2004, pp. 166 -188

notion at the provincial level.<sup>3</sup> For an accurate analysis of the socio-economic transformation experienced in Anatolia, following the second group, in this study the term is drawn with a broader definition is given for the Anatolian provinces in which the striking economic performance was observed after the 1980s, and based on the provincial data.

Furthermore, the term “tiger” is an analogy indicating the similarities of Anatolian industrialization to the experiences of Taiwan, South Korea, Singapore, and Hong Kong known as the Asian Tigers, where the export-driven model of economic development, with the exportation of manufacturing goods has succeeded. Due to the factors in the rise of Anatolian firms as labor intensive, flexible producers with rising export-levels, and their role in integration to the global economy, there is a resemblance to the case of the Asian Tigers. Both the studies analyzing these Anatolian firms, and the provinces in which these firms are located in define them as “Anatolian Tigers.”<sup>4</sup> Therefore, this thesis examines the regional integration of those Anatolian provinces under open economic conditions with the economic impacts of globalization. In this scheme, as the word “tiger” is underlined, I also will ask whether the firms in the Anatolian manufacturing sector can be evaluated as a driving force for Turkish industrialization and development in the context of the export-led growth policies of the last three decades. The resemblance of Asian and Anatolian development also has the characteristics of local resurgence on the basis of traditional social ties and networks, which orient us to the flexibility literature and the sociological analyses on the Anatolia.

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<sup>3</sup> Ahmet Köse and Ahmet Öncü, "Dünya ve Türkiye Ekonomisinde Anadolu İmalat Sanayii: Zenginleşmenin mi Yoksa Yoksullaşmanın mı Esisindeyiz," *Toplum ve Bilim*, 77 (Summer 1998), 135-158.

<sup>4</sup> Newspapers also refer to them as “Anatolian Lions”

The thesis is organized in three chapters. The first chapter of the thesis presents a detailed overview of the macro and micro level changes in the global economy and its reflections in Turkey. Following an explanation of Turkish liberalization, the export-led growth and global impacts on manufacturing in Turkey are scrutinized and global theories regarding the subject are briefly addressed. In this framework, the incorporation of internationalization and localization conceptualized in “glocalization,” the transition from Fordism towards Post-Fordism as a response to global competitiveness and interpretations of Post-Fordist production models and the concepts of the flexible specialization in small-scale industries are discussed.

In the second chapter of the thesis, due to the key importance of Small Medium Enterprises (SME) in the organizational formations of Anatolian Tigers, the characteristics of SME in Turkey are examined. This analysis is significant since the theories of Post-Fordism presented at the end of the first chapter highlight the importance of SME as a unit of flexibility to enable adaptation to global competitiveness. However, before that, the socio-historical dynamics in which the Anatolian Tigers emerged is narrated briefly. As I suggest the term “Anatolian Tigers” in its provincial usage, the second chapter of the study presents economic applications for Turkish provinces using manufacturing data reported by TurkStat. In this part, the relatively developed 19 provinces of Turkey are classified in three categories in terms of their industrialization levels and geographic positions and the comparative analyses of their developments are analyzed. These three categories are Traditional Industrialized Provinces (TIP), Secondary Industrialized Provinces (SIP) and the Anatolian Tigers (AT), each of which different characteristics. After a structural analysis on Small and Medium-sized Entrepreneurs (SME) in manufacturing industry, the overlapping features of those firms and the Anatolian Tigers are sought. It might be

thought that institutional and organizational changes are required to maintain the export drive for the regional integration of those provinces. However, it has become clear that these social groups in Anatolia have been able to benefit from the integration to the world capitalist system historically. Indeed, they feed themselves from the emergence of a liberal and open market environment during the 1990s.

The observed local resurgence and the micro theories underlined throughout the study stress that a study of the Anatolian Tigers also necessitates an analysis of the anthropological aspects of the locality and the perception of entrepreneurship in the Anatolian family. Some further arguments such as, “the life in Anatolian cities has led to the emergence of an industrial centers” and “the traditional Islamic way of thinking in those cities demonstrates that Islam and capitalism live together,” or the claims of the presence of a “collective efficiency”<sup>5</sup> arising from social ties in family, kin and traditional relations and providing networking are notions worth considering in order to expand our interpretation of the Anatolian Tigers. Therefore, the third chapter broadens the scope of the study in a more socio-cultural level. A case study from Kayseri, a typical province of Central Anatolia is presented in the third chapter with its path-dependent institutions, networking of social relations and the clustering of firms. The organizations of local institutions and industrialists are examined in this context using local sources and interviews with local industrialist, and local officials. Furthermore, the documentation and data obtained from the Kayseri Chamber of Industry and KOSGEB-Kayseri address the peculiar characteristics of the Anatolian provinces. Within this framework, the competitive advantage of the small and medium-scale firms of Anatolia, commonly family enterprises, in the international market are analyzed.

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<sup>5</sup> European Stability Initiative, Islamic Calvinists, Report, 2005

The reasons why Kayseri is the focus of the detailed analysis are many fold. First of all, geographically Kayseri located at the heart of Central Anatolia and has one of the most striking economic performances amongst the Anatolian Tigers. Historically, it has always been known for its tradesmen, market orientation and its entrepreneurial skills. This made it ideally suited as a subject of a sociological analysis of global fit. Kayseri, in addition to its leading role and success in exports, is an archetype of the Anatolian Tigers with its typical pious businessmen, which has given a rise to the term “Islamic Calvinists” that many popular publications use. In this regards, as in many Anatolian provinces, Islamic-rooted parties have been in local government in Kayseri for almost twenty years. On the other hand, among the other Anatolian Tigers, Kayseri came to the front of rapid industrialization with its sectoral variety.

Kayseri achieves local collectivity on the basis of an individual entrepreneurship culture that allows SME to expand and provide flexibility whereas Konya, in the beginning, launched its industrialization in the hands of shareholdings. The analysis indicates that localities matter more than they do in matters for SMEs than in larger firms. Networking relations arising from the localities as family and social institutions as well as private institutions in Kayseri are the most important factors in local development which has done a considerable amount to achieve collective efficiency and flexibility of networking. Thus, in our analysis on social networks, SME and family enterprises are the key to the elements establishing the link between the global system and the traditional or “conservative” society as we define the “fit”.

The final chapter provides a brief summary of the main arguments put forward in the previous chapters and the answers to the questions dealt with throughout the thesis. Finally the appendixes section follows the conclusion part and in A, an interviewee list and in B,



the data sheet for Anatolian provinces are presented. Since, detailed analysis of provinces other than Kayseri which we regard as Anatolian Tigers in the second chapter, is beyond the scope of our study, the related statistical data obtained from TurkStat and applied to the graphs on these provinces are included in the appendix for the readers who are eager to examine absolute numbers. The data given in those pages were collected by TurkStat and used throughout the economic analysis in the study. Nevertheless, for Kayseri, I also benefited from the data provided by the Chambers and KOSGEB.

Very few studies are concentrated on Anatolian Tigers. In this study I explain how the Anatolian cities have adapted to the shifts in world macroeconomic development seen in international trade and draw attention to the flexibility notion from the local-global dimensions in the institutional and sociological references. This study is a first step towards a broad concept that needs to be scrutinized in terms of its political and social economic consequences. The connections between businessmen in the Anatolian provinces with MUSIAD, the common pro-liberal, pro-market and “moderate Islamic” political economic discourses of this organization and the ruling party of Turkey, the AKP, in the context of the Anatolian Tigers are beyond the scope of this study. Further analysis on these aspects, the political connections and the political Islam related interpretations, where the most of the discussion in popular literature lies, is mainly left outside of the framework of this thesis due to the necessity of the priority to explain the economic factors behind the fact.

## CHAPTER ONE

### TURKISH INDUSTRIALIZATION AFTER LIBERALIZATION

#### Globalization

During the last decades of the twentieth century, the world economy witnessed a new trend named “globalization.” A dramatic increase in the quantity and volume of trade and foreign investments occurred in international trade.<sup>1</sup> As illustrated by Iván Berend, increases in “economic interactions between countries, trade, investments, establishment of subsidies, and a new type of division of labor” were the aspects of globalization.

At that time, with the help of innovations in transportation and communication, total international trade volume expanded enormously. The index<sup>2</sup> reached from 9 in 1950 to 53 in 1973, and 196 in 2000. In this circumstance, competitiveness all around the world in each sector of the economy became a certain way for every country.

In reality, globalization is a process of restructuring on all political, economic, social and cultural fronts. Although all these dimensions operate

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<sup>1</sup> A similar trend is also observed in the nineteenth century. Berend points out the disparity of the “new” globalization from the previous one by referring quantitative change in the interactions, and qualitative change in international division of labor. Iván Berend. *An Economic History of Twentieth-century Europe: Economic Regimes from Laissez-faire to Globalization* (New York : Cambridge University Press, 2006), p.264

<sup>2</sup> International Trade volume Index, 1990=100, World Trade Organization Statistics, 2001

Anatolian Tigers the same time, the definition in terms of the emphasis on economic transformation involves the transnational processes of the internationalization of trade, production technology, finance and social life as a worldwide process of integration of national markets. In general, for relatively less economically developed countries such as Turkey, the initial meaning of the term globalization symbolizes the process of integration into the world economy. Therefore, Turkey's further integration into the world economy and its efforts for competitiveness in the world markets should also be regarded within the context of increasing globalization.

### Liberal Policies in Turkish Economy and Export-Led Growth

From the beginning of the Turkish Republic, industrialization and self-sustainability of industrial goods has been an absolute target for the Turkish governments. To reach this goal, different policies have been adopted. At first, the Turkish state aimed to create its own bourgeoisie by granting incentives to industrial firms (1923-1929).<sup>3</sup> Then, in the 1930s the idea of state capitalism had been adopted as a way of industrialization. After the Second World War, Turkish governments embraced outward-oriented policies. Indeed, these shifts in the policies of Turkish industrialization were directly associated to the trends in world economy. Likewise, the main economic development strategy of Turkey in the 1960s and 1970s which centered on import-substitution model (ISI), was the case in many developing economies of the world in that era. Under ISI, foreign trade was under heavy protection with quantitative restrictions along with a fixed exchange rate regime.

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<sup>3</sup> For a detailed categorization for Turkish industrialization processes, see Korkut Boratav. *Türkiye İktisat Tarihi 1908-2002* (İstanbul: İmge 2003); Yakup Kepenek and Nurhan Yentürk. *Türkiye Ekonomisi* (İstanbul: Remzi Kitabevi, 2001)

Therefore, immense public investment programs to expand the domestic production capacity in heavy manufacturing characterized the period. This model aimed at sustainability and for this goal it was crucial to produce all import-goods domestically. Raw materials imported for domestic production were used by the large firms in Istanbul, in the northwest corner of the country and Ankara, since the incentives granted by governments for ISI purpose generally served these relatively developed regions. The industrial elites dependent on the government for the incentives, subsidies and protection also characterize this era.

However, the global economic conditions of the 1970s made the cost of imported raw materials extremely high and a new global world was formed in which the flow of goods became much more rapid. As a result, the economic policies in Turkey went well with the demands of the emerging era of globalization.

The effects of the globalization and the prevalence of the capital account crisis in Turkey at the end of the 1970s forced governments to open up the economy to the world markets from the 1980s. This was a transformation from the nationalistic Import Substituting Industrialization (ISI) policies towards a new interpretation of developmentalism in favor of neo-liberal policies and more export-oriented policies. For this transformation, throughout the 1980s, to replace a state system with a market system through the opening of the economy, the restructuring of public expenditure priorities, the liberalization of the financial sector, privatization and deregulation were implemented. The reform process started with the introduction of the January 24 Program for the liberalization of the foreign trade regime and continued with the liberalization of the financial sector, and lastly of capital accounts during the late 1989.

Although the stabilization policy introduced on 24 January 1980 has been long debated, it should be noted that the essence of the package was to establish and strengthen the free market economy. For Zulkuf Aydin<sup>4</sup>, despite its immediate intention to solve foreign currency problem of the crises, the Structural Adjustment Program was to introduce structural transformation measures to integrate the economy into the world capitalist economy. For this purpose, priority was given to the design of a program which would lead to export-oriented industrialization. Subsequently, foreign trade and foreign exchange system were liberalized and other fiscal and monetary measures were also adopted.

According to a report by CBRT<sup>5</sup>, there were five main policies to expand export incentives after 1980. The governments' first policy was to achieve a real depreciation trend. After 1988, the Central Bank slowed down the rate of depreciation of the Lira. Second, direct payments were made to exporters. Direct payments were provided through tax rebates and cash payments from extra budgetary funds. In addition, increased import liberalization served as a stimulus to exports by providing cheaper imported raw materials –inputs- in a competitive environment. Third, preferential and subsidized export credits were provided. The Export Promotion Fund, the Central Bank, the Turkish Development Bank and Turk Eximbank provided subsidized export credits. For these credits, rediscount rates for exporters were kept below the commercial interest rates. Fourth, tax exemptions were provided on imported inputs. Imported goods, which are used as input in the production of export goods, were exempted from import taxes. Therefore, while the export sector was growing, tax exemptions increased gradually. Last, corporate tax

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<sup>4</sup> Zulkuf Aydin. *The Political Economy of Turkey*. (London; Ann Arbor: Pluto Press, 2005), p.44

<sup>5</sup> CBRT, "The Impact of Globalization on Turkey", May 2002,

allowances were provided. As the volume of exports increased, it is estimated that tax allowances increased over time.

In addition to export incentives and subsidies, the Free Trade Zones Law was issued in 1985 for the purpose of increasing export-oriented investment and production. The Mersin and Antalya free zones became operational in 1988, the Aegean and Istanbul Atatürk Airport free zones in 1990, the Trabzon free zone in 1992 and in the Eastern Anatolia with the Mardin and East Anatolian free zones since October 1995. In addition, Turkey has been a member of World Export Processing Zones Association since 1991.<sup>6</sup>

Consequently, total export subsidies as a percentage of the value of total manufactured exports increased between 1980 and 1984, and then decreased gradually as the export sector became more self-sufficient over time.<sup>7</sup> In addition, the subsidies were differentiated by sectors. In particular, tax rebates were the highest for skill-sensitive investment goods, and below average for labor and resource intensive consumer goods in manufacturing.

As a result, exports rose from 2.9 billion US dollars in 1980 to 11.8 billion US dollars in 1989 in annual terms.<sup>8</sup> The composition of exports changed considerably within the same period, the share of industrial products in total exports rose from 36 percent to 78 percent.<sup>9</sup>

In the 1990s as real labor costs increased the rate of the depreciation of the Lira slowed, the growth in exports dropped compared with the 1980s. The most

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<sup>6</sup> Undersecretaries of Foreign Trade, “Türkiye’de İhracat”, Available [online] at: <http://www.dtm.gov.tr> [10 December 2007]

<sup>7</sup> Ibid, p.5.

<sup>8</sup> Ibid, p.4.

<sup>9</sup> Ibid, p.5.

important change in the trade regime in Turkey throughout the 1990s was initiated by the Customs Union (CU) between the EU and Turkey, which came into effect on January 1, 1996. Turkey agreed to eliminate all the duties and MHF (Merchants Haulage fees) charges imposed on EU and EFTA products, as well as all the quantitative restrictions and impose common customs duties for the third countries. However, following the CU decision, Turkish exports to the EU did not increase substantially. One reason for this was that the EU had already removed tariffs on imports from Turkey. Therefore, the export to the EU-output ratio had increased to some extent in the early 1990s. However, the increased import penetration in this process forced local firms to take measures in order to compete with imports. As shown below, the result was increased productivity and increased competitiveness potential, especially in medium-technology industries like motor vehicles, consumer durables and consumer electronics.

As a result of all these new policies, the export level in Turkey after the 1960 is presented in the graph below that the exports-line takes-off beginning from the 1980 and the speed of this trend accelerates in the 2000s.

Annual Exports of Turkey, 1960-2007

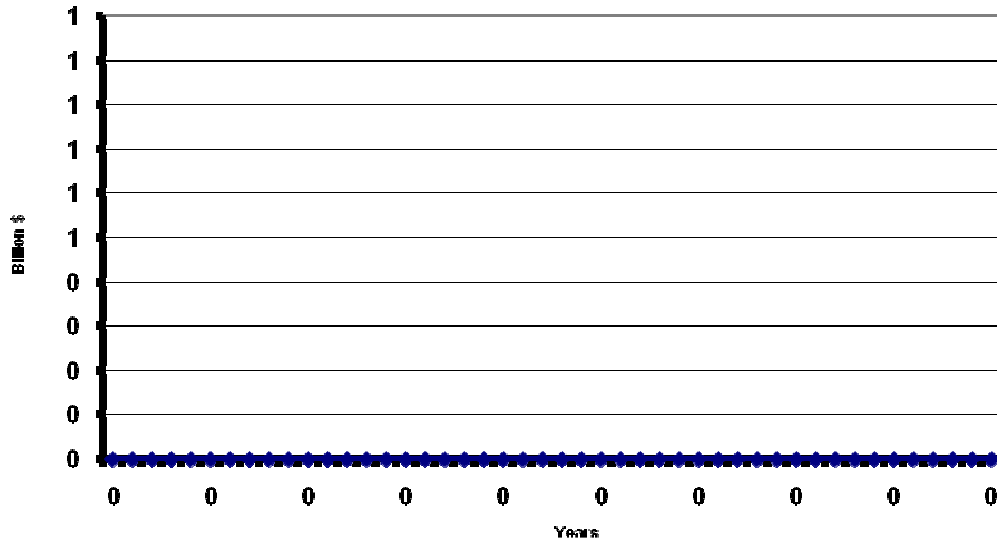


Figure 1: Annual Exports of Turkey, 1980-2007

Source: Undersecretary of Foreign Trade, available [online] at: [www.dtm.gov.tr](http://www.dtm.gov.tr)

As an indicator of the international openness of the economy, a significant improvement in the share of exports as percentage in the GNP can be observed in the Figure 2. In 2006, this share rose to almost 25% of the GNP that indicates the outward-orientation of the Turkish economy.



Figure 2: The Share of Exports in GNP (%), 1960-2007

Source: TurkStat



As usual in a developing country, the Turkish data also justify that the share of agriculture in the GNP decreased steadily while the share of industry increased. (See Figure 3) Since the beginning of the 1980s, the share of agriculture in the GNP has continued its downward trend steadily, while the share of industry, mainly manufacturing, has displayed an upward trend. The speed of change has increased with outward-oriented industrialization. Therefore, the question “What was the role of industry and industrialization in the increases in exports?” comes to the mind.

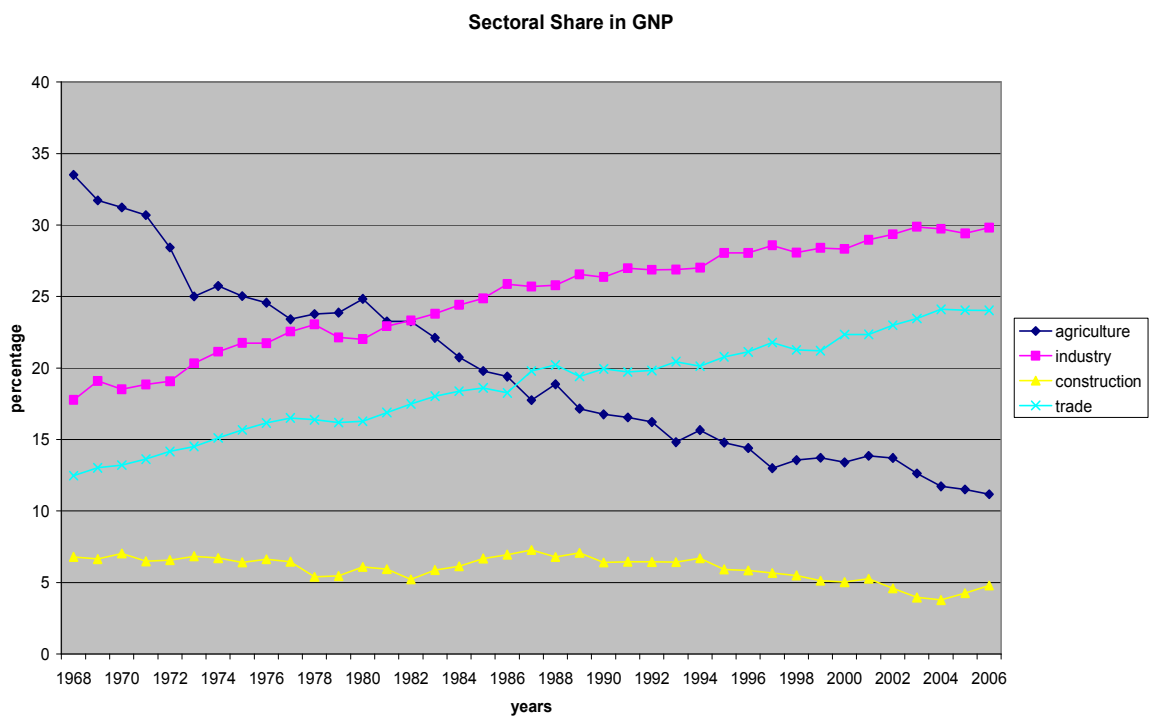


Figure 3: Sectoral Share in GNP, 1968-2005

Source: TurkStat

When the sectoral shares in the GNP are observed, the steadily increase in industry achieved particularly with the exportable production of manufacturing industry, is highly remarkable. Since the rising Anatolian Tigers are also scrutinized

in this context, in the following section our study will examine on the manufacturing industry in Turkey.

## Turkey's Manufacturing Industry after the 1980s

The structural changes in the 1980s and onward in the Turkish economy had direct results in export levels that also indicate the transformation of the Turkish manufacturing industry. Drawing this scheme would help to generate an accurate setting in which the Anatolian Tigers emerged.

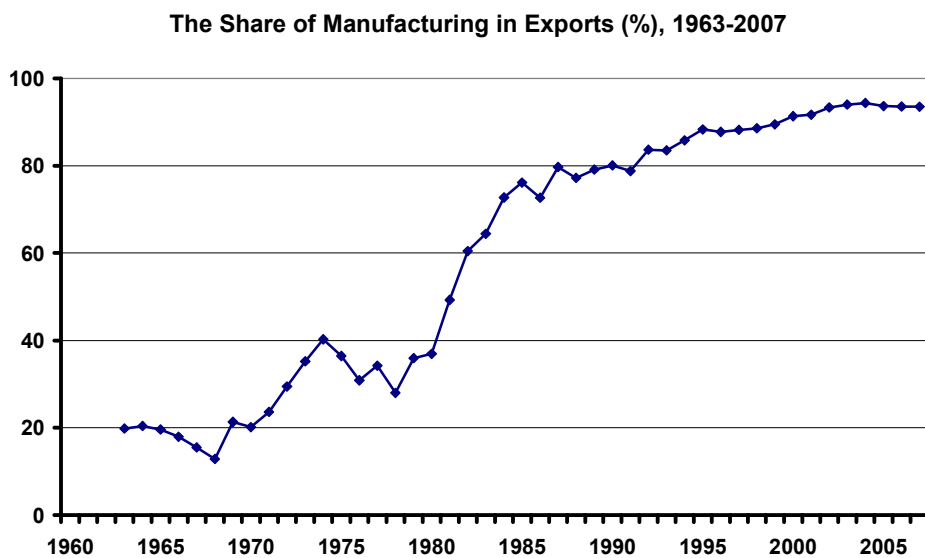


Figure 4: The Share of Manufacturing in Exports, 1963-2007

Source: TurkStat

As previously stated, with the January 24, 1980 Decisions, the Turkish government accepted an export-led growth strategy and sustained the external competitiveness of the Turkish economy through an exchange rate policy and export subsidies. On the other hand, the 1980s witnessed a significant contraction in real wages to produce a surplus in favor of exports to enhance export competitiveness through lower labor costs. These export-oriented policies succeeded at raising

exports.<sup>10</sup> While this happened, the composition of exports changed considerably within the same period in which the share of industrial products of manufacturing in total exports rose from about 30 percent in 1980 to more than 80 percent in the 2000s. (see Figure 3, TurkStat). Which factors led to this increase in industry? In this part, the structural features of the Turkish industry and manufacturing and the changes that occurred along with the liberalization era are discussed.

### Wages, Productivity and Employment

If we analyze the real wages in the Turkish manufacturing sector, as seen in the graph below for the period given, it fluctuated in general and the magnitude of these fluctuations increased during the last two decades. Especially during the 1980s, we observe a sharply decreasing trend in real wages in a period in which the real wages in the manufacturing sector decreased 1.7 percent on average per year.<sup>11</sup> That has a direct impact on increasing the manufacturing export level by maintaining the competitiveness of the sector.

In 1989, the wage suppression policy was abandoned and more populist policies were initiated. For instance, real wages in the manufacturing sector rose by 90 percent from 1988 to 1991.<sup>12</sup> The figure below clearly demonstrates the decline of real wages in the 1980s and the abandonment of the wage-suppression policy at the beginning of the 1990s.

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<sup>10</sup> See Figure 1 in the previous section of this study.

<sup>11</sup> CBRT, "The Impact of Globalization on Turkey," (May 2002). Available [online] at: <http://www.tcmb.gov.tr/yeni/evds/yayin/kitaplar/global.pdf>

<sup>12</sup> Korkut Boratav, *Türkiye İktisat Tarihi 1908-2002* (İstanbul: İmge, 2005)

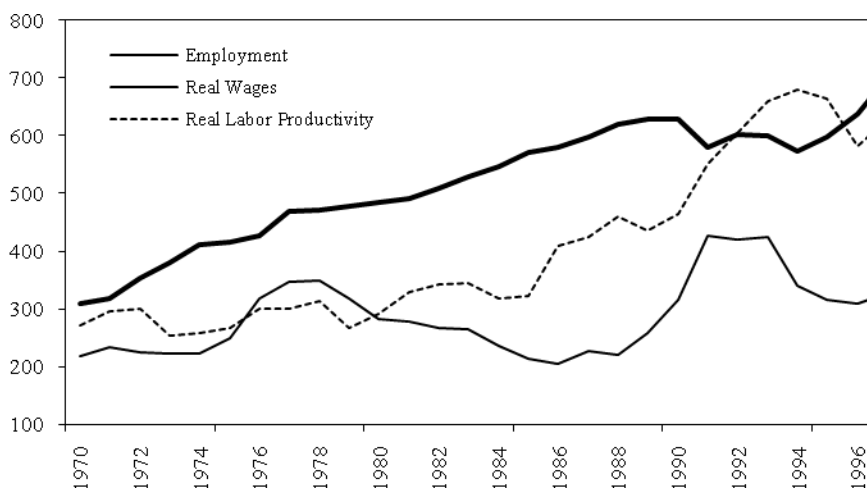


Figure 5: Employment, Real Wages, and Labor Productivity Growth in Manufacturing Industry (1950=100)

Source: TurkStat. Available [online] at: [www.tcmb.gov.tr](http://www.tcmb.gov.tr)

What did trade liberalization bring to manufacturing in terms of productivity?

By the 2000s, the impact of trade liberalization on productivity and economic growth was discussed in many policy debates.<sup>13</sup> Although there is no consensus in the theoretical literature on the impact of trade reform on productivity, some researchers claim that trade openness might improve productivity growth by the disciplining effect of imports, the increasing variety of available inputs, and facilitating technology diffusion from abroad. However, as Rodrik<sup>14</sup> emphasizes, trade openness might also have an adverse impact on productivity growth, as domestic producers, when faced with reduced market shares, become less willing to bear the cost of adopting superior technologies.

<sup>13</sup> For recent review see, James R. Tybout “Manufacturing Firms in Developing Countries: How Well Do They Do, and Why?” *Journal of Economic Literature* 38, no. 1 (March, 2000), pp. 11-44

<sup>14</sup> Dani Rodrik, *The New Global Economy and Developing Countries: Making Openness Work* (Washington, DC: JHU Press, 1999).

Besides the theory, there is also a large body of empirical literature on the impact of trade policy reforms on productivity growth. These studies by using the data at the country, industry and plant levels, seek to shed light on the impact of trade liberalization and policy reforms on productivity growth.

In Turkey, the growth rate of labor productivity was slow before the reforms in 1980 when compared to the last two decades. In other words, the growth rates of labor productivity in the manufacturing sector accelerated during the 1980s and the 1990s. While the growth rate of employment slowed after 1980, the unused capacity in the manufacturing industry was utilized at high rates. When the relationship between real wages and labor productivity is investigated, it is observed that labor productivity in the manufacturing sector increased constantly from 1980 to 1993 and the average labor productivity in 1997 realized twice as much as the level of average labor productivity in 1980. This is a justifying outcome in favor of the argument a seeking a positive correlation between openness and productivity. A rise in labor productivity in the 1980s and 1990s especially was seen for medium and large scale manufacturing firms.<sup>15</sup>

However, during the 1980s real wages decreased continuously and despite the relative improvement between 1990 and 1993, by 1997 they were at the same level as they had been in 1980. In other words, during the last two decades real wages did not associate with real labor productivity.

As observed from the figure above, the employment level increased under the decreasing real wages conditions. In addition, to understand the prominence of the manufacturing industry in Turkish industrialization in terms of employment volume,

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<sup>15</sup> CBRT, p.12

the data given in Table 1 is remarkable. According to the data of 1992, the manufacturing industry absorbed almost half of the all waged employment.

Table 1: Sectoral Distribution of Firms and Waged Employment

<b>Sectoral Distribution of Firms and Employment (SIS-1992)</b>		
<b>Sectors</b>	<b>Number of Firms</b>	<b>Number of Employment</b>
Construction	12,454	110,571
Trade	617,452	1,238,350
Hotel etc. Accommodation	6,316	56,262
Restaurants, Coffeeshouses etc.	110,826	269,554
Communication, Transportation, Storage	14,252	69,815
Services	113,026	266,812
Manufacturing Industry	197,775	1,530,745
<b>TOTAL</b>	<b>1,072,101</b>	<b>3,542,109</b>

To understand the size and the value of sector, it should be noted that manufacturing enterprises produced 66,685,040 billion TL (Nearly 45 billion USD) value added by factor cost in 2004, and the contribution of manufacturing to the GDP by 2006 was 21.1%.<sup>16</sup>

According to the definition of KOSGEB, in the manufacturing industry 246,263 firms are classified as small firms with a remarkable share of 99.32%. The share of “very small firms” with 89.12% is also very significant with regard to evaluating a structural analysis of Turkish industry. As seen, one of the most common features of Turkish manufacturing firms is the pervasiveness of small and medium-sized firms. Furthermore, family entrepreneurship and personal ownership of firms are very typical in Turkish manufacturing ownership (80.58% of all firms).

<sup>16</sup> TurkStat, *Manufacturing Statistics*. Available [online] at: <http://www.tuik.gov.tr>

Table 2: Size of Manufacturing Firms

Size	Number of Firms in Manufacturing	Percentage
1 (owner)	1,509	0,61
1-9	220,030	89,12
10-49	20,325	8,23
50-99	2,453	0,99
100-150	946	0,38
151-250	719	0,29
251+	917	0,37
TOTAL	246,899	100,00

Source: Turkish Statistical Institute (Turkstat) Business censuses, 2002

According to the Structural Business Statistics of 2002 that covers all market activities in the manufacturing industry, the metal (13%), furniture (12%) and clothing industries (12%) make up half of the firms. On the other hand, the distribution of employment is intensified respectively in textile (19.3%), clothing (14.5%) and the food industry (12.4%) whose production generally are based on unskilled worker composition with a low value-added level. The pervasiveness of SMEs is also a reason for low value-added production in Turkish manufacturing, particularly in those sectors. Nevertheless these sectors have increased their significance in Turkish industry along with the process of export-orientation.

In manufacturing employment, one of the most important characteristics of labor market developments during the 1990s was an overall intensification of marginalized labor employment in the Turkish economy. Marginal labor employment in the manufacturing industry increased considerably after 1980, in particular after 1990. The use of marginal labor employment was also common for Anatolian firms.

The interpretation of Turkey's increased exports of manufactured goods as a success of the adjustment program causes the counter arguments that such increase was due to the reorientation of the pre-1980 import substitution industries that



revitalized the unused capacities created by one foreign exchange crisis. The real depreciation of TL, subsidies and tax rebates for industry contributed to the competitiveness of the manufacturing industry while the wage policy was also in favor of these objectives. Zulkuf Aydın<sup>17</sup> writes that the rise of export level of manufactured goods was not a result of a structural transformation of Turkish industry; instead, he argues that this increase was the result of a continual devaluation, decreasing real wages, and the encouragements of subsidies which were given to the exporting industries. Similarly, Mehmet Odekon<sup>18</sup> explains that wage suppression became an important factor in squeezing domestic absorption to obtain an exportable surplus. She also argues that the tendency in labor market which lowering the social cost of labor to employers resulted in an additional income transfer to the capitalist class. The income transfers from the public sector by export subsidies the imperfect competitive structure of the Turkish economy did not change. Ziya Öniş,<sup>19</sup> with the same concerns, questions the sustainability of a system where there is not sufficient improvement in technology and investment.

The decades after 1980s also witnessed the continuous manipulation of the rate of interest. Since 1980 interest rates were kept extremely high in order to encourage savings and to reduce demand. In these conditions, the impact of high interest rates on the manufacturing industry became negative since the price of

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<sup>17</sup> Zulkuf Aydın. *The Political Economy of Turkey* (London ; Ann Arbor: Pluto Press, 2005), p.44.

<sup>18</sup> Mehmet Odekon. *The Costs of Economic Liberalization in Turkey* (Bethlehem: Lehigh University Press, 2005).

<sup>19</sup> Ziya Öniş. "Political Economy of Turkey in the 1980s Anatomy of Unorthodox Liberalism" *Economics and Politics of Turkish Liberalization* ed. Tefik Nas and Mehmet Odekon (Bethlehem: Lehigh University Press; London; Toronto: Associated University Presses, 1992).

capital borrowings increased to unmanageable levels. To offset these negative effects, tax exemptions offered. However, the responses from industry were very interesting in that instead of investing in new technology to improve their competitiveness in the world arena, the manufacturing sector preferred to invest to improve its unused capacity.<sup>20</sup>

When the trends in investment are considered, despite the fact that the share of manufacturing in exports rose after the 1980, investment in the manufacturing industry largely was abandoned both by the public and private sectors. For Aydın, the increased output was largely the result of the revitalization of the unused capacity in the existing industries rather than due to further industrialization. Aydın claims that the expansion of the manufacturing industry was not a consequence of investments but the suppression in domestic demand. For the purpose of increasing export capacity, the domestic demand was restrained by tight wage policies and by a strictly controlled agricultural prices policy.

Gerald Helleiner,<sup>21</sup> on the export-led growth of developing countries, claims that the periods of pure export-led growth in a developing country are possible only when followed to the underutilization of domestic resources or gross misallocation of anti-trade and anti-export kind. For him, this kind of growth is sustained. Similarly, Arthur Lewis, in his widely cited quotation, says:

The engine of growth should be technological change, with international trade serving as a lubricating oil and not as fuel. The gateway to technological change is through agricultural and industrial revolutions, which are mutually dependent. However, in developing countries the tendencies for innovations are typically less important than the means of absorbing and adapting existing scientific knowledge.<sup>22</sup>

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<sup>20</sup> Zulkuf Aydın. p.45

<sup>21</sup> Gerald Helleiner. *The New Global Economy and the Developing Countries* (Aldershot, Hants, England: Brookfield, Vt., USA: E. Elgar, 1990), p. 213.

<sup>22</sup> Arthur Lewis, *The Theory of Economic Growth* (Routledge, 1978), p.74

In the light of these arguments, the criticisms against the sustainability of the export-led growth after the 1980s are justifiable when the labor intensity in production becomes more common than technical innovations and investments in the production of any sector.

To sum up, as a consequence of the dynamics of the wage-cycle and post crisis adjustment –the shift of incentives and real wage reduction during 1980-, Turkey achieved considerable export expansion capitalizing on the industrial base established in the two decades after intensive import substitution. One plausible explanation for the lack of investment in export industries is that Turkish industry did not have a proper research and development section to ensure its competitiveness in the world market. Therefore, Turkish industrialists continuously searched for foreign partners to provide them with technology than concurred with the domestic market.

That is, after 1980, economic policies encouraged economic activities which would increase exports. Furthermore, industrialists were supported by policies such as tax rebates and export credits, which aimed to make the export business more competitive in the world markets. The irony that despite the low level of investment in the manufacturing sector, the share of manufactured goods in total export showed a significant increase was mostly considered as a triumph of the liberal economy. However, due to factors such as a damaging financial crises and insufficient innovations in the 1990s, it is difficult to call the story of Turkish liberalization a “success.” Despite all efforts to increase the share of industrial production in the GDP, its share remained around 30 percent (see Figure 3). Although the government’s subsidy policies in the sector, the macroeconomic instabilities, the

major barriers to industrialization remained and Turkey was unable to gather enough speed to catch up with “industrialized countries.”

### Anatolian Tigers and the New World Economies

In addition to the liberal programs adopted in Turkey, the process of export-led growth is also associated with the rise of the Anatolian Tigers, regional industrial centers such as Gaziantep, Denizli, Kayseri, Malatya, Konya, which had a significant share in exports, particularly in sectors such as textiles, furniture, metal and clothing, which contributed to developments in the Turkish manufacturing industry.

In the circumstances of the increased share of manufacturing in exports, the observed improvements in production and exportation of manufacturing goods in Central Anatolia might be evaluated separately so that this story correspond to a “success.” That is, the rise and development of a new industrial formation called the “Anatolian Tigers” which emerged with little state support had a significant role in rise of manufacturing exports. In this section, this fact is considered within the changes in production models and the division of labor in the world. This section addresses the basic theoretical explanations of the change.

### Glocalization

The rapid industrialization of Anatolian cities and the rise in the export levels of manufactured goods in Anatolian region was a new phenomenon of the 1980s. The Anatolian firms, generally emerged as family entrepreneurships, were commonly qualified as small-scale plants and gained competitive power in the

domestic and global market after the 1980s. This phenomenon might be analyzed within the framework of the regional integration with references to globalization and localization.

According to the sociologist Roland Robertson, “glocalization,” a term that combines the word *globalization* with *localization*, describes the responsive effects of local conditions on global pressures, at a 1997 conference on globalization and indigenous culture, Robertson said that “glocalization” means the simultaneity and the co-presence of both universalizing and particularizing tendencies.<sup>23</sup> Although in business, the term is used to refer to the fact that the globalization of a product is more likely to succeed when the product or service is adapted specifically to each locality or culture in which it is marketed,<sup>24</sup> in regional economics, it is used to describe the global market environment faced by both local firms and international plants in which firms reciprocally produce goods to compete in the global market, to meet the demand of customers.

As was pointed out previously, all the industrialization stories of Turkey before the economic liberalization of 1980 were mostly endemic to some regions such as the hinterland of Istanbul, Ankara and the northwestern regions of Turkey. The subsidies and policies generally are allocated in the companies in these regions, especially the ISI policies created their own large firms supported by the state in the vicinity of the more industrialized cities of Turkey. However, from a global perspective from the mid-1970s with the prevalence of liberalization throughout the world, the role of regional and urban economies and localization became significant

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<sup>23</sup> KOSGEB, “Glokalizasyon,” (February, 2005), Available [online] at: <http://www.kosgeb.gov.tr/Yayinlar/default.aspx>

<sup>24</sup> “Business Environment”, Available [online] at: <http://www.bitpipe.com/tlist/Globalization.html> [10 March 2008]

phenomena.<sup>25</sup> Improvements in communication, transportation and technology in the last decades of the twentieth century revised the traditional theories emphasizing the importance of closeness to the raw materials and markets for the economic development of a region. That a good produced in one part of the world can be sold in another part of the world brought on the reinterpretation of local economies. In other words, the globalization of trade and production facilities also gave rise to the localization dynamics. Thus, one meaning of the globalization of markets for urban economies was increasing competitiveness due to the increased integration to the world markets. Regional competitiveness would determine the economic performance of the development of the local economies, particularly when these region and cities had a comparative advantage in terms of their physical, social and institutional infrastructure.

That is to say, in the global world, most of the academics and policy-makers begin to re-think the role of provinces as industrial centers. From this point of view, in order to optimize the skills and resources of the provinces, the coordination of urban economies became much more crucial in terms of their regional integration. A new role was undertaken for urban economies in the environment of the new world.<sup>26</sup>

### Theories on Post-Fordism

The rise of the Anatolian Tigers has been ascribed to many factors.

According to Köse and Öncü, mostly labor-intensive production under the labor

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<sup>25</sup> Ohmae Kenishi, *The End of the Nation State: the Rise of Regional Economies* (New York: The Free Press, 1995).

<sup>26</sup> Further analysis on local resurgence in its institutional and global dimensions would be examined at the beginning of the third chapter where localities in Kayseri is also analyzed.

legislation after 1980 with low wages, long working hours provided ground for these provinces to achieve competitiveness.<sup>27</sup> The low costs of labor seen in kinship, patronage relations and family ties that are part of life in Anatolia, even in business supported these arguments. Most of times, the weakness of unions in those provinces within such an interconnected society and the real wages in Anatolian firms became relatively lower compare to the large and industrialized provinces of Turkey such as Istanbul, Ankara, Izmir. In this view, this situation provided a comparative advantage to Anatolian firms by lowering the cost of the production of manufacturing goods. Furthermore, these Anatolian firms also benefited from the presence of the informal sector in the form of using unregistered labor, or family members without any social insurance. All these factors contributed to the low costs of labor in Anatolian firms. However, for a deep analysis on the issue, a theoretical approach must be established.

While glocalization and integration undertook new roles for urban economies, on the micro scale, the new production methods were of assistance to those roles. The literature analyzing the new world economy and the regional integration of relatively less developed regions within the framework of the new production methods and the new international division of labor, particularly studies the Asian Tigers is relevant for a deeper understanding of the theoretical explanations on Anatolian Tigers. In this respect, the theories associated with this literature are presented in this section.

Considering the labor intensity and size of Anatolian firms, it is significant to evaluate them within the framework of small and medium sized enterprises working

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<sup>27</sup> Ahmet Öncü and Ahmet Köse, "Dünya ve Türkiye Ekonomisinde Anadolu İmalat Sanayii: Zenginleşmenin mi Yoksa Yoksullaşmanın mı Esigindeyiz", *Toplum ve Bilim*, 77 (Summer 1998), p.151-152.

with the flexible production model that is favored in the post-Fordist production literature.<sup>28</sup> This literature argues that small and medium sized firms have a comparative advantage when competing in the world market in terms of their ease of adaptation to new economic conditions (flexibility) compared to the large firms. The notion mentioned here is a *flexibility* of manufacturing systems in which there is some amount of *flexibility* that allows the system to react in the case of changes, even when they are unpredicted. In developed countries, it is argued that the success of the SME lays in the flexibility of their ability to change in producing new product types, and to absorb large-scale changes in volume, capacity, or capability. The model is also highly successful for absorbing new technology to produce new products or to produce more rapidly.<sup>29</sup>

Fordism, a system of economic production and other socio-economic phenomena was popularized by Henry Ford in the early twentieth century and became dominant in various sectors of industry such as that of automobiles. In this system, workers work on a production line, performing specialized tasks repetitively. Competitiveness was based on the reduction in unit costs of a good. Moreover, Fordism requires large and stable markets with a regular consumer demand to absorb the volume of mass standardized production and to guarantee the amortization of investment costs and employment costs.

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<sup>28</sup> For a full discussion on Post-Fordism, flexible production and comparative advantages of small enterprises in industry, see J. Michael Piore and Charles Sabel. *The Second Industrial Divide: possibilities for Prosperity* (New York: Basic Books, 1984); Edward Silver, David Pyke, and Rein Peterson, *Inventory Management and Production planning and scheduling*. (New York: Wiley, 1998).

<sup>29</sup> However, the reports of KOSGEB demonstrate the rudimentary conditions of the SME in Turkey in terms of their improvement in technology and productivity level. Reports are available [online] at: <http://www.kosgeb.gov.tr/Yayinlar/default.aspx>, see also Chapter Two for more analysis upon the SME in Turkey.



By the late twentieth century, in most industrialized countries, with globalization the rules of the markets changed, especially after the crisis of the 1970s. Fordism began to collapse owing to “market saturation for some products, variation of consumption, increasing unemployment in developed countries, the competition from Japan and NICs the crumbling of transnational macroeconomic regulation and Keynesian welfare state policies”.<sup>30</sup> While Fordism lost its attraction, a new system of production called Post-Fordism, which is characterized by new information technologies has emerged. Emphasis on types of consumers in contrast to the previous emphasis on social class, the rise of the service and the white-collar worker is other features of Post-Fordist era.

Beyond its economic aspects, Post-Fordism is also applied to describe a whole system of modern social processes. To describe today’s world, various thinkers have different points of views. Likewise, the theory is commonly divided into various schools of thought such as: Neo-Schumpeterianism, the Machinofacture Approach, the Regulation School, and Flexible Specialization.

The Neo-Schumpeterian approach to Post-Fordism is based on Rachel Wareham's Long Waves and James Ashlee’s contributions to this wave theory.<sup>31</sup> According to this theory, post-Fordism, which is dominated by Information and Communication Technology (ICT), is the fifth techno-economic paradigm, while Fordism was the techno-economic paradigm of the fourth that characterizes each long wave.

Hoffman and Kaplinsky describe the transition towards process as a systemic integration from “machinofacture.” According to them, there is a transition to

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<sup>30</sup> Lale Duruiz and Nurhan Yentürk. *Facing the Challenge*, (İstanbul: İletişim Yayınları, 1992), p.21.

<sup>31</sup> Kose and Oncu, p.137.

“systemofacture,” in which the focal point of organization moves from individual units (machine, plant of firm) to the integration between units.<sup>32</sup> The transition requires systemic links in organization that are first on social relations and secondly in the adoption of the new flexible automation technologies.

According to Regulation Theory,<sup>33</sup> another school of thought of Post-Fordist production, every Regime of Accumulation will reach a crisis point at which the Mode of Regulation will not work, and society will be forced to find new rules and norms that would form a new Mode of Regulation. This will begin a new Regime of Accumulation, which will ultimately reach a crisis, and so forth.

The Flexible Specialization approach, or the neo-Smithian approach, to post-Fordism -as previously mentioned- claims that fundamental changes in the international economy after the 1970s forced firms to switch from mass production to a new form of production called Flexible Specialization. The factors that caused this transformation in production were the boom that occurred in the years following the World War II, the oil shocks of 1973 and the globalization era which provided increased competition from the Southeast Asian foreign markets. Furthermore, increasing privatization made the old system of the mass production of identical, cheap goods through division of labor uncompetitive. The study at hand, more specifically, inquires whether the Turkish case confirms or not that the growth of the small firm sectors in the economy is a consequence of the use of new technology,

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<sup>32</sup> Hoffman and Kaplinsky, *Driving Force: The Global Restructuring of Technology, Labour and Investment*, (London: Westview Press, 1988).

<sup>33</sup> Also, called as the neo-Marxist Theory. Two key concepts of the Regulation School: "Regimes of Accumulation", the systems of production and consumption (such as Fordism and post-Fordism); "Modes of Regulation" the written and unwritten laws of society which control the Regime of Accumulation and determine its form.

flexible production techniques, flexible work force and design. The following section discusses the flexible specialization.

### Flexible Specialization

Kose and Öncü in their enlightening article about the Anatolian Tigers analyze this new phenomenon of Anatolian manufacturing industry within the three theoretical post-Fordist frameworks. They argue Anatolian manufacturing industry by associating it to the production models emerged after Fordism. For them, both the new-Smithian and new Marxian approaches provide theoretical explanations in order to understand the Turkish experience in its liberalization and global integration process. As an extension of the common characteristics of Turkish manufacturing industry such as the pervasiveness of SMEs and family ownership, I would also analyze the Anatolian Tigers within the new Smithian flexible production framework.

On the causes of the global economic crisis of the 1970s, there exists a large volume of literature. The analysis of the combined impact of a number of factors which contributed to the crisis lies outside the scope of this study. But the theories of the new production model in the 1980s that gave rise to the theories on flexible specialization are of concern here. Amongst such theories, Piore and Sabel's work *The Second Industrial Divide* that emphasizes the role of the change in production model in the new global economy has a distinguished importance. They propose that the current account crisis of advanced economies in the 1970s was a function of the limits of the Fordist mass production model of industrial development. In other

words, they examined today's changes in industry by distinguishing mass production and flexible specialization.

Mass production, which is defined as the large-scale production of identical goods on a continuous basis, requires high automation almost always on an assembly line basis. The labor required is usually unskilled to semi-skilled. Orders are seldom received in advance. Piore and Sabel point out that in advanced economies problems occur due to the limitations in the model of mass production which can not sufficiently meet the demand of the people with its standardized production, using relatively less skilled labor force and the organization of work.<sup>34</sup> The change in market place necessitate that "an organization must that is able to respond quickly and flexibly as market conditions change"<sup>35</sup> On the other hand, flexible production is a theory which claims that certain developments in capitalist economies such as a rapid change and differentiation in demand and the growth of trade unionism in large production plants, increasingly undermine the system of mass production in large scale firms, which in turn leads to the growth of small firms. According to Piore and Sabel, the divide caused a choice between flexible production (craft-based production) and multinational Keynesianism (revived mass production) to respond to differentiated market demand flexibility is necessary. For this reason, large firms need subtracting arrangements with the flexible specialized smaller firms. This is the point where in the new world order the rise of small scale industries occurs.

Flexibility can be achieved by producing a range of different products, quality and design gain importance; flexibility of automation technologies that

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<sup>34</sup> Nadir Sugur, "Small Firm Flexibility in Turkey: The Case of OSTIM Industrial District at Ankara," *New Perspectives on Turkey*, 16 (Summer 1997), p.92.

<sup>35</sup> Michael Piore J. and Charles Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984), p.162

increases the functionality of machines; through credibility between firms and suppliers; increasing subcontracting relations; organizing harmony between different units of the firm as design, marketing, financing and production; information technology usage, and flexibility of labour, demand for technical background

Sabel emphasizes the formation of industrial district in achieving flexibility, especially among smaller firms. Various public and private institutions in terms of providing training and services in the solidarity environment of small firms take role in this formation. For Sabel, small and medium sized firms specializing in different manufacturing processes produce final goods which are able to respond efficiently to the demand shifts in the market. He argues that the unity of small firms in a given industrial district and the combination of institutions such as trade unions, political parties, churches and employers' associations bring about the success of economic efficiency by relying on the institutionalized solidarity of the economically active groups.<sup>36</sup>

After Sabel, further studies focused on the role of the cooperative activities and networking of small firms in achieving greater flexibility. For Pyke, there is a comparative advantage in favor of small firms to compete with lower co-operation costs though the collaboration in design and development, and the sharing of resources.<sup>37</sup>

Poon asserts that in this complicated world of information technologies and networking, there is no one way to create flexibility. He maintains that intelligence,

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<sup>36</sup> Charles Sabel, *Work and Politics: The Division of Labor in Industry* (Cambridge; New York: Cambridge University Press, 1984), p.41.

<sup>37</sup> Sugur, p.90.

support systems, innovation, entrepreneurship, networks, competitive strategies and technology would accomplish to the flexibility<sup>38</sup>.

On the issue of small firms' coordination and networking in favor of their flexibility, Schmitz argues the importance of the collective efficiency of small firms. This involves technological assistance, the exchange of skilled workers, financial support from agents, and the proliferation of raw materials suppliers. The emergence of local and sectoral institutions to overcome the limits of internal markets and the small firms associations to lobby for the interest of small employers would also increase the collective efficiency of small firms.<sup>39</sup> He also claims that developing countries might benefit from the flexible specialization by improving the competitiveness of their small firms.

On the other hand, from a broader point of view, the process has been criticized in terms of its new international labor division. Lale Duruiz and Nurhan Yenturk believe that the emerging characteristics of the post-Fordist era worsen the export-led growth in developing countries, which are less able to adopt innovative technologies.<sup>40</sup> They assert that the labor costs, which provide a cost reduction, a comparative advantage, in the developing countries in the Fordist world would not be in favor of those export-oriented industrializing countries. Contrarily, the new basis of competitiveness, product innovation and the need of skilled workers would provide a comparative advantage to the developed countries.

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<sup>38</sup> Lale Duruiz and Nurhan Yenturk, p.8.

<sup>39</sup> Hubert Schmitz. *Local Enterprises in the Global Economy: Issues of Governance and Upgrading* (Cheltenham: Edward Elgar, 2004), p. 65.

<sup>40</sup> Lale Duruiz, and Nurhan Yentürk, p.14-24.

### Changing aspects of the international division of labor

As analyzed in previous chapter, with the emergence of the post-Fordist system labor process has changed to a more flexible, multi-tasking, multi-skilling one. This makes the employment of the unqualified workers of developing countries unnecessary. Also the introduction of labor saving automation techniques reduces the incentive to produce in low wage countries.

The basis of competition of Fordism was price, for this reason cost reduction was the most striking focus. Thus, in the rise of export-oriented industrialization, developing countries had a comparative advantage of labor costs. However, product innovation gained importance as the basic determinant of competitiveness with the process of Post-Fordism. Furthermore, the changing demands of consumers forced the firms to produce differentiated goods that necessitated product innovation and skilled workers. That is to say, developing countries unless they adopt the innovative technologies for production or switch to the economies of scope from the scale economies, will be the losers of the international division of labor.

One other argument has it that along with the emergence of flexible production model, industrial relations in large firms are deteriorated by leading the worsening of the position of trade unions in the market. According to Murray,<sup>41</sup> non-unionization is one of the most important and direct results of the post-Fordist production system. For him, one of the main reason for the division of the production process into a number of smaller units was to minimize trade union activities which had been gaining ground in the large firms' shop floor ever since large scale production units were set up to utilize a large proportion of the work force on assembly lines.

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<sup>41</sup> Sugur, p.88.

## CHAPTER TWO

### CHARACTERISTICS OF SMALL AND MEDIUM-SIZED ENTERPRISES IN TURKEY

The Anatolian Tigers<sup>42</sup> is a term internationally used in the context of the post-1980 Turkish economy for the phenomenon of the impressive growth records of a number of provinces in Turkey. The term also refers to the socio-economic transition of those provinces from traditional, agricultural and inward-looking characteristics towards pro-liberal outward-looking economic features as new industrial districts that the shift is accorded with a changing traditional structure. The sustained growth pattern under the macroeconomic ally instable conditions of the Turkish economy especially in the 1990s provide a ground for positive feelings about the economic potential of the Anatolian cities and many stories in the media related to those provinces are published in addition to the increasing academic focuses on the subject.

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<sup>42</sup> The term is sometimes also written as "Anatolian Lions" (*Anadolu Aslanları*). However, this usage particularly involves the private sector association called "Askon" that brings together businessmen from a number of cities who have found common geographical grounds and these lions are less often cited among the tigers, nevertheless they might be evaluated within Anatolian tigers. On the other hand, by referring Anatolian Tigers, PBS used the term as "Turkey's Tigers" or "Turkish Tigers".



Economically, the impressive feature of the Anatolian Tigers lies in their ability to achieve the export-oriented growth. This feature is also referred to one of the most important outcomes of the economic liberalization of the 1980s.<sup>43</sup> Therefore, the role of the rapid expansion of exports of manufacturing goods was prominent in the rise of the Anatolian regional industrial centers such as Gaziantep, Denizli, Kayseri, Malatya, Konya, Çorum and so forth.

From a socio-political perspective, Islamic values and traditional Turkish family relations in the workforce as craft communities, and kinship ties are interpreted within the Anatolian Tigers framework, particularly in textiles, furniture, metal and other labor intensive industries. Ayşe Buğra notes to the fit between traditional and global that observed in Anatolian enterprises.<sup>44</sup> In addition, the Turkish and the international media referred to these aspects associating this capital accumulation with traditional Islamic values and the establishment of political ties with rising conservative movements. Although the political choices of the cities in question may differ widely between each other. For instance the study of the European Stability Initiative that was focused on Kayseri uses the term "Islamic Calvinists" to define the entrepreneurs and their values in the city.

On the other hand, Cizre- Sakallıoğlu and Yeldan distinguish the rise of the Anatolian Tigers and the informal sector as new patterns of capital accumulation within factors that give political legitimization to the neo-liberal agenda of the

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<sup>43</sup> Sevket Pamuk. "Economic Change in Twentieth Century Turkey: Is the Glass More than Half Full?" *Cambridge History of Modern Turkey* ed. Resat Kasaba (Cambridge: Cambridge University Press, 2007).

<sup>44</sup> Ayşe Buğra, "The Claws of Tigers," *Private view* 4, (Autumn 1997), p.50-55

1990s.<sup>45</sup> Cizre-Sakallioğlu and Yeldan politically evaluate the advent of Anatolian Tigers within the global core-periphery framework. For them, the development of Anatolian Tigers would fragment labor, thus strengthen the position of capital in production. It would lead to the flexible production models which are less controllable. In the pursuit of producing goods for world markets, the Anatolian Tigers would provide an environment for the flourishing of SMEs with flexible specialization and functioning to the collaboration with the international system. Finally, the capital transfer for Islamic-originated groups in the Anatolian regions that provide a sphere for their political critique to the existing system is provided by the wealth transfers to the stated regions. That's to say, shifts in economic power corresponded to the shifts in political power.

The policies of industrialization in Turkey from state capitalism to planned economy all created industrial elites within relatively developed provinces and then very few industrialists in other Anatolian regions. Aside from those very few industrialists and the state officers in urban areas, the economic activity of the people consists of agricultural production in vast rural areas and merchants and craftsmen without organized unionization. From this point of view, to observe an economic transformation stems from the changing economic activities with the impact of the integration to the global market with the production of competitive manufacturing goods is highly significant. In other words, the “self-reliance” pattern of the rapid growth is mostly stressed in the related publications, and the Anatolian provinces are

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<sup>45</sup> The other factors; the politics of a tightening public sector, the promotion of the market, anti-political politics and reform populism. For full discussion see, Ümit Cizre-Sakallioğlu and Erinç Yeldan, “Politics, Society and Financial Liberalization: Turkey in the 1990s” *Development and Change*, 31(1, 2000). p. 481-508.

cited as those who "made it themselves".<sup>46</sup> Ziya Öniş points out their emergence as significant exporters "while at the same time receiving little or no subsidy from the state"<sup>47</sup> while Istanbul based industrialists are strongly tied to the political elites.

Indeed, the term "Anatolian Tigers" itself is an importation from the commonly used international term "Asian Tigers" which refers to the economies of Taiwan, Hong Kong, Singapore, and South Korea. Those countries from poor economic settings maintained such high growth rates and rapid industrialization between the early 1960s and 1990s that their success in this regard was honored with the popularized term "Tiger."

Those Four Asian Tigers pursued an export-driven model of economic development by focusing on developing goods for export to highly-industrialized nations. In addition to their high population rates, since the Four Asian Tigers were relatively poor during the 1960s, these nations had an abundance of "cheap labor". They were able to combine the labor potential to a productive workforce. The common characteristics of the Four Asian Tigers might also resemble the Anatolian Tigers. Those are basically their focus on exports to richer industrialized nations, providing trade surplus with developed countries, and sustained rate of double-digit growth for decades. However, non-democratic and relatively authoritarian political

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<sup>46</sup> For instance, Sukru Karatepe titled his book on Kayseri as "Kendini Kuran Şehir" (The city made it itself)

<sup>47</sup> Ziya Öniş, *State and Market: the Political Economy of Turkey in Comparative Perspective*. (Istanbul: Boğaziçi University, 1998), p.75.

systems which benefit from the gains of cheap labor during the early years are also interpreted within the context of the development of Asian Tigers.<sup>48</sup>

What makes such a definition relevant in the Turkish context lies basically in the divide of the mentioned provinces of Anatolia from the traditionally industrialized provinces which involves their historical and geographical spheres. Geographically, the term refers to all of the companies in the Anatolian region excluding the Thrace-İstanbul-Bursa-Ankara axis, and the highly integrated İzmir and Çukurova regions as well as companies constituted with public capital. This geographic sphere of the term also maintains the basic understandings that would shape the phenomenal growth of the provinces referred as Anatolian “Tigers” despite their relatively poor regional development level rooted in their historical backgrounds.

From a historical perspective, the industrialization of those provinces as we mentioned briefly in the first chapter of this study was a result of the policies of Turkish industrialization. Each of the industrialization policies of the Turkish Republic served to augment the economic and political power of urban industrial groups. The state created both bureaucratic and industrial elites and along with the industrialization policies their interests were protected. However, while the wealth was distributed through the state, the economic development was achieved in the cities that had received higher state investments or subsidies over the years.

The first of those policies was etatism in the 1930s. A limited number of state economic enterprises of the New Republic aimed to achieve the goals of

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<sup>48</sup> Rüştü Bozkurt, “The Small and Medium Size Enterprises as Engines of Growth”, *Private View* 4 (Autumn 1997).

industrialization. The state was the both producer and investor in a highly protected economy. Only a few small scale private enterprises joined the industrialization in which the state elites held the power. Thus, while the state controlled the industrialization goal in its implementation, the public investments in Anatolian cities were not sufficient.

In the 1960s together with economic growth in the world, Turkey's industrialization and urbanization expanded. While the state continued to produce intermediate goods under the planned economy, government subsidies and tax breaks gave rise to the emergence of large-scale industrialists and holding companies. Those new industrial elites, whose companies mostly were established in İstanbul and in the northwestern region of the country, played a key role during the inward looking, ISI industrialization experienced up until the 1980s. In those years, the level of production realized by the small number of industrialists in Anatolia was marginal compared to the production shares of the aforementioned industrialists. But the era was also remarkable for the Anatolian provinces in terms of their industrialization since most of the skilled worker whom contributed to the rise of production in the post-1980, had trained in the State Economic Enterprises (SEE) of the pre-1980 era. That is to say, when the know-how level of the employment is considered, the inherited characteristics of human capital from the previous decades played critical roles in the development.

On the other hand, the openness policies of the 1980s widened the industrial base much further to the Anatolian provinces. The rise of new industrial centers, which we called Anatolian Tigers, is mainly occurred in this era. First, the capital accumulation and the industrial base of the 1980s were realized by state enterprises and the companies whose capital had been provided by worker's remittances and the

savings of the traders and craftsmen in pre-1980 period. Subsequently, following several unsuccessful partnership attempts in the 1960s and 1970s by the companies with many shareholders, a boom was observed in production and capital accumulation by companies with many shareholders in Konya, Yozgat, Denizli, Çorum, Aksaray and Gaziantep provinces of Anatolia occurred.<sup>49</sup> However, the large scale industries and the companies improving in size and employment capacity were usually achieved in the post-1980 years by family-enterprises and by the partnerships of a small number of entrepreneurs that are classified as SME.<sup>50</sup> Those enterprises entered into the market by producing goods for the domestic market; however, whenever they began to adopt technology and expand in size, they produced goods for international markets. Likewise, Bugra asserts that Turkish politicians along with the policies of openness began to emphasize the significance of SME development due to their contribution to industrial progress and export growth in addition to the opportunities of employment that they provided, particularly in the context of Anatolia.<sup>51</sup> That is, a large number of small and medium-sized family enterprises with flexible labor regimes played central roles in the development of Anatolia.

To sum up, in the process of the construction of the “Anatolian Tigers” term, the emergence of pro-liberal entrepreneurs in favor of global market economies and whose firms generally rose from the status of small-medium sized enterprises were prominent. Thus, SMEs at the local levels contributed to the emergence of Anatolian firms as actors in the market by improving their business practices and learning

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<sup>49</sup> Gul Berna Ozcan, and Murat Çokgezen. “Limits to Alternative Forms of Capitalization: The case of Anatolian Holding Companies”, *World Development* 31, no.12 (2003).

<sup>50</sup> Murat Öztürk. *Türkiye’de Sermaye Birikiminin Özellikleri: Kayseri Üzerine Bir Deneme*. (Ph.D. diss., Marmara University, İstanbul) p.185-6.

<sup>51</sup> Ayşe Buğra, “The Claws of Tigers”

technology. Despite the fact that they benefited from very limited state support, they gained from the advantages of openness in their capital accumulation in Anatolia. Therefore, considering the key role of Small Medium-sized Enterprises in our further analysis on Anatolian Tigers, in the following part the structural features of the SMEs in Turkey will be discussed.

### Analyses on Small and Medium-Size Enterprises in Turkish Manufacturing

In the light of the basic knowledge that the liberalization of Turkish economy and its impact on the manufacturing industry developed in line with Turkey's integration to the new global economy, this section of the study focuses on the features of small and medium-sized manufacturing firms in Turkey to establish a background for the in-depth analysis of Anatolian Tigers that are typically consisted of SME.

According to the report of KOSGEB,<sup>52</sup> to have a competitive power in the global market, local firms which are generally consisted of SMEs have great significance. Therefore, for a country's global competitiveness, SMEs in manufacturing have a crucial role in terms of *glocalization*. However, this role can be determined by the performance of SMEs in the existence of local resources and their quality in terms of skilled workers and technology adaptation.

From a more socio-economic perspective, Tosun believes that SMEs are in favor of democracy by preventing the monopolizations of large firms.<sup>53</sup> This feature of SMEs is also significant for competitiveness and sustainability taking into consideration their role in employment and vocational education as providing

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<sup>52</sup> Esra Seçkin Öztürk. "Türkiye'deki Kobilerin Genel Durumu ve Kayseri Sanayi Yapısı ile Kobileri Üzerine Bir İnceleme," (Kayseri:KOSGEB, 2000).

<sup>53</sup> Kemal Tosun. *Yönetim ve İşletme Politikası*, (İstanbul: İstanbul Üniv. İşletme Fak. Yayınları, 1990), p.500.

apprenticeship for unskilled workers. Moreover, the cost of employment in these entities is much cheaper compared to the large firms that provide an opportunity to invest in more technical machinery. Furthermore, putting the capital accumulation in the hands of the families to the favor of the market is generally undertaken by the small enterprises.

One of the most common features of Turkish manufacturing firms is the pervasiveness of small and medium sized firms, generally in the form of family entrepreneurship. Thus, small scale economic activities play an important role in creating employment opportunities in Turkey. For instance, more than two-thirds of the economically active populations, including those in agriculture, are employed in small scale economic activities. According to the Nichols and Sugur<sup>54</sup> the number of small scale with less than 10 employees constituted more than 95% of establishments in manufacturing. About 36 % of those employed in manufacturing work in small firms.<sup>55</sup>

As stated previously, there exist strong ties between the SMEs and AT. The comparative advantages of the textile, food, furniture and metal industries that require relatively less specialized labor relying on cheap labor in addition to their structure suitable for sub-contracting production contribute to the expansion of small and medium manufacturing enterprises in Anatolia. These are ideal conditions for the expansion of SMEs in relatively poor regions of the country.

One other significant contribution of SMEs to the Anatolian Tigers as pointed out by Şükrü Bozkurt is “a mentality change” in the provinces engendered by the

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<sup>54</sup> Nadir Sugur, p.99-100.

<sup>55</sup> There will be further analysis on this fact in the following pages.



SME. For him, “SME are the catalyst for a change of mentality in traditionally oriented regions.”<sup>56</sup> While the SMEs expand, entrepreneurs in the manufacturing sector that moved from agriculture and trade begin to understand the fact that industry requires continuous efforts. Furthermore, those businessmen who are challenged by the market conditions discover that a mentality ignoring the importance of the "quality" of goods cannot survive.

In Turkey, there was no a consensus on the definition of small, medium and large size firms so that the classifications varied in different institutions. In addition, as a consequence of the variety in development levels, different countries measure SMEs in their own way. However, in the candidacy process of Turkey to the EU, the classification of the EU was accepted as the sole definition. According to the final definition adopted from EU, the small or medium sized firm is determined with regard to its employment, annual profit and independency levels as follows;

Table 3: Definition of SME (EU)

SME	Employment	Annual profit	Independency
Small	Less than 50	Not more than 7 Million ECU	The share of a large firm or conglomerate should be under 25%
Medium	Less than 250	Not more than 7 Million ECU	

Source: *KOSGEB*

Nonetheless, due to the fact that the data used in this study are not classified by the EU definition, I would also present the definition of SME in Turkey which is defined as;

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<sup>56</sup> Bozkurt.

Table 4: Definition of SME (Turkey)

SME	Employment Capacity	Fixed Capital
Medium	50 – 200	Not more than 2 million US \$ (without land and building property)
	(Definition of Undersecretaries of Foreign Trade, UFT)	
Medium	50 – 150	
	(The definition of KOSGEB)	
Small	1 – 49	Not more than 2 million US \$ (without land and building property)
	(Definition of Undersecretariat of Foreign Trade)	
Small	1 -49 (The definition of KOSGEB)	

Source: *KOSGEB*

To the Undersecretaries of Foreign Trade SME is a definition for firms with less than 200 employees with a fixed capital below 2 million USD.

According to the Census of Industry and Business Establishments (CIBE) conducted in 1992, the share of SMEs in total firms was around 99.5 %. The pervasiveness of SMEs in the Turkish economy is still relevant in 2002, that 99.12 % of 270,356 manufacturing firms were classified as SME. Thus, the Turkish manufacturing industry is based on small and medium-sized firms. This structure generally corresponds to low value added output production, to be more sensitive to the economic crises and less investment.

Employment in these firms was around 70% while the share of SMEs in the share of manufacturing of GNP remained 28%. To common sense, this scheme is disappointing for the future due to the low share in value added. Compared to the large firms in industry, the contribution of SMEs to the total value added, or production, remains minimal. Furthermore, the primary sectors with regard to the share in total firms and employment are respectively textile, clothing and leather, steel and furniture, which are low value-added sectors with unskilled worker and low

technologic machinery composition, and require less know-how. In terms of value-added values, the chemical, plastic, steel and food industries are more efficient.

Table 5: SME, Shares in firms, employment, value added

	Small and Medium Sized Enterprises			Large	Total
	Small 1-49	Medium 50-199	Total SME		
Total Firms	194,993	2,145	197,138	727	197,865
%	98.5	1.08	99.58	0.42	100
Employment	434,076	204,959	639,035	376,569	1,015,604
%	42.7	20.1	62.8	37.2	100
Value Added (Billion TL)	129,127	145,185	274,912	478,538	753,45
%	17.02	19.03	36.5	63.5	100

Sources: SIS, 1992

Along with the economic crisis in 2001, facing high imported input costs and a decrease in the production level in the scarcity of credits, some of the SMEs were closed down or shrank and 25% of those employed in SMEs lost their jobs. To remove off the destructive effects of the crisis and to benefit from the gains of export at the end of the 2002 the firms either decided to restructure or to go bankrupt. The re-structuring process of Turkish manufacturing industry aimed at an increase in the level of competitiveness, productivity, quality, increases in expenditures of R&D and re-organization of subsidies and competitiveness laws and implementation of new management techniques.

A report submitted by the UCTEA (Union of Chambers of Turkish Engineers and Architects) on the change in SMEs in the manufacturing industry for the 2002-2006 period summarizes these firms to demonstrate to what extent the aims has achieved. First, an increase in exports along with their dependency to imported inputs. Despite the fact that the share of SMEs in exports increased 7% in 2001 to 11% in 2006, their success in achieving high export levels is still controversial when

compared to SMEs in other countries, such as 40% in India and 38% Japan. Second, despite a relative increase in efficiency, the employment capacity remained below the level in 2001. Therefore, they lost their comparative advantage as labor-intensive actors in market. Third, an annual increase of the share of SMEs in value-added. The share was 36.5% in 1992 despite the 62.6% employment share; with the crisis in 2001 value added declined to the 26.5% with a 60.2% employment share. A relative increase was observed towards 2006 that share was 27.9%. This increase is explained by Koramaz<sup>57</sup> as a result of the labor-intensity since a profitability increase is not observed. Thus, low labor costs led to a relative value added increase in SMEs that generally produce subtracting goods. Consequently, the competitiveness of these firms is unsustainable.

Fourth, for the period in analysis, fixed capital costs shares of SMEs relative to the manufacturing in current prices realized as 25.9%. In other words, three-fourth of the investments are invested by the large firms. The technologic improvements are neglected by the SME. Last, difficulties in credit financing are the major problems that prevent the technological improvements in SME.

After the brief analysis on the feature of the SME, I would like to clarify the place of SMEs in Turkey in comparison to the other economies. The countries whose small firm share in total firms is similar to the Turkey's allocation are combined and presented. Despite of the high share of the firms in total, due to the historically significant share of SEEs in employment, a relative low employment level in Turkey is observed. However, it can easily be projected that as the share of private sector

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<sup>57</sup> Emin Koramaz, Chair of UCTEA, "An Analysis on SME in Turkey" Available [online] at: [www.kosgeb.gov.tr](http://www.kosgeb.gov.tr) [10 March 2008]

enterprises increases, the figure for SMEs employment will also increase to approximate the level of other countries.

The very low shares in exports, while the share in total value added is also not striking, correspond to the limited global integration and competitiveness of these firms compared to the other countries. In addition, the dramatic low realizations for investments and credits make the story much darker since these are crucial in terms of future capacity increase objectives. Under the condition of poor credit financing opportunities, the realized investment level might only provide the re-newel of the equipment.

Table 6: SME in Different Countries

<b>COUNTRY</b>	<b>Shares in Total Firms (%)</b>	<b>Shares in Total Employment (%)</b>	<b>Shares in Total Investments (%)</b>	<b>Shares in Total Value Added (%)</b>	<b>Shares in Total Exports (%)</b>	<b>Shares in Total Credit (%)</b>
U. S. A.	97.2	50.4	38	36.2	32	42.7
Germany	99.8	64	44	49	31.1	35
India	98.6	63.2	27.8	50	40	15.3
Japan	99.4	81.4	40	52	38	50
England	96	36	29.5	25.1	22.2	27.2
S. Korea	97.8	61.9	35.7	34.5	20.2	46.8
France	99.9	49.4	45	54	23	48
Italy	97	56	36.9	53	-	-
Turkey	99.5	45.6	6.5	36.5	8	3.0-4.0

Source: SIS, 1992 CIBE

SME are not simply a miniature of large firms that they have disparities both in quantity as in their production and employment capacity, capital, value added levels and in terms of their qualitative feature such as ownership structure, organizational relations between employer and employee, and administrative composition. By leaving the sociologic aspects of the SMEs out of the scope of this section, in the

following part the Anatolian Tigers will be examined statistically to evaluate their economic performance in comparison to those other provincial groups and lastly we would remark some argument whether Anatolian Tigers are typically in line with the SMEs in Turkey.

#### Criteria for AT, TIP and SIP

Studies on provincial data of Turkish manufacturing industry are few. Particularly, there exist very rare accounts that present a group analysis for industrializing provinces in Central Anatolia. Therefore, as a second concern to give my specific analyses on Anatolian Tigers, statistical applications from data obtained from TUIK will be presented.

In this study, economic criteria rather than a sociologic to define the Anatolian Tigers will be used. Since, the fact is not only associated to the economic potential of those firms, but also it is observed in line with the economic trends seen in Turkey and the world. Furthermore, the factors to explain the rising of the SMEs in Central Anatolia are to some extent common and economic. They cannot be identified easily with a subjective<sup>58</sup> “Islamic or not” adjective.

On the other hand, in addition to the general established explanation regarding the Anatolian Tigers that “designates regional business firms, usually of smaller size, and reflects the generally shared positive sentiments about their economic

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<sup>58</sup> After several interviews in particularly Kayseri, I concluded that to qualify firms as being “Islamic or not”, in other words being “green or not”, and to make a categorization in this regard, would not be possible unless I define the criteria of being Islamic highly subjectively. In addition to my observations that there exists a wide variety in employer’s answers to basic questions about interest, *zekat*, their relations to Islamist-originated parties etc., I also believe that such qualifications are not significant while the rules of game in the market is equal to each actor who play in the game.

potential,<sup>59</sup> in this part of the study in order to define Anatolian Tigers, some measures are applied to the manufacturing data obtained from TUIK. For the purpose of an accurate classification for the Anatolian Tigers, first of all, the cities with relatively high GNP shares were chosen. In the selection the cities which had a higher share than 1 billion dollars (35 out of 81) according to the 2001 GNP, 35 cities are distinguished and other criteria are applied to these 35 cities.

As in previous studies on the Anatolian Tigers, Turkey's provinces are classified into different groups, but the measures of classification are somewhat different.<sup>60</sup> The followings are the measures to make a significant categorization between different cities;

First, six provinces out of 35, the emergence of which industrial centers dates back to the pre-1980, settled in the Thrace-Istanbul-Bursa-Ankara axis, and the highly integrated İzmir and Çukurova regions constitute "the Traditional Industry Provinces" (TIP). These cities are Adana in the Mediterranean region; Ankara in the Central Anatolian region; Bursa, İstanbul and Kocaeli in the Marmara Region; and İzmir in the Aegean region.

Second, considering the positive effects of TIP in the economic development of their hinterlands, at least in their industrialization, a new category is classified with regard to the geographical locations which would constitute Secondary Industrial Provinces (SIP). Thus, the remaining 29 provinces after defection of six TIP provinces from the 35 provinces grouped into two categories.

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<sup>59</sup> Ayşe Buğra, *The Claws of Tigers*, pp. 50-55

<sup>60</sup> Filiztekin and Tunalı categorized into three groups, while Öncü and Köse worked with two groups of cities. Unlike Filiztekin and Tunalı, and Oncu and Kose we did not invoke "a popular designation for Anatolian Tigers" (Öncü and Köse, p.78)

Third, some economic measures are applied to these 29 provinces in accordance with the private sector manufacturing data from 1992-2001. From the provinces whose annual average employment number is higher than the 0.5% of the total manufacturing employment of Turkey -4890 is calculated for 0.5% of Turkey's annual average employment-. The ones whose rate of increase from 1992 to 2001 in employment numbers is higher than the Turkey's average (29.2)<sup>61</sup> are chosen. Thus, the groups for further analysis are shaped as,

1. Group (TIP): Adana, Ankara, Bursa, İstanbul, İzmir, Kocaeli

2. Group (SIP): Balıkesir, Eskişehir, İçel, Kırklareli, Manisa, Sakarya,

Tekirdağ

3. Group (AT): Denizli (Aegean), Gaziantep (Southeastern Anatolia), Kayseri (Central Anatolia), Konya (Central Anatolia), Malatya (Eastern Anatolia), Kahramanmaraş (Southeastern Anatolia)



Figure 6: Geographical Distribution of AT

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<sup>61</sup> During this procedure Antalya, a province in the Mediterranean Region, remained very marginally up to the line of the average increase rate (29.3), however, its number of employment (2001) was again marginally under the limit (4853). In addition, considering that its manufacturing industry is improved not for export rather to meet the demands of the tourists visiting region, Antalya is not classified within the Anatolian Tigers.





Figure 7: Geographical Distribution of TIP and SIP

### Data

The Turkish Statistical Institute (TurkStat; formerly known as the State Institute of Statistics, SIS) collected the plant-level data set used in this study. TurkStat periodically conducts the Census of Industry and Business Establishments (CIBE). Since the formation of the Republic of Turkey, the CIBE has been conducted eight times (in 1927, 1950, 1963, 1970, 1980, 1985, 1992 and 2001).

In addition, TurkStat conducts the Annual Surveys of Manufacturing Industries (ASMI) that covers all establishments with 10 or more employees. The data set consists of provincial-level manufacturing industry data obtained from the ASMI. The data set related to the manufacturing industry for the nineteen of Turkish Provinces is given in two periods: 1980 to 1991, 1992 to 2001. Due to the different sections in the data of these two time periods, some applications are restricted to one of these periods.

Last, the data are annual and for the purpose of this study only included private sector establishments that employed ten or more workers. The data related to new provinces that were formerly affiliated as a town to a province were included in the associated provinces in order to obtain comparable results.<sup>62</sup>

### Provincial Data Analyses (AT, TIP, SIP)

The figures below are generated to understand how the knowledge given in the first part could be applied to the Anatolian Tigers in particular. The statistical graphs comparing Anatolian Tigers to the Traditional Industrialized Provinces and Secondary Industrialized Provinces would provide tools for further analysis on the issue.

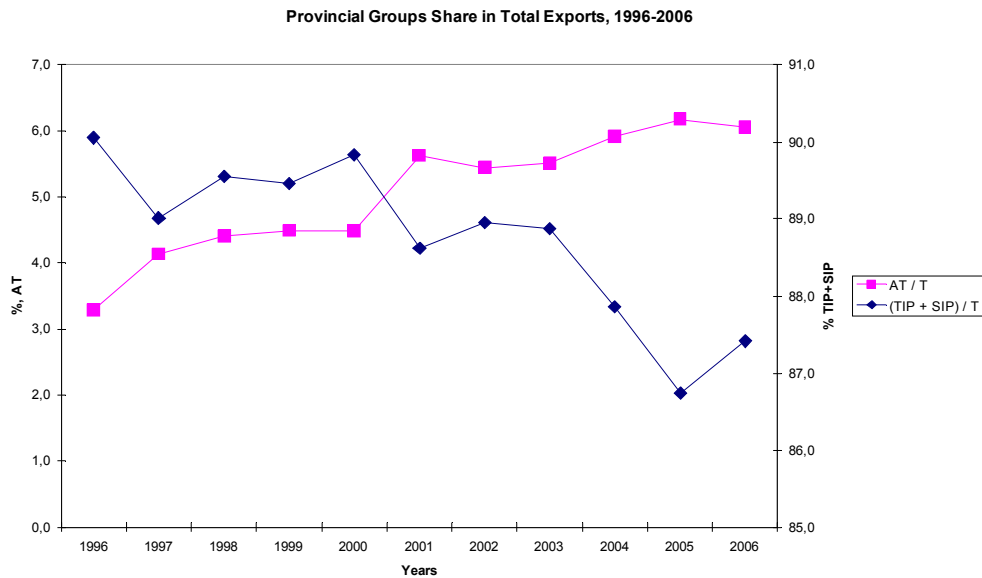


Figure 8: Share in Total Exports, 1996-2006

Source: TurkStat

<sup>62</sup> In our analysis for Konya (Aksaray, 1989) and for Istanbul (Yalova, 1995)

Due to the fact that the concept of the Anatolian Tigers is based on their export performance, to describe their place accurately, the first graph compares the trends in exports. For a clear analysis in two-scale diagram, I combined the other two provincial groups in one line. The graph clearly indicates the positive trend in exports of Anatolian Tigers that the share is almost doubled while for the other groups the trend is opposite. It should also be noted that the official trade statistics do not identify the provincial production but the port of shipment. In this case, the firms of the provinces identified in Anatolian Tigers argue for a higher export level.<sup>63</sup> On the other hand, the downward line for the combination of TIP and SIP –although the correcting effect of SIP- indicates the fallacy of the export-oriented industrialization of those traditionally industrialized provinces. The trends observed in Anatolian Tigers are also significant in that they indicate the increasing integration to the global market. The increase might be attributed to the increase in efficiency either through the capacity absorption or the productivity increase, or both of them.

The two-scale figure below indicates a clear understanding for the upward trend in the share of Anatolian Tigers in total value added. Although a relatively slow increase and fluctuations in the 1980s, the rate of increase in the 1990s was higher and reached almost two-fold that of 1980s. This conclusion is remarkable when the negative effects of the economic crises on the Turkish economy in this period are considered. The finding of this graph and the trend in value added corresponds to the correlation between exports and manufacturing that clarifies the direction of industrial development in those Anatolian provinces.

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<sup>63</sup> The export statistics published by Provincial Chambers of Industry have very high accounts, For Kayseri, Kayseri Chamber of Industry claims two-fold of the official statistics for their exports. To restrain exaggerations and the inconsistency problem, we continued to use the data of TurkStat.

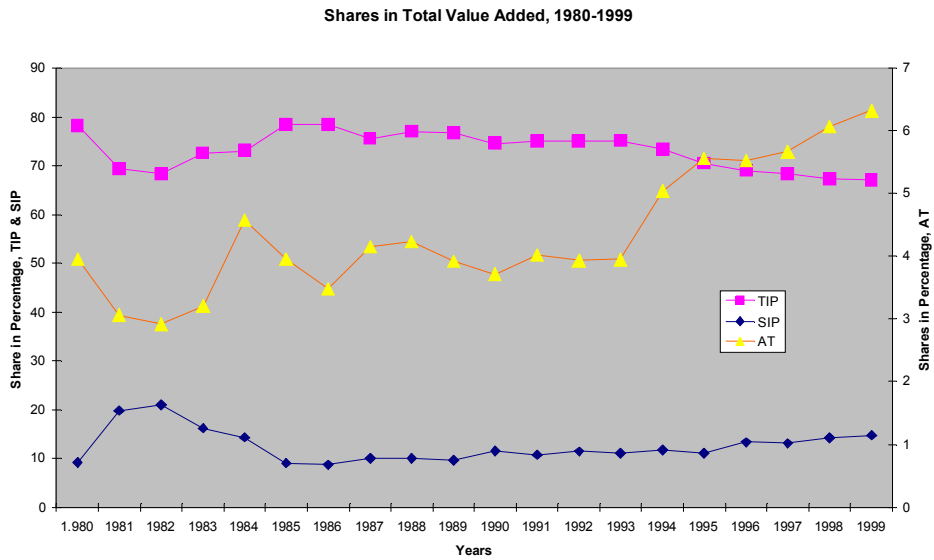


Figure 9. Share of AT in Total Private Manufacturing sector (in Value Added)

Source: TurkStat, ASMI

By contrast, although the firms in TIP account for more than 60% of the total value added in the period examined, a downward trend is observed in this group to the favor of SIP and AT. Similarly, the value added magnitudes seen in the manufacturing sector have a trend parallel to that of the export for each provincial group that is meaningful to explain the role of manufacturing in the composition of the export orientation.

Before we switch to the growth of those variables and the productivity analysis, the share of the employment of provincial groups in the total employment is presented to observe employment absorption in Anatolian firms.

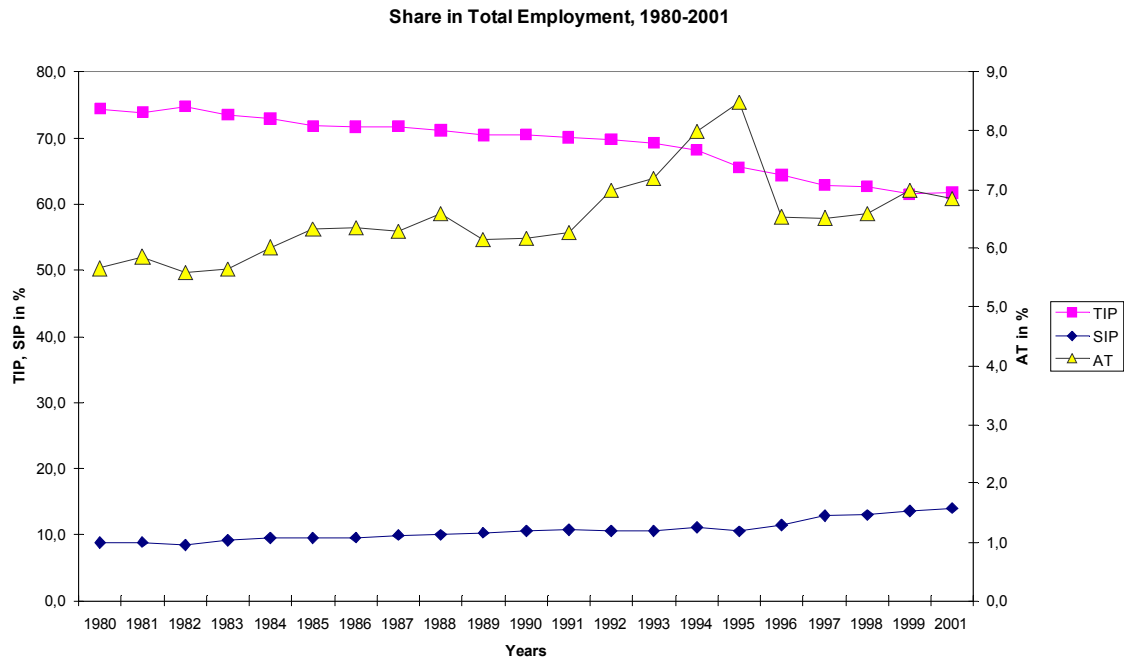


Fig. 10. Share in Total Employment, 1980-2001

Source: TurkStat, ASMI

In Figure 10, we compare the evolution of employment in the Anatolian Tigers and the other two groups. As seen in the graph, the Traditionally Industrialized Provinces employed more than 60% of all employed population in manufacturing. However, the same group of provinces year by year employed less labor, mostly as a consequence of the rise of the service sector in those provinces. On the other hand, in spite of the crisis in 1994 and 2000-01, there exists a steady upward trend in employment both in AT and SIP. Although the graph is drawn in two scales it should be stressed that the six provinces collected as the Anatolian Tigers under examination constitutes a very small portion of the Turkish private manufacturing industry. The outcome of the graph confirms the labor intensive production method seen in the Anatolian manufacturing firms.

## Growth in Value Added, Employment and Productivity

The following graphs are plotted to illustrate the growth pattern in value added and employment. Year-to-year value added growth is calculated to observe relative changes in provincial groups despite the deficiencies caused by collection of data in current prices.

To begin with, the striking pattern that emerged from the first figure is the consistently poor performance of the value added growth in private manufacturing sector in AT and TIP. While the curve depicted by the SIP indicates a higher productivity for these provinces showing the way of industrialization. Evidently the transformation depicted in Figure 1 did not entail improved productivity for AT. On the other hand, the results indicate to the capacity absorption feature of the sector and the lack of either technical adaptation or upgrading in human capital –or both-.

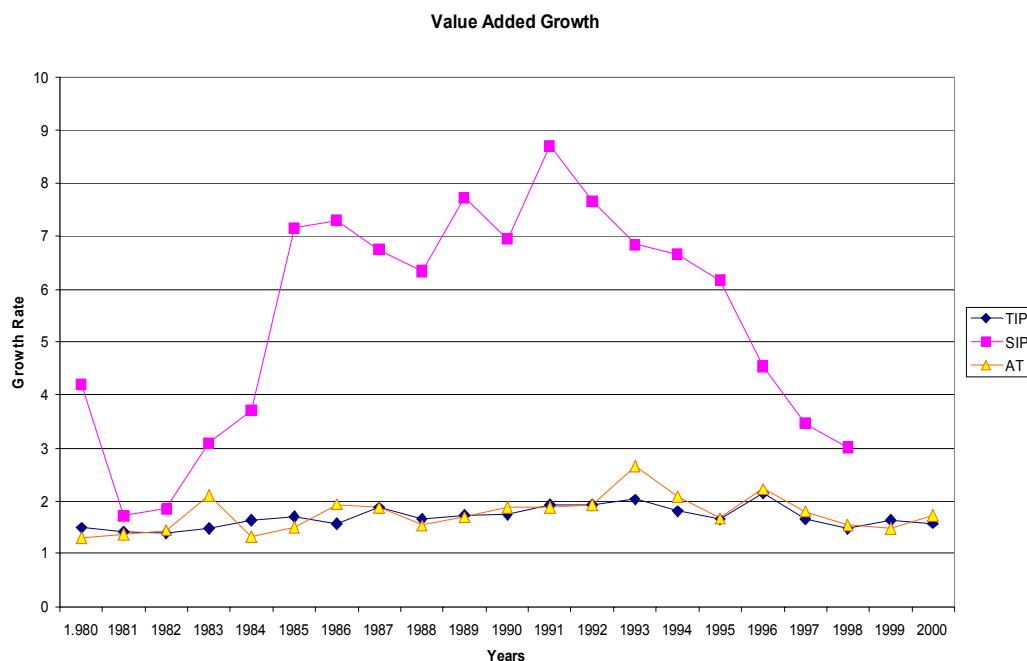


Fig. 11. Growth in Value Added  
Source: TurkStat, ASMI

Contrarily, in the employment change for defined sub-periods displayed in the diagram, Anatolian Tigers have a slightly greater growth rate in employment compared to the firms in TIP. However, the growth observed in SIP is much more significant despite the fluctuations in its rate of increase. The ratio of 2001 to 1980 draws a whole picture of value added increase that it is realized 1.92 for the total of Turkey. SIP and AT are above the Turkey average (3.08 and 2.33, respectively) while TIP remains below the TR average with 1.60. The figure related to the employment growth of the same provinces illustrates the correspondence of Value Added (VA) growth. On average, Anatolian Tigers have an absolute higher growth compared to TIP. Those analysis supports the arguments analyzing the capacity increase of employment is one of the most significant drivers of the growth of the firms referred as AT. The productivity analysis would put this claim one step forward.

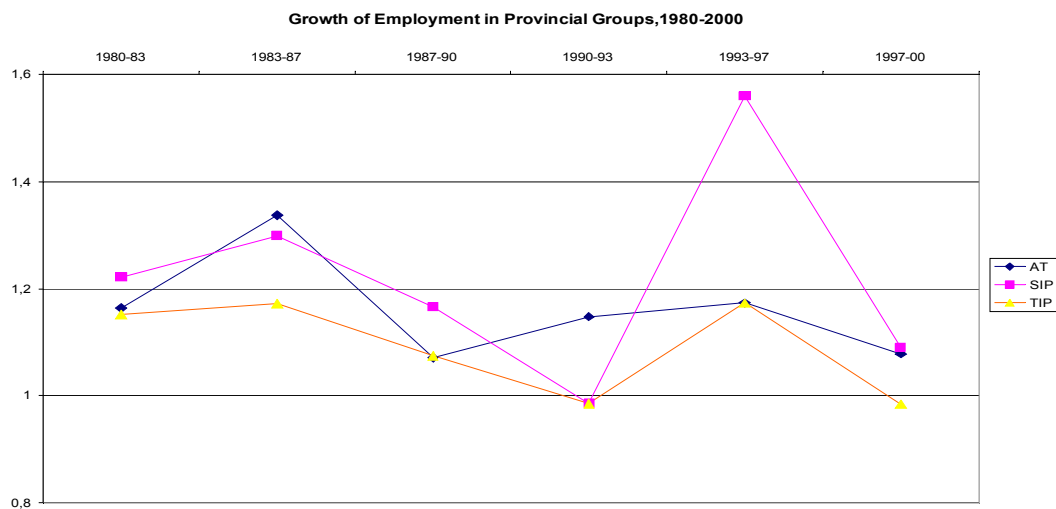


Fig. 12. Employment Growth, 1980-2000

Source: TurkStat, ASMI

## Productivity

Total productivity is measured as a ratio of output to the input for the years in examination, thus the deficiencies of current prices in data is eliminated in this ratio. However, only the period from 1980 to the 1991 can be presented because of the limitation of data. The output increase is correlated to the input and results in a relatively slower growth in value added for AT. We conclude then that the dramatic increases and compositional changes in output were not matched by improvements in total productivity.

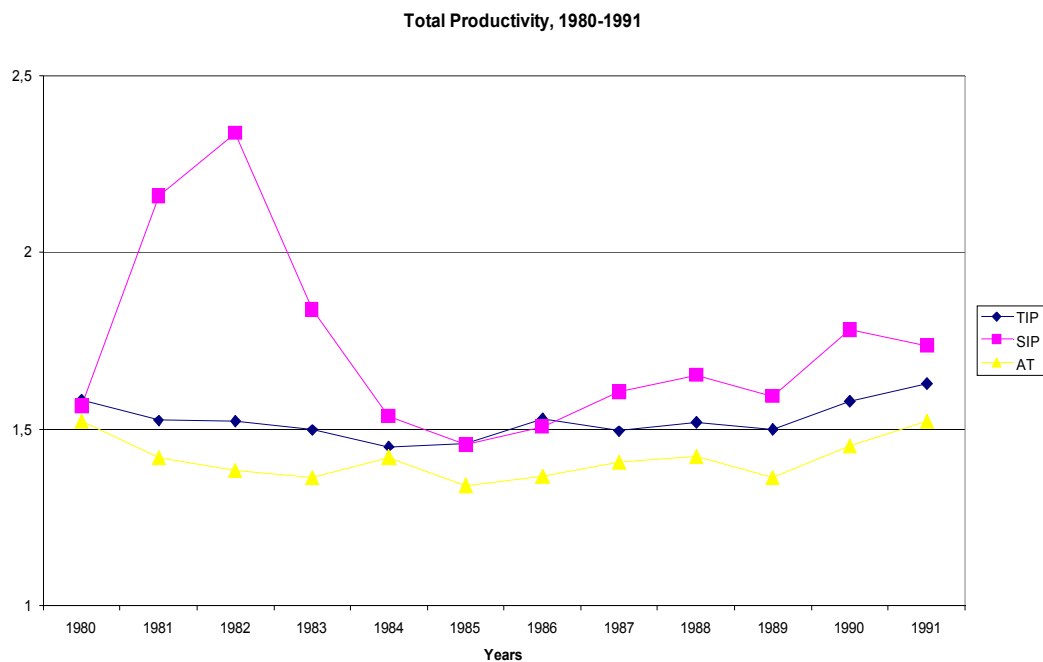


Fig. 13. Total Productivity (Output/Input)<sup>64</sup>

Source: TurkStat, ASMI

<sup>64</sup> Related data are given only for 1980-91 period.



## Labor Productivity

As mentioned above, one of the most common arguments about Anatolian Tigers is the labor-intensity in production. Therefore the productivity of the workforce has vital importance in explaining the composition of value added increase.

Owing to the fact that the data on value added are in current prices, to adjust the accurate productivity calculation, labor productivity (value added per employee) was measured as a share of Turkey. In other words, the share of a definite provincial group's value added in Turkey's total value added is divided into the share of employment in the same provincial group in total employment of Turkey. The outcome would provide a ratio in labor productivity for each provincial group to compare to the others.<sup>65</sup>

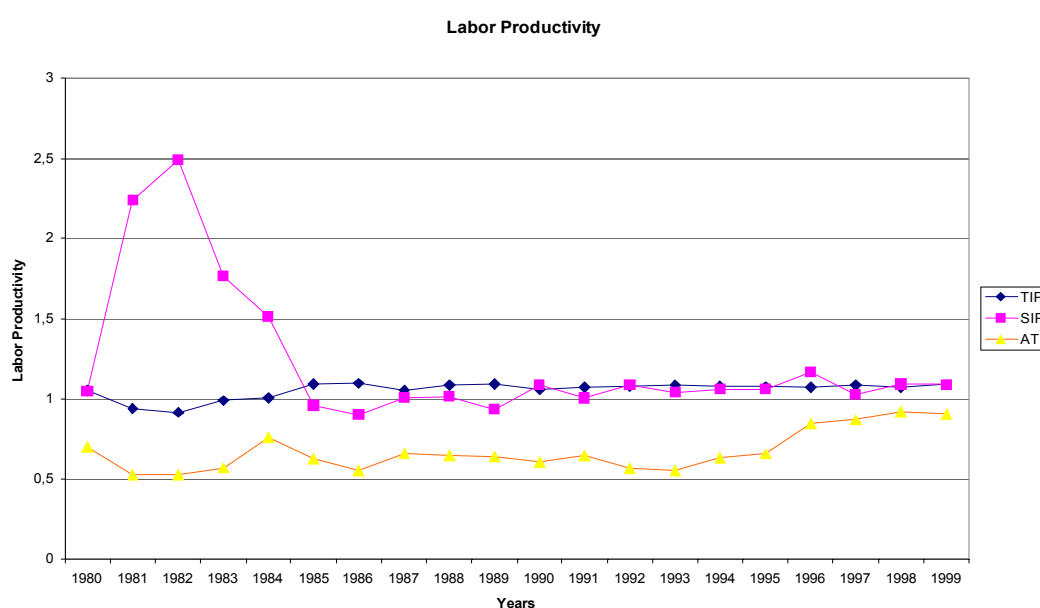


Fig. 14. Labor Productivity, 1980-1999

Source: TurkStat, ASMI

<sup>65</sup> Related calculation:  $(VA_{ij} / VA_{Turkey_j}) / (EMP_{ij} / EMP_{Turkey_j})$  where i: Provincial Groups (AT, SIP, TIP); j: Years

Except for a remarkable positive fluctuation in SIP, that occurred in the first half of the 1980s, for TIP and SIP growth in labor productivity is almost stable. Compared to these two groups, for ATs labor productivity absolutely remained below. However, the upward trend in the line indicates to the role of labor productivity increase as a factor in the rising of Anatolian Tigers. Over the twenty-year period under examination growth in labor productivity moved from around 0.5 to around 1 so that the gap between Anatolian Tigers and the other categories are closed.

A decomposition of technical change would allow an improvement of the understanding of the components of the productivity growth. However, such calculations on technical decompositions are beyond the scope of the analysis at hand. Therefore to compare total productivity change and technical change the provincial-level article of Karadag et. al. was used.<sup>66</sup>

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<sup>66</sup> For related calculations, Metin Karadag, Ozlem Onder, and Ertugrul Delktas, “Growth of factor productivity in the Turkish manufacturing industry at provincial level”, *Regional Studies*, 39 (2005): 213 – 223; This study does not cover Sakarya and Kahramanmaras. Therefore, seventeen provinces are covered in this figure.

Total Factor Productivity Change in Private Manufacturing Industries, 1990-98

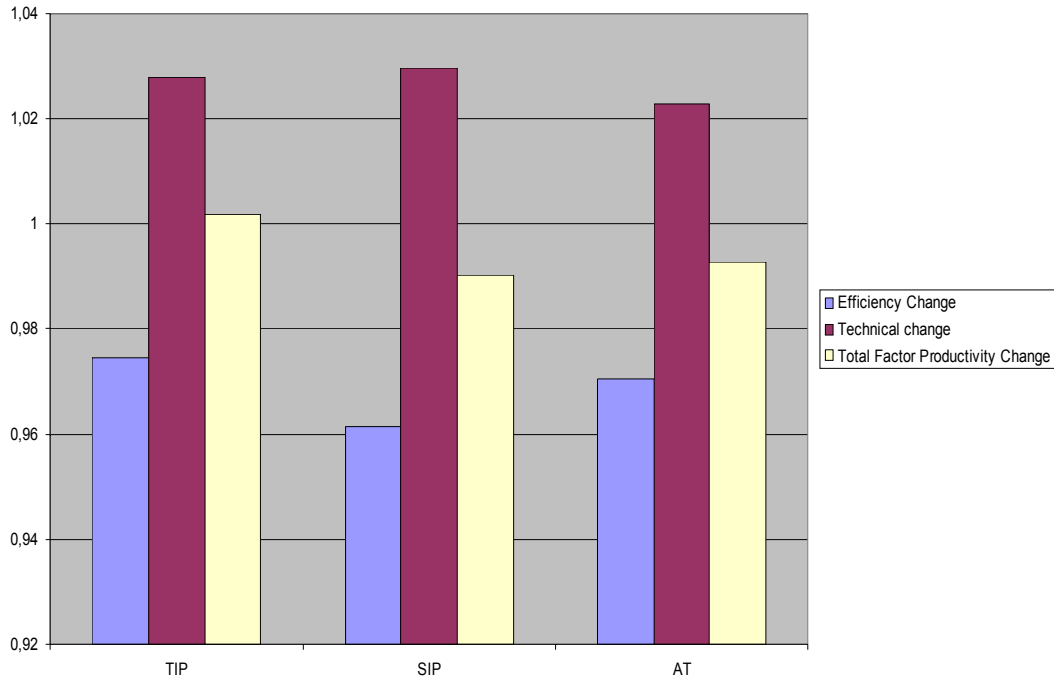


Fig. 15. TFP Change in Private Manufacturing Industry

Source: Metin Karadag, Ozlem Onder and Ertugrul Delktas, 'Growth of factor productivity in the Turkish manufacturing industryAnatolian Tigersprovincial level', *Regional Studies*, 39:2, 2005, p.213 – 223

According to the diagram, with regard to technical change, AT remains below TIP and SIP. Contrarily, for TFP and efficiency change the findings are above the SIP. The difference in TFP growth in the provinces can be explained partially by having a non-uniform sectoral composition in the Turkish manufacturing industry. The results also reveal that the relatively highly industrialized provinces such as Istanbul, Kocaeli and Izmir (TIP) show deterioration in TFP. However, newly industrialized provinces of Anatolian Tigers indicate improvement in TFP. These findings can be explained that the productivity change in Anatolian Tigers is not a consequence of technical innovations. Instead, increase in labor productivity is a possible factor to explain TFP in AT.

## Remarks on Sustainability of Competitiveness in AT

The first observation concerning the structure of manufacturing industry is the pervasiveness of the small medium-sized enterprises, a category in which more than 95% of the firms in Turkey are classified in this regard. Considering that large firms are intensively established in relatively industrialized provinces, and the role of SMEs as a primary step to move into the market for the traditional families originally was transferred from agriculture or trading, the close relation between the SMEs and the Anatolian firms can be easily appreciated. Furthermore, Ayse Bugra's point for Turkish politicians stating how the overemphasis in the 1990s of the significance of SMEs for development is corresponded to the expansion of SMEs in AT.<sup>67</sup> Thus, to evaluate the phenomenon of Anatolian Tigers in this context is remarkable. Therefore, in the first part of this chapter an overview on SME is presented. From now on, with the help of the statistical application on Anatolian Tigers, can be established linkages and varieties waked for the features of small firms and Anatolian firms in particular.

On the common characteristics of the SME, when the Anatolian Tigers are compared and contrasted, a relative success in integration to the world markets due to the increases in export levels can be seen. Anatolian Tigers also accompany the relative efficiency of SMEs via continuing their comparative advantage with low wages as labor intensive actors in the market. However, the low level in value added in accordance with low productivity levels is alarming characteristics of both SMEs and small firms of Anatolian Tigers that questions the sustainability of the competitiveness of those firms. The main point is whether or not those firms would

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<sup>67</sup> Ayse, Bugra, The Claws of Tigers.

become “tigers” when they reached the limits of labor-intensive production and lost the comparative advantage of low wages. The observed low technology and investment level stemming from credit financing problems for the period in examination indicate a negative outcome. The sectoral compositions of productivity analysis and labor productivity level and long-standing low real wage policies have justified these arguments. Similarly, the inquiry above into small firms confirmed that the competitiveness of the SME is based on cost reduction by low wage policies and labor intensification. However, while the studies on the subject indicate the poor technology level and the lack of market research, to what extent such is competitiveness sustainable?

According to the OECD, “competitiveness” is defined as “the degree to which under open market conditions, a country can produce goods and services that meet the test of foreign competition while at the same time maintaining and expanding domestic real income.”<sup>68</sup> Thus, the factors that affect the implementation of competitiveness are good macroeconomic performance, political stability which would attract FDI, government capabilities, and last but not least, dynamic private sector capabilities that drive government economic program.

In the view of G8 countries,<sup>69</sup> SMEs are competitive when they focus their technological competence and marketing knowledge on specific production functions and achieving cost advantages and product innovation, and when they operate in co-operative networks which provide finding other firms with complementary

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<sup>68</sup> Emre Alkın, “Ekonomik ve Sosyal Anlamda Türkiye’de KOBİler”, IMKB, 2000

<sup>69</sup> Ibid.

specializations. SMEs realize collectively the advantages of the economies of specialization that they do not have individually because of their size.

The post-Fordist theories discussed in the first chapter of this study underline the ascending position of small firms in new world economies by achieving the required flexibility to compete in the world markets. These theories propose that the rule of competition is in favor of small firms if they succeed in flexibility, which is mostly driven by technology innovation or for developing countries' technology adaptation. Thus, the structural changes proposed in many of the liberalization package are mainly directed Anatolian firms in the hope that they will achieve specialization and efficiency in production. For Mehmet Odekon, the limited success of liberalization might be the result of firms' failure to respond to the proposed macro policies in the expected manner or the policies inability to channel the firms in the right direction.<sup>70</sup>

For Nurhan Yentürk, Turkey has not made full use of the circumstances of the 1980s to change its product composition, to sustain its export expansion with new investments or to create new export-oriented industries.<sup>71</sup> In this context, the transformation of Anatolian Tigers in terms of flexible specialization can be argued as a failure or being at the infant level due to the limitation of investments. However, in our interviews, the businessmen of Kayseri complained about the lack of "skilled workers" for their plants, both at the production and organizational level. They explained their success in competition as producing differentiated market goods of

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<sup>70</sup> Mehmet Odekon. "Turkish Liberalization: From the Perspectives of Manufacturing Firms" *Economics and Politics of Turkish Liberalization* eds. Tevfik Nas and M. Odekon, (Bethlehem: Lehigh University Press; London; Toronto: Associated University Presses, 1992). p. 155

<sup>71</sup> Nurhan Yentürk, "Destined to be in Crisis?" *Private view*, vol. ½

good quality.<sup>72</sup> Likewise, after the expansion of SMEs in Konya, entrepreneurs began to complain about the need for "qualified workers." These entrepreneurs asked for skilled workers for productivity, specialists for feasibility, consultants in financial matters.<sup>73</sup> These complaints are critical that they demonstrate the trends in the behavior of firms in global conditions and the "mentality change," as stated by Bozkurt. We could conclude that for relatively large firms in Anatolia, many more steps need to be taken in terms of global integration. Unfortunately, data are not available for the 2000s that would provide better observations after the recovery in Turkish economy, to check the claims of Anatolian businessmen on about the competitiveness of AT.

To utilize efficiently from the economic potential of those Anatolian provinces many transition methods might be offered. The EU which has 18 millions SMEs formed the BEST (Business Environment Simplification Task Force) Working Unit on 28 October 1997 and started works to increase the competitiveness of companies by eliminating unnecessary legislations. It aims to develop and support innovative, competitive and technology-based SME. A BEST Report<sup>74</sup> prepared by KOSGEB on the European Accession process of Turkey lists the necessary proposals in six categories to arrange the business environment of small-medium sized companies that would also be a relevant evidence for AT. Those proposals are on education and training to raise human capital, ease of access to finance, more research and innovation, visibility of support services, public administration, employment and working conditions.

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<sup>72</sup> Interviews with Boydak, Ezinc Demir Çelik, Orta Anadolu Mensucat, January 2008

<sup>73</sup> Bozkurt.

<sup>74</sup> CC BEST Turkey Report, KOSGEB, Ankara 2002

At the threshold of the 21st century, due to the fact that the economic climate is shaped by the existence of incentive structures that support R&D expenditures and product development, partnerships between universities and industry are promoted by the government by supporting the foundation and operation of Technoparks, incubators and technology institutions.<sup>75</sup> Since the transfer of the technical knowledge potential of universities to the manufacturing industry has been thought critical for the establishment of new high-tech companies.

It is also believed that the "competitive advantage' created by the quality of product, cost-effectiveness, speed and efficiency in production will not last long. In addition, this awareness increases as SMEs begin to dominate the economic life of a province. According to the abovementioned report, when the problems of Turkish firms are resolved by improving research-university-industry mechanism and support services in accordance with a reform of the financial sector and the strengthening of the ownership and corporate governance system to overcome credit-financing problems, the adaptation process of Anatolian provinces and their global economic performance would be an indicator for the sustainability of their competitiveness.<sup>76</sup>

From now on, I would like to focus the other side of the medallion by moving more organizational and sociologic aspects of the firms referred to as Anatolian Tigers. A concrete analysis will be established to see the change in the international division of labor. Diverse inter-firm relations among SMEs, particularly among Anatolian Tigers characterized by employment flexibility and management techniques, collaboration in input provision and output supply will be examined in this context. The related division of labor between those firms and the recognition of

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<sup>75</sup> Ibid, p.8.

<sup>76</sup> Ibid.



the advantages of "agglomeration" and "regionalization" with references to the family and kinship ties will be analyzed in the following chapter, as a case study of Kayseri.

## CHAPTER THREE

### INSTITUTIONAL AND SOCIOLOGICAL ANALYSIS ON KAYSERI

In the 1990s, Turkey adopted liberal economic reforms by removing import quotas and providing export incentives. Thus, the Turkish economy increased its international trade volume and subsequently began to integrate into the world market. In this context, while the increased integration into the international markets and the increases in international trade volumes occurred, Turkish firms also transformed themselves in relation to global competitive conditions. In this regard, the study first presented, above, how macroeconomic policy changes are affected at the micro level by introducing the Post-Fordist production models and highlighting flexibility. The theories related to Post-Fordism and the emergence of the competitive advantages of the SME, were analyzed in the previous chapters. Accordingly, the small firm characteristics of Anatolian firms and their related structural analysis are examined within the framework of the second chapter to evaluate the flexibility of the Anatolian firms in terms of their technology adaptation and labor composition. The analysis implied that both technological innovations and human capital development in the Anatolian provinces had an increase too slow for them to act as the driving force of the development seen in the manufacturing production and export levels of those provinces. Thus, there might be other factors that are revealed through the liberal economic policies in a globalized world market that support the development of Central Anatolian region. Therefore, in this section of the study to introduce new arguments on how flexibility has been achieved in the

Anatolian provinces, focus will be put on the social settings and the dynamism of institutional cooperation within Kayseri, which is a city typical of the Anatolian Tigers. In this analysis, first of all, the reemergence of urban economies in the neo-liberal world is explained and the theories of local development are presented. First, a definition of the concepts explains the resurgence of local economies in the global world will be given. Then, the case of Kayseri will be studied for particular analysis.

### Urban Economies and Local Institutions in New Global Economy

In opposition to the general criticism that globalization causes the elimination of local elements by creating a “global village,” there exist theories asserting that new global markets through the flexible production system, provide a suitable environment for developments in the regional, local and urban economies to the detriment of the nation-state led economic development policies. In other words, globalization does not represent the end of the local, instead it helps the reemergence of the local by maintaining decentralization. According to these theories, the strong structures of social and economic representation in particular regions with particular forms of institutions in the context of more liberal market conditions might result in local economic development. To Amin and Thrift, it is clear that geography is new globally local.<sup>77</sup> To them, at a concrete level, metaphors such as “global village” and “one world” are contradicted while there are villages, towns, districts, cities, and regions which continue to tell their own economic development stories and cultural

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<sup>77</sup> Ash Amin and Nigel Thrift. *Globalization, Institutions, and Regional Development in Europe* (New York: Oxford University Press, 1995). p.8.

and political distinctiveness.<sup>78</sup> That is to say, with regard to the position of cities and regions, urban areas have different stories in their world integration process. For instance, there exist tourism-based, agriculture-based global provinces while there are also provinces which do not have such economic activities but are centered around local business elites and local institutions to attain industrialization.

Similarly, in addition to their distinctive socio-cultural traditions, some cities in Central Anatolia such as Kayseri, Gaziantep due to the lack of agricultural or tourism based economic activities have concentrated on industrial production. Thus, the local institutional specificity of the Central Anatolian region and the development in that region that has occurred in the last twenty years might be a consequence of the process of global-local economic development theories.

Before focusing on local-global conflicts or coexistence, I would like to shed light on to what is referred by “local”. In this study, the term “local” is used to represent localities such as cities and regions rather than nations. However, this “local” does not refer to separateness. Localities are seen as part of the global, not separate from it. Here, the region in which the Anatolian Tigers are located is used as a signifier of local with its distinctive socio-cultural transitions. In this particular analysis, Kayseri, with its distinctive forms of business organizations and governance structures mostly inhabited by its indigenous elites, is also regarded as the local as a unit of representation. Here, the global becomes a “composition of local settings”

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<sup>78</sup> Ibid., p.10.

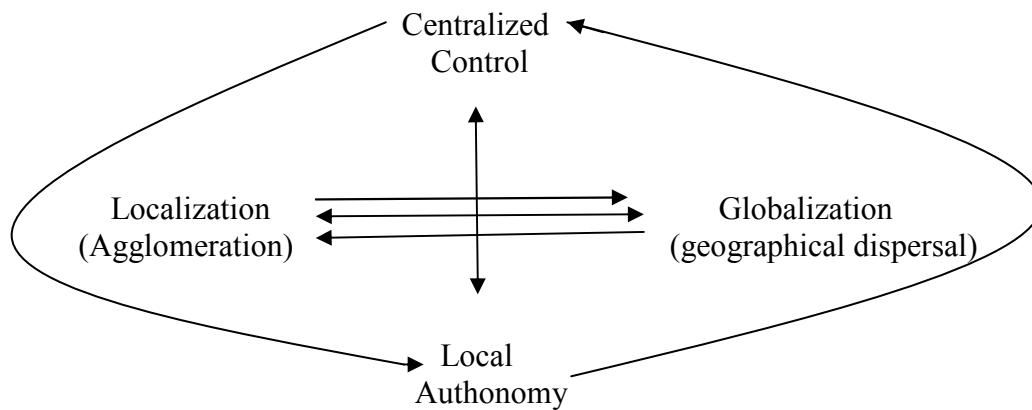


Fig. 16. Dimensions of Local-Global Relations

Source: Amin and Thrift, 1995, p.39

The figure obtained from the article of Dicken, Forsgen and Malmberg<sup>79</sup> is a well summarized formulation to demonstrate local-global relations in the new world economies.

To Amin, local economic redevelopment requires “local institutional thickness”.<sup>80</sup> When the extent to which a firm is seen as separate from its environment has been questioned, local agglomerations are treated in new ways. The presence of local institutional thickness thus reflects to a negotiation of the local’s position in the global economy. In other words, different levels of global engagement and local institutional capability determine the level of integration to the world markets.

Clusters and agglomerations are concepts that provide a considerable explanation for the reemergence of local economies as well as social institutions. In this part of the study, the following terms are defined.

<sup>79</sup> Ibid., p. 39.

<sup>80</sup> Ibid., p. 16-17.

## Clusters

An *industry cluster* refers to a group of companies and organizations in related industries that have economic links because they buy and sell from each other, or because they use the same skills and infrastructure in a local area.<sup>81</sup> Their emphasis is on the development of cooperation among firms, with the objective of achieving synergy. Due to their emphasis in regional development, the role of clusters is always appreciated.

A cluster can be classified as a *geographical cluster*, which describes a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field; or a *sectoral clusters*, one which is a cluster of businesses operating together from within the same commercial sector. There are also *horizontal cluster* that refers to the interconnections between businesses at a sharing of resources level, and the knowledge management, a *vertical cluster* as in the example of a supply chain cluster.

In terms of different kinds of knowledge, there are generally two types of business clusters. *Techno-clusters* are high technology-oriented, and well adapted to the knowledge economy. Thus, generally they also include famous universities and research centers, like the Silicon Valley. On the other hand, the *historic knowhow-based clusters* have more traditional economic activities that maintain their advantage in know-how over the years or over the centuries. These are often industry specific and the clusters in developing countries are formed most frequently on this basis.

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<sup>81</sup> Edward Bergman and Edward Feser, "Industrial and Regional Clusters: Concepts and Comparative Applications Glossary Words" Available [online] at: <http://www.rri.wvu.edu/WebBook/Bergman-Feser/definitions.htm> [18 May 2008]

According to Athar Osama,<sup>82</sup> in an idealized setting, these concentrations of economic activity can become sources of self-perpetuating competitive advantage that not only good for the region as a whole, but also for individual firms within the region. Michael Porter describes three basic mechanisms through which economic clusters improve the competitiveness of its firms. First, an industry cluster increases the productivity of firms by providing them access to shared best practices, labor and management pool, and training resources of cluster. Second, it drives the direction and pace of innovation which in turn leads to productivity enhancement in firms. Third, it speeds up the entrepreneurial process and new firm formation and provides a positive feedback loop that feeds onto itself.<sup>83</sup>

With these advantages in mind, many governments and regions around the world have attempted to create economic clusters. A 2003 study of cluster initiatives around the world identified hundreds of cluster initiatives of varying sizes and scopes in various geographies: 112 in Northern Europe, 82 in Australia and New Zealand, 107 in Western Europe, and 92 in North America.<sup>84</sup>

The Anatolian region is also regarded as a cluster of textiles by Osama in his study about clusters in the Muslim world and is classified as historic know-how geographical and sectoral clusters. Furniture and home textiles in Central Anatolia which is a traditional economic clustering, is concentrated in the same region.<sup>85</sup>

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<sup>82</sup> Athar Osama, "Creating Economic Clusters in the Muslim World," Available [online] at: <http://dinarstandard.com/innovation/Clusters71606.htm>[20. June. 2008]

<sup>83</sup> Michael Porter, *The Competitive Advantage of Nations* (New York: Free Press, 1998).

<sup>84</sup> Osama.

<sup>85</sup> In section titled "Small firms Networks", the clustering effect in manufacturing of Kayseri would be analyzed.

Despite the lack of an obvious policy to bring out and develop a cluster identity for these clusters, according to Osama, several of these “natural” clusters hold considerable promise for the future.

In addition to natural clusters, due to the fact that governments in the developing world are also conscious of this trend, they have various cluster policies. Governments around the world have tried to use a number of policy instruments to create economic clustering, including the development of cluster strategies and a cluster identity in various regions. Liberal taxation policies, the creation of science, technology, and research parks, investment in university-based research programs, investment in human resources development, creating programs to market the region’s competitiveness, steps to improve the entrepreneurial environment, creation of public and private venture capital programs, and the creation of institutions of collaboration are among these policies. As in the foundation of Teknoparks for R&D, and KOSGEB for innovations in SME, these policies also have been applied within Turkey.

The cluster effect, which is similar to the network effect can be more easily perceived in any urban agglomeration.

### Agglomeration

The term *economies of agglomeration* is used in urban economics to describe the benefits obtained when firms are located near each other. It is based on the idea that the more related firms that are clustered together, the lower the cost of production (firms have competing multiple suppliers, greater specialization and division of labor results) and the greater the market to which a firm can sell. The reality of the



existence of agglomeration economies is central to the explanation of how cities increase in size and population, or in other words, how cities form and grow to exploit economies of agglomeration. This concentration of economic activity in cities is the reason for the existence of agglomeration economies. It is significant to understand why these advantages allow for the persistence of cities.

According to Amin, the centers of geographical agglomeration are centers of representation, interaction and innovation within the global production cycle. In addition, it is important to note that these increasing returns to scale are a major contributing factor to the growth of cities. Agglomeration economies exist when production is cheaper because of this clustering of economic activity. In simplistic terms, production is facilitated when there is a clustering of economic activity. As a result of this clustering, agglomeration allows for the establishment of other businesses to take advantage of without joining any big organization. As of the case in family entrepreneurship, to have a firm in a local agglomeration provides a just start advantage for several small firms.

In recent time, local agglomeration has come to be treated in new ways as a result of a new institutional economics and a new institutional sociology. Thus, the literature on industrial agglomerations has generally moved towards a new approach based on recognition of the importance of an institutional atmosphere in the creation and maintenance of agglomerations.<sup>86</sup> To Holmlund, “the economic action and outcomes like all social action and outcomes are affected by actors’ dyadic relations

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<sup>86</sup> Maria Holmlund “What are relationships in business networks?” *Management Decision*. Available [online] at: <http://www.emeraldinsight.com/Insight/ViewContentServlet?Filename=Published/EmeraldFullTextArticle/Articles/0010350406.html> [10.July.2008]

and by the structure of overall network of relations".<sup>87</sup> The theory bring us from economic reasons for the growth of new industrial agglomerations, such as product specialization and vertical disintegration of the division of labor, to social cultural reasons, such as intense levels of inter-firm collaboration, a strong sense of common industrial purpose, social consensus, extensive institutional support for local business and structures encouraging innovations, skill formation and the circulation of ideas.<sup>88</sup>

According to Bugra,

Agglomeration is also said to have additional advantages resulting from social ties of trust, loyalty, and solidarity among enterprises that share a common cultural milieu. In this milieu, the supporting role of local community institutions is also seen as an important factor in which both inter-firm co-operation and flexible work practices can be sustained without causing conflict and without requiring formal conflict resolution practices mobilized by the state and/or labor unions. In this regard, family, as an important source of labor that would accept flexible working hours, as well as religion which constitutes a communal bound that alleviates potential differences of interest appear to be especially important.<sup>89</sup>

Similarly, as Piore and Sable put it the logic of flexible production is ironic in its similarities to the craft paradigm, and can accommodate modern technology to the extent that it can reinvigorate social affiliations that are associated with the pre-industrial past. They claim that by leaving the organizational aspects of employment flexibility in a traditional society points out negotiation of the traditional and global in the social relations base. This argument finds its ground in certain analyses of the successful economic performance of East Asian countries. The fit between the traditional institutions that regulate social relations and the current requirements of global production and trade seen in this performance can also be observed in the

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<sup>87</sup> Ibid.

<sup>88</sup> Amin and Thrift, p.17.

<sup>89</sup> Buğra, "The Claws of the Tigers," pp. 50-55.

context and characteristics of the Anatolian Tigers. Therefore, in addition to the clusters and agglomerations of economic activities, the network effects of social ties that led to the “collective efficiency” which is defined as the dynamism of small firms in developing countries in which social ties are much more determinant by Nadir Sugar<sup>90</sup> would be added in order to analyze how flexibility has been achieved in Anatolia.

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<sup>90</sup> Sugar, p.99- 100.

## “Kayseri” as a Local Industrial District

*“Erciyes, symbolizes aiming high, aiming the apex, with its height... with the difficulty of climbing its top, symbolizes how to plan... With its always snowy mountain top, calmness, imperturbability... With its grandeur, symbolizes power... hard work with its inaccessibility... And all these express the point Kayseri reached today. To be Kayserian... A story of success. Therefore it is not a coincidence that significant families who left their marks in the industrial and commercial life of Turkey are from Kayseri. Governance of Kayseri. "Kayserianness"<sup>91</sup>*

As far as the Anatolian Tigers are concerned, Kayseri is the most frequently referred to city in the related literature. Especially in recent years, Kayseri has become an attractive place for both the national and international press in addition to the growing academic and intellectual interests in it. In 2005 in the context of EU enlargement studies, the European Stability Initiative after spending six months in Kayseri offered the term “Islamic Calvinism” to define the mentality and the life styles of Anatolian businessmen. Similarly, the observations of national and international journalists concerning Kayseri are published in daily-newspapers<sup>92</sup> such as *Milliyet*, *Referans*, *New York Times*, *Financial Times*, and *Taraf*. Furthermore, in the last few years, the official visits of politicians even in international level have become frequent. In February 2007, Queen Beatrix of Holand, and in May 2008, Austrian President Heinz Ficher with the Kayseri-born President Gül, visited Kayseri

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<sup>91</sup> Turkish original from the website of the governorship, “*Erciyes; Yüksekliğiyle, büyük hedefleri, zirveyi hedeflemeyi... Zirvesine ulaşma zorluğuyla, planlama yapmayı... Tepesinin hep karlı olmasıyla, serinkanlılığı, soğukkanlılığı, akli selim olmayı... Heybetiyle gücü... Ulaşmazlığıyla çalışma azmini... simgeliyor... Ve bütün bunlar da; Kayseri'nin bugün geldiği noktayı anlatıyor. Kayserililiği... Bir başarı öyküsünü... Türkiye'nin sanayi ve ticaret hayatına damgasını vurmuş ailelerin Kayseri'den çıkmış olmaları da bu yüzden bir tesadüf olmasa gerek.*” Kayseri Valiliği, “Kayserililik” Available [online] at: [www.kayseri.gov.tr](http://www.kayseri.gov.tr)

<sup>92</sup> Kemal Can. “Tekkeden Holdinge Yeşil Sermaye” *Milliyet*, 11-18 March 1997; *Referans*, weekend supplementary, March 2005; Dan Bilefsky, “Turks Knock on Europe's Door With Evidence That Islam and Capitalism Can Coexist”, *NY Times* August 27, 2006; Pelin Turgut, “Anatolian Tigers” *Financial Times*, 22 April 2007; Ahmet Altan. *Taraf*, March 2008.

after their visit to Ankara. Beyond doubt, taking into consideration that Kayseri is not a historically or naturally touristic place to be visited by foreign politicians, we conclude that the reasons for those particular visits were the appealing economic performance of Kayseri and the associated economic interests of their citizens in their intended investments in the city. Subsequently, the establishment of the Hilton Hotel in 2005, an international five-star hotel chain is a significant measure to indicate the business potential of a city.

For an accurate understanding of Kayseri in the 2000s, Kayseri is highlighted as one of the Anatolian Tigers has accelerated its growth rate as a result of the recovery after 2001 and the macroeconomic stability in the Turkish economy. Thanks to the export level inquiries of the chambers of industries,<sup>93</sup> Kayseri had a remarkable growth deserving to attract to the afore-mentioned attention. Furthermore, 17 of the members of Kayseri's Chambers of Industry were listed among the first-500 enterprises, and nine of its members were listed among the second-500 enterprises included in the "ISO Top 500 Industrial Enterprises Survey," conducted by the Istanbul Chamber of Industry (ISO) in 2005. The statistics indicate the hopeful and significant position of Kayseri as well as that of other Anatolian cities. In the same way, the Assembly President of the ISO Huseyin Kavi, in a visit to Kayseri, made predictions about the future of Anatolian provinces. He said that the firms in Istanbul should move their plants to Anatolia in the coming ten years to benefit from cost advantages in labor, energy, water, land and taxes.<sup>94</sup>

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<sup>93</sup> In the following section, we would see the absolute numbers for Kayseri obtained from the chamber.

<sup>94</sup> KAYSO Dergisi, 41 (April/June 2000) p.9.

The role given to Kayseri on political and economic grounds also changed in this period. The current Foreign Minister and EU Chief Negotiator, Ali Babacan,<sup>95</sup> held the 21<sup>st</sup> meeting of Turkey-EU Mixed Deliberation Committee at the Kayseri Chamber of Trade in July 2006. In his speech there, he explained that Kayseri was preferred for this meeting in order to draw attention to its unique economic development. For him, the success of Kayseri businessmen in industrial development and the dynamic business life in Kayseri must be modeled not only by the Central Anatolian provinces but also all of the provinces of Turkey to attain the socio-economic levels of EU countries. Babacan claimed that even for European provinces, considering the slowness of their development levels in recent years, Kayseri is a model to be observed and from which to be inspired. He said he believed in Kayseri businessmen, who were mentally ready to integrate Europe would be the forerunners in the marathon of the accession period.

Ahmet Tokluman also presents Kayseri as a model for Anatolia, particularly for Central Anatolia in an article written for the Chambers' publication.<sup>96</sup> He criticizes that Kayseri is distinguished in terms of its self-sustained industrialization with its local collectivity. Moreover, various items in the same journal continued to highlight the model vision of Kayseri in the industrialization of Anatolian cities. In March 2002, a symposium was organized by the chambers of Kayseri and Yozgat "Yozgat Models Kayseri/ *Yozgat Kayseri 'yi örnek alıyor.*"<sup>97</sup>

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<sup>95</sup> He was Deputy Minister and the Chief Negotiator when this speech is given. (13. July. 2006, Kayseri Chamber of Industry).

<sup>96</sup> Ahmet Tokluman "Kayseri Modeli" KAYSO Dergisi, 51 (April/June 2003)

<sup>97</sup> "Yozgat Kayseri'yi örnek alıyor." Symposium, Kayseri Vizyon, 23 (November 2007), p.39.

Likewise, Ali Coskun, the former Minister of Industry, in an interview given for the journal of the Chamber of Industry, complimented Kayseri's industrialization on its self-pertaining and self-sufficient characteristics. In the globalization process Kayseri had achieved rapid industrialization despite the marginal contributions of the state. Subsequently, the great contributions of the Anatolian Tigers and the Central Anatolian Region to meet the demands of international market and the formation of credibility for Turkish economy had to be recognized. In this context, for Coskun, Kayseri was "a source of pride" for Turkey<sup>98</sup>. He was grateful to the industrialists of Kayseri who had played key roles in the transformation of the city from a trade center into a competitive industrial center even in hard global market conditions.

Ahmet Altan,<sup>99</sup> the editor of daily *Taraf*, viewed the city from a more sociological perspective. Kayseri, with its wide streets, parks and squares was one of the most ordered, well established, cleanest cities in Turkey. He pointed out however, its lack of service sector and entertainment facilities and said this was a reflection of the socio-cultural aspects of the local society. If one wanted to host some business people in a good restaurant, choices were limited. In addition it was not possible to offer alcohol to one's guests since there was no alcohol serving restaurants. For Altan, the reason why Kayseri had very few restaurants, and those had limited menus was its craftsmen culture characterizing a thrifty and conservative life style which could be explained within supply-demand mechanisms. In other words, there was no mature consumption culture to spend money on eating out and very few local people who wanted to drink alcohol publicly. Here, he also emphasized that conservatism was not the correct term to describe the business mind

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<sup>98</sup> KAYSOBilgi, 64 (July/August 2006) p. 28.

<sup>99</sup> Ahmet, Altan "Kayseri" *Taraf Gazetesi*, 16 Nisan 2008.

in Kayseri. The word might be correct to describe lifestyles in Kayseri, but not the world views and mentalities of its people in economic life who were mostly courageous and outward-looking in their economic decisions.

One other observation regarding to Kayseri is the “local collective conscious” of the people about the issues related to the city. Upon visiting Kayseri and talking about the city with the people from there, regardless of their roles in business life, it is easy to witness the brightening of their eyes and their high expectations concerning the urban development of Kayseri. When the subject is the rapid industrialization performance of the city, the people will probably confuse you by giving exact statistics, largely through exaggerating the numbers. Certainly they will be proud for the spirit of entrepreneurships in Kayseri businessmen by embroidering the story with the entrepreneurs’ philanthropic features. Interestingly, among the praises you also feel that they are aware of the problems such as the lack of skilled workers, the necessity of a variety of innovative products, the desire of state incentives or tax reductions as well as the necessity of micro reforms. Furthermore, when urbanization is concerned, people you talked to most probably not only inform you about the story of the last 20 years by giving details of what they have achieved, but also they would refer to future plans of city, and which projects must have priority. The people are aware of the competitive world market conditions and the requirements for sustainability of growth as well local development. Most probably the strength of the urban culture the collective local conscious and the collaboration for local interests in each stratum of society would be your other first impressions concerning the localities of Kayseri.



## History of the Industrialization of Kayseri

“*All the roads cross Kayseri.*” Ş. Karatepe<sup>100</sup>

Throughout history, Kayseri has been known as a trade center due to its geographical position and associated socio-cultural formation. Despite abundant water, the sharp climate and its landscape are not suitable for agriculture. Kayseri is at the intersection point of commerce routes coming from four sides. Therefore, the city has maintained its place as an important cultural, civilization and commercial center up to the present.

During the Seljuk period, Kayseri enjoyed an economic welfare and richness. The Seljuk sultans used the city as their second capital. The urban development improved in a positive manner, and achieved a significant momentum where production was also performed. In that period, trade zones were built around the city and the maintenance of security along the trade routes and the opening of caravanserais increased the commercial and industrial significance of Kayseri.<sup>101</sup> The renowned Yabanlu bazaar and Pazarören located near Kayseri served Syrian, Iranian, Byzantine, Crimean merchants and traders. At that time, Anatolian trade routes enabled trade between the south and north and also east and west, as a part of the historical Silk Road.<sup>102</sup> The Seljuk magnificence starting from the early twelfth

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<sup>100</sup> “*Bütün yollar Kayseri’den geçer.*” Şükrü Karatepe. *Kendini Kuran Şehir*. Kayseri: KBB Yayınları 1999, P.23

<sup>101</sup> Ibid., p.181.

<sup>102</sup> The prominent Silk Road route beginning from the capital Konya and reaching Anatolian Tigers Iran and Georgia through Antalya, Aksaray, Kayseri, Sivas, Erzincan, Erzurum. On this route, one road, which goes to the South East from Sivas, was connected with the routes to Baghdad and Persian through Malatya, Diyarbakır, Mardin and Musul.

century until the middle of thirteenth century was indebted mainly to the earnings received from trade roads and international trade.

In terms of the social and occupational organizations in the cities that emerged in that era, the vitality of commercial life caused occupational groups to gather and form organizations. Tradesmen and artisans formed religious, social and economic organizations called '*fütüvvet*' (bravery), and were hierarchically connected to an Ahi Father, one of the old, successful and rich tradesmen, the leader of the organization. In the hierarchy, the Ahi father was followed by Ahis, who were followed by group leaders and young workers. Ahi Evran, who played crucial role in establishment of bazaars and organization of tradesmen, was the master of leather dealers and the leader of 32 tradesmen' and artisans' organizations. This organization, which united 32 tradesmen' and artisans' organizations around Ahi, is regarded in several modern texts as the first chambers of tradesmen and artisans. İbn-i Batuta highlights the political power of the Ahi community as well as the market in the pre-Ottoman era. During the times of political chaos and disorder, the Ahi community administrated the city in the absence of the Sultan.<sup>103</sup> The Ahi community actually built a municipal organization in the cities in which they achieved organization. Even today in business journals, Ahi is regarded as a respected organization the legacy of which survives in business organizations today. Subsequently, in order to honor the most successful businessman of the year, each year the Kayseri Chambers of industry ranks an old and successful businessman as "Ahi Father The Year."<sup>104</sup> Thus, the representative existence of organization continues.

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<sup>103</sup> KAYSO, "Kayseri", cd , 2004.

<sup>104</sup> "Saffet Arslan Yılın Ahisi", *Kayseri Vizyon*, 23 (November 2007), pp.16-17.

In the Ottoman era,<sup>105</sup> the economic, politic and social order maintained by the Seljuks was demolished and the axis moved to the west to Bursa, Istanbul and Edirne. However, the city continued to be one of the most important commercial centers in the Anatolia. During the sixteenth century, although the Celalis negatively influenced the commercial life in Kayseri, there was an active commercial and industrial life in Kayseri again in the seventeenth century. When significant trade centers flourished in the city, such as the Bezzaz Inn (Cotton Inn) with two bazaars, the Closed Inn and Vezir Inn. Furthermore, there were many bazaars, including *Gazeler*, *Meytaplar*, *Uzunçarşı*, *Kürtüncüler*, *Eskiciler* (second-hand dealers), *Bakkallar* (small dealers), *Habbazlar* (bakers), *Halaçlar* and also *Kuyumcular* (jewelers), *Penbeciler* (cotton sellers), *Takkeciler* (cap sellers), *Demirciler* (forgers), *Nalbantlar* (blacksmiths), *Arpacılar* (barley sellers) and *Otpazarı* (Herb market). In this century, the most important establishment in Kayseri was a saltpeter factory. This product was used in the production of gunpowder and a thousand kantars, a measure weights 56,452 kg, of this were produced annually in Kayseri, Konya and Niğde.

In the eighteenth and nineteenth centuries, the production of saltpeter, continued and the products were sent to the Gunpowder Factory Ministry (*Baruthane Vekaleti*) in Istanbul. In the nineteenth century, the British traveller Tozer, who visited the city in 1881, wrote that in spite of the ruined appearance of the city, the bazaars were big and goods were of good quality.<sup>106</sup>

According to a the report prepared by Lieutenant Bennet dated 1880, in Kayseri wool and cotton cloth, cotton yarn, velvet, silk, glass products, ceramic,

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<sup>105</sup> Kadir Dayioglu, "Kayseri Sanayi Tarihi 1" KAYSO Dergisi, 49 (April/June 2002) p.19-21.

<sup>106</sup> Ibid., p.19-21.

sugar, copper, oil, steel, stannum, tin pin, candle were being imported from Germany, France, Holland and from the UK.<sup>107</sup> According to Bennet, the export products of Kayseri included yellow dye, gum targacath (*kitre*), wool, leather, angora-wool, bewax, *sahlep* (a drink), guts, opium, carpet, goat hair, refined tobacco, salt, air-dried beef, morocco leather, wheat and barley. Furthermore, wheat coming from Yozgat, as well as other agricultural products of the region, were exported from Kayseri. These goods were exported mainly to France, Russia, Egypt and many countries of Europe. Bennet also noted that the villagers were able to borrow small amounts of money from Christians and others at high rates of interest varying between 15% and 25%.

In addition to these economic activities, Kayseri and its hinterland acted as the most important trade center in all of the Central Anatolia. Bennett wrote that Greeks were engaged in money exchange in the market, where European merchants could easily conduct trade.<sup>108</sup> In terms of handicrafts, forging and clothing were frequently observed. In those years, Kayseri was a natural storehouse of the valuable goods that were produced in the south and the east to meet the demands of the merchants from Istanbul. In addition, carpentry was highly developed in Kayseri.

The economy of the Ottoman Empire depended largely on agriculture. The state was able to interfere in the market and commercial life at any stage, while price and job monopolies occurred and the state played an active role in both the industrial and commercial life. In this period, there were also private sector companies and foreigners in the economic life, along with the state. Until 1911, the trade of dry goods was in the hands of Armenians and Greeks. In parallel to the changing economic and social structure in the Ottoman Empire, Turkish entrepreneurs came

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<sup>107</sup> Ibid., p. 19

<sup>108</sup> Ibid.

together and established a commercial firm named the Muslim Facility Company in 1911.

In the early 1910s, there were few proper roads in Anatolia. Transportation was difficult; camels and horse carts were significant means of transport. The nearest train stations to Kayseri were at Konya Ereğli and at Ankara. The Adana-Ereğli railroad was under construction. In order to travel to Istanbul by sea, one had to go either to Samsun through Sivas, or to Kastamonu through Yozgat. Communication could be maintained solely through the telegraph lines and postmen.

The wars at the beginning of the twentieth century brought a financial bottleneck, shortages, hunger and desolation to Kayseri as well as to the entire country. Production, which was already limited, came to a halt.

Furthermore, the long war years at the end of the Ottoman Empire were followed by the demographic changes in skilled human capital particularly because of the decline in the non-Muslim population who had been more active in the urban economy. Nevertheless, infrastructural investments gained pace with the proclamation of the Republic, and the commercial and industrial life of Kayseri again enjoyed vitality. While the most significant factors fostering the development of trade and industry in Kayseri were infrastructural investments and the state-dominated manufacturing industry, the traditional entrepreneurial spirit characteristic the people of Kayseri also played a crucial role in this period of recovery. As a result of the private sector incentives granted in the period between 1923 and 1930, three important private sector investments were made in the city.

Beyond doubt, transportation is one of the key elements of development. Railway investments in Kayseri, which began in the Ottoman period, continued during the Republican era. During the Republican period, Kayseri was connected to Ankara

(1927), Sivas (1930) and Cukurova (1933) through Nigde by railway. The connections between Ankara-Kayseri (1927), and Kayseri Adana-Ulukisla (1934) contributed to the integration of Kayseri to the national economy.

The traditional entrepreneurial spirit characteristic of the people of Kayseri which was always a source of pride for the locals, needed a new point to be stretched in terms of its crucial role in this period of recovery. For instance, the Kayseri ve Civari Elektrik T.A.Ş. was established in 1926 as the first private company of the republic, with the permission of the TBMM, by the Cingillizade family in order to produce electricity utilizing the Bunyan falls for the illumination of Kayseri, Bunyan and Talas; and to distribute the remaining electricity to industrial establishments.<sup>109</sup> Bunyan Hydroelectric power plant, which provides a first example of the Build-Operate-Transfer model, was established by the mentioned company and went into operation in the early 1930s.

A second private enterprise was a yarn factory established in Bunyan. This factory was built in order to benefit from the 1927 Industrial Incentives Law (*Sanayii Teşvik Kanunu*). Ahmet Rifat Çalıka, a former Mayor, and a member of the last Ottoman parliament as well as the first Turkish parliament, was among the founders of this enterprise. This plant was transferred to Sümerbank in 1933. Today, the factory, named BUNTEKS, is operated by the private sector to produce woolen blankets.

A third private enterprise was the Mill Plant (*Degirmencilik İşletmesi-1932*), which was also established by domestic entrepreneurs as the first modern flour factory in Kayseri. The mill plant was established by receiving an Incentive

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<sup>109</sup> *Bir Başarı Oykusu: Kayseri ve Civari Elektrik A.S.* (Kayseri: Kayseri BB Yayinlari, 2005).

Certificate from the state. The factory was founded by the Göbülük, Besceli and Arasil families. The partnership structure has changed since then.

Due to the Great Depression of 1929, the Second World War and the lack of domestic capital, no other significant private sector investments occurred in Kayseri until the 1950s, except small enterprises. Until 1950, we also observe a state dominance in the economy in Kayseri as well as in the entire country.

After 1950, the weight of the private sector in Kayseri industry gradually increased. During the 1950s and 1960s, many industrial plants were established by the private sector and went into operation. The Birlik Textile Factory and Central Anatolia Textile Factory, which were large scale enterprises established by the private sector, and the semi-public Sugar Factory (1955) were among the leading establishments. Public investments after 1960 decrease considerably except for Taksan and Cinkur, which also had private shares.

In the convenient environment of the 1950s, small and medium scale enterprises were directed towards the production of durable consumption goods, and entrepreneurs made small changes to their looms or machines in order to increase product variety. The establishment of the Small Industrial Site or “Old Industrial Site” (*Eski Sanayi Sitesi*) was among the most important initiatives of the 1950s. Incentives were provided to encourage industrialists to move to this site, which currently includes over 2,000 tradesmen and artisans within its body.

Starting from the late 1960s and early 1970s, the manufacturing industry differentiated, become qualified, and increased in scale. Most of the companies started mass production and gained legal entity status. The major goods produced

were yarn/woven cloth, cast items, copper kitchen accessories, food, sugar and marble.

In 1966, a group of entrepreneurs from Kayseri founded *Mavi Çelik Döküm Sanayi* with a capital of 2 million Turkish liras, with the aim of steel casting and processing. ÇINKUR also acts as one of the most important initiatives of the 1960s. TAKSAN (Takım Tezgahları Sanayi ve Ticaret A.Ş.), was established in 1976) as a public enterprise, or SEE, which had its headquarters in Ankara.

The number of publicly-held companies and corporations started to increase after the 1970s, and emigrants became intensely involved in industrial property partnerships. For instance, the company *Lüks Kadife*, in which many expatriates had partnership shares, was established in 1970. The plant, which produced velvet drapery and ready-wear clothes, currently continues its operations in a further advanced manner and under the body of the Birlik Textile Group. SOLEY, which is also owned by this group and produces towels and bathroom textiles, is among the important establishments of the post-1990 period. A similar initiative is GARİPSU which was established as a cooperative enterprise by the Garipçe villagers and was operated by TARGID for a certain period. MEYBUZ, which is currently utilized for storage purposes; ATLAS HALI, SERMEST HALI that was closed a long time ago; Kayseri Textile, which was recently closed; as well as ÇINKUR and PANTER Plastik, which was established in Tomarza and was closed long ago, were among the leading publicly-held companies and corporations of the 1970s. As illustrated, those companies either in many cases are shut down or changed their partnership status by collaborating in a group after the 1970s.



Before 1980, industrial plants were located arbitrarily in various places. The 1<sup>st</sup> Organized Industry Zone (OIZ), which was established in 1973 with the aim of uniting the industrial establishments and started production in 1983. OIZ acted as another turning point for Kayseri's industry. In this attempt, the efforts of Kayserian industrialists to obtain permissions and for the tax exemptions laws should taken into consideration. For instance, the president of Kayseri Chambers of Industry, Ali Rıza Ozderici, once interrupted Turgut Ozal's cabinet meeting asking a grant for OIZ.<sup>110</sup>

The idea of establishing a plant and granting it to the Turkish Armed Forces was on the agenda of Kayseri from May 1979, and the initiative was led by the Kayseri Chamber of Industry and the Kayseri Chamber of Trade.<sup>111</sup> Following the military coup on September 12, 1980, the company ASPILSAN Askeri Pil Sanayi ve Ticaret A.Ş was established to produce batteries for the military (1981). The plant, which produces many kinds of batteries, was founded with all establishment costs financed by the people of Kayseri and endowed to Turkish Armed Forces that it had the 95% of all shares. In a political environment of a military coup, Ozderici explained this initiative was an attempt which would serve the economic interests of the local industrialists. For him, through strengthening such relations, they achieved the improvements of the OIZ.<sup>112</sup>

The companies established in the OIZ in the 1990s,<sup>113</sup> which were the pioneers of their sector, include the imitation Kraft paper producer SİMKA; the

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<sup>110</sup> KAYSOBilgi, 68 (March/April 2007), pp.82-83.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

<sup>113</sup> For a full list of firms, see Chamber's webpage at: [www.kayso.org.tr](http://www.kayso.org.tr)

packaging and onionskin paper producer DORUK; Kraft and Fluting paper producer PARTEKS, and the chipboard and laminated chipboard producer KÖSEOĞLU. ERDEM PEKİN, producing air compressors; POMAŞ, producing concrete mixers and construction cranes; EGAŞ Industrial Gas facilities, which are closed today; ATTUĞ, producing fabricated fire bricks, and GENSA, producing coolers, may be listed among the leading enterprises of the 1970s.

The quarrying and marble processing industry become important fields of industry in Kayseri. Among marble producers, ÖZER Marble, DERİNKÖK, and Özderici Marble (currently ÖNMER), etc., came first. Furthermore, in the metal and machinery sectors aluminum profile producer SEBAT, solar-energy collector producer EZİNÇ, boiler producer ISISAN and pressure tank producer ARMİMTAŞ, as well as machinery producers DENER Makine and Güven Makine were among the major companies established in this period.

After 1980, the production of PVC doors and windows and, in the 1990s, production of steel doors gained pace in Kayseri. Producers in the first field included AKANSU - PEN, ALFA – PEN, AKKANLAR, AKYÜZ, EGE PEN, and WINSA, and those in the latter field included; ÇE-KA, ÇEL-KA, EV-KA, TUNA. In textiles and carpentry, BEŞLER Textile, CEHA, İpek, Gürkan, Kilim were among the leading companies of their field, and can be counted among the most significant plants of the period after 1990 and became famous brands.

In addition to all these firms of the nineties, the numbers of the plants in the OIZs increased in the following decade. Since, with the inclusion of Hacılar Private OIZ in its territory and through the acquirement of an additional 400 hectares of land, the area of the OIZ reached at 24 million square meters. As a result, the city has an

OIZ area of 35 million square meters, together with Incesu and Mimar Sinan OIZs, which are at the production stage. In addition, the building of the Kayseri Free Zone, which is built on an area of 7 million square meters, has been completed and the zone has gone into operation. The trade volume at Kayseri Free Zone keeps constantly increasing.

What about the developments in human capital? With the changing demographic structure and the decreasing population at the end of the Ottoman Empire, like most of the Anatolian provinces, there was a very low level of human capital in the province. In the 1920s, the role of early Republican institutions in human capital improvements was crucial in Kayseri. According to Ali Riza Ozderici,<sup>114</sup> the founding President of the Kayseri Chambers of Industry and a prominent businessman of the city, Kayseri had learned industrialization from the Tayyare Ana Tamir Factory that is the 2<sup>nd</sup> Air Supply Maintenance Center Commandership (*İkinci Hava İkmal Bakım Merkezi*), established in 1926. In addition to this, the Sumerbank “Sümer Cloth Factory (*Sümer Bez Fabrikası*),” established in 1935 provided a turning point for trade and industry, particularly in the textile sector of Kayseri. These enterprises became schools for the industrialists for a time where qualified people were rare. Subsequently, the apprentices in those institutes became the founders of the workshops that would, one generation later, establish the small and medium-sized industrial plants of Kayseri. Many of the second generation (1950-1970) industrialists were trained at these plants.

In the developments of human capital, in order to meet the domestic demand the Male Technical Institute (*Erkek Sanat Enstitüsü*- 1942) and the Building Arts

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<sup>114</sup> KAYSOBilgi, 68, p.80-84.

Institute (*Yapı Sanat Enstitüsü*-1952) were opened in addition to the apprentice schools. The number of these kinds of school gradually increased and with time they were transformed into the Industrial Vocational High Schools (*Endüstri Meslek Liseleri*) of today. There were also Technician Schools (*Tekniker Okulu*) that were opened during the 1960s and then closed. The State Engineering and Architecture Academy (*Devlet Mühendislik ve Mimarlık Akademisi*-1976), providing education in many branches, provided the core of the Engineering Faculty of Erciyes University.<sup>115</sup>

As far as capital accumulation is concerned, the main feature of the capital is its local characteristic. It is not possible to talk about importation of capital or human capital in industrialization. Metin Ozturk, in his doctorate thesis<sup>116</sup> on capital accumulation in Kayseri, underlines three determinants helpful for accumulation. For him, these are, respectively, workers' remittances, which had a considerable role especially in the 1960s and the 1970s as in partnership structures; and the accumulations of the civil servants, craftsmen and emigrant workers' remittances as in the example of *Lüks Kadife* played a role. Second, the companies established by tradesmen provided capital to the market. And finally, capital accumulation was provided by the workshops opened generally after the 1950s by the retired workers of state enterprises and became prevalent in the 1960s and 1970s. These initiatives largely transformed into the larger firms or a factory in the continuous generation lines. It is significant that metal and furniture firms, which are the driving forces for industry of Kayseri, were suitable for the improvements within and from a workshop

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<sup>115</sup> Ozdayı, March 2002, p.23.

<sup>116</sup> Öztürk, p.187-98.

place. Moreover, the technology used in these small work places essentially was not different from the factories; that is, they did not use traditional production methods.

This pattern demonstrates that by the 1980s, individual capital had reached a level that could establish large firms as a result the number of firms had increased. The numbers in the following section would indicate the consequent development in manufacturing as well as export capacity of the city.

### Socio-Economic Indications of Kayseri

According to year 2000 data, Kayseri ranks 35<sup>th</sup> in overall Turkey with a Gross National Product per capita of 2,308 USD and 17<sup>th</sup> with a contribution of 2.4 billion USD to the GNP. With regards to the same criteria, Kayseri ranks 7<sup>th</sup> and 3<sup>rd</sup>, respectively, in its own region (Middle Anatolia, 13 provinces). On a time scale, Kayseri has achieved a growth rate of 15-20%, a quantitative increase of 30-35%, and a GNP contribution growth of 1.2-1.3% in terms of GNP as compared to other provinces.<sup>117</sup> There is a positive trend in terms of the GNP per capita. For instance, Kayseri raised four steps and ranks 31<sup>st</sup> in year-2001 rankings. However, according to the views of the Kayseri Chamber of Industry, Kayseri is not currently at its desired position in the national income rankings of cities. The much more striking GNP levels were realized during the post-2001 recovery; however, the provincial data have not been collected by TurkStat since then.

When the sectoral distribution of GNPs is analyzed, according to the Chamber's statistics, it is seen that the share of agriculture amounts to 12%, industry to 25%, construction to 4%, trade to 29% and transportation to 15%. Yet, as the trend

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<sup>117</sup> Kayseri Chamber of Industry, "Kayseri General", cd, 2005.

in the last three to four years is examined, we see that the share of industry is gradually increasing whereas others are decreasing.<sup>118</sup> Tourism is projected in most of the future plans for Kayseri that give key importance to the sustainability of growth in the province. The metropolitan municipality has expensive projects for Mt. Erciyes for winter tourism. On the other hand, as a result of the city's traditional cultural feature, which we will be analyzed in the context of the entrepreneurs' thrifty behavior, the services sector remains underdeveloped in Kayseri.

### Population

According to the address-based population registration system of 2007, there were 1,165,088 in Kayseri. In TUIK data, the population of the city was given as 1,096,088. That is 77% of the population lives in the urban areas while 23 percent live in rural areas. Finally the density of population is 68 person per km<sup>2</sup>. The numbers indicate a high level of urbanization. In the table below the change in population and the rise in urbanization show that these levels also are associated with the rapid industrialization of the city.

The remarkable point of the population pattern of Kayseri is the disparity between the city center and the rest of the province in terms of the development rate. The falling off agriculture and the rapid industrialization in the urban area are the reasons for this fact. These factors are the determinants of the population decrease around the city and the schematic increase at the population city center. For instance, the Mayor of Sarız, Hasan Aktürk,<sup>119</sup> complained about the unemployment as there was a serious migration from the district. The population of Sarız each year became

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<sup>118</sup> Ibid.

<sup>119</sup> KAYSOBilgi, 68 (March/April 2007), p.95.

less. Similarly, the mayor of Bunyan, Ahmet Yasar Toktas, complained of the migrations from their town.<sup>120</sup>

According to Özcan,<sup>121</sup> to get short and long term migration from their own province region is common in many Anatolian provinces as a result of urbanization. These village originated migrants generally have low levels of education and skills. In the process of rapid industrialization in Anatolian provinces, as a result of the economic activities and formation of new businesses, job opportunities have increased for the unskilled villagers. However, the surveys indicate that in Kayseri the owners of businesses are largely urban groups.<sup>122</sup> Poor rural migrants have little chance for upward mobility.

Table 7: Urban/Rural Population in Kayseri

Years	Total	Urban	Share	Rural	Share
1927	250,490	60,379	24.1	190,111	75.90
1935	310,458	71,344	22.98	239,114	77.02
1940	342,969	80,189	23.38	262,780	76.62
1945	370,089	86,474	23.37	283,615	76.63
1950	403,861	101,990	25.25	301,871	74.75
1955	422,010	128,262	30.39	293,748	69.61
1960	480,387	161,340	33.59	319,047	66.41
1965	536,206	191,221	35.66	344,985	64.34
1970	598,693	216,821	39.56	361,869	60.41
1975	676,809	295,582	43.67	381,227	56.33
1980	778,383	380,352	48.86	398,031	51.14
1985	864,060	488,556	56.51	375,504	43.46
1990	943,484	604,072	64.03	339,412	35.97
1997	974,035	681,791	70	292,244	30.00
2000	1,060,694	732,410	69	328,448	31.00

<sup>120</sup> KAYSOBilgi, 64 (July/August 2006) p.78

<sup>121</sup> Gul Berna Özcan. *Small Firms and Local Economic Development*, (England: Avebury, 1995), p.90.

<sup>122</sup> See the survey of Ozdevecioglu in the following section; Mahmut Özdevecioğlu. *Kayseri Tüccar Profili Araştırması* (Kayseri: KTO Yayınları. 1997).

Source: TurkStat

Export levels

As indicated in the Chapter Two, a striking rise in exports of the Anatolian Tigers is one of the most important things driving industrialization. Justifying this argument, a remarkable rise has occurred in Kayseri’s exports. The following tables of which the former is conducted by TurkStat, and the latter by the Kayseri Chambers of Industry, both show the rise in exports of Kayseri. In the second table, the exports in Kayseri correspond to a higher share in Turkish exports. The disparity between two tables stems from the methods of data collection, TurkStat make use of statistics obtained from custom houses, while chambers contacts to the local firm’s own announcements. The local institutes also have a tendency to exaggerate local statistics. Nevertheless, the absolute results from the tables indicate that from 2000 to 2007, the export capacity of the city is tripled, which is an appreciable success.

Table 8: Change in Exports, Kayseri, 1996-2007

Years	Kayseri		Turkey	Kayseri/ Turkey
	Number of Firms in Export	Export Values (000 USD)	Values (000 USD)	%
1996	146	207,498	23224465.34	0.89
1997	168	228,498	26261071.79	0.87
1998	199	248,702	26973951.74	0.92
1999	217	221,137	26587224.96	0.83
2000	272	253,355	27774906.05	0.91
2001	338	319,191	31334218	1.02
2002	387	351,379	36059089.03	0.97
2003	458	465,080	47252836.3	0.98
2004	533	639,563	63167152.82	1.01
2005	579	702,455	73476408.14	0.96
2006	612	751,660	85534675.52	0.88
2007		973,209	107 212 995	0.91



Source: TurkStat, Available [online] at: www.dtm.org

Table 9: Change in exports as per the selected years, Kayseri\*

Year	Turkey (Billion FOB \$)	Kayseri (Million FOB \$)	Kayseri/ Turkey (%)
1975	1,401	7,325	0.5
1980	2,910	17,722	0.6
1990	12,960	52,626	0.4
1999	26,587	274,587	1.0
2000	27,775	374,446	1.3
2001	31,340	476,441	1.5
2002	36,050	447,412	1.2
2003	47,250	517,145	1.0
2004	67,047	665,243	1.0
2005	76,863	666,852	0.8
2006	85,142	919,397	1.1

Source: Kayseri Chamber of Industry (\*) Prepared in line with the statements made by the companies which are members to the Chamber.

According to the study of Nisfet Uzay,<sup>123</sup> the firms in metal, textile and furniture are the sectors where exports have high and considerable accounts. In those sectors, the exports of Kayseri oriented towards EU Countries especially to Germany. For him, the functionality of state incentives for exports are controversial but the most commons incentives used by Kayserian industrialists are the reductions in VAT, financial supports in participating into the international fairs and exhibitions.

### Manufacturing

As Kayseri's exports rests on manufacturing, the Table 9 is illustrated based on the data TurkStat's provincial data for the manufacturing firms with employment capacity of more than 10. According to table providing the absolute numbers in the manufacturing industry, from 1980 to 2001, the number of firms in manufacturing

<sup>123</sup> Nisfet Uzay. *İhracatı Teşvik Politikalarının Etkinliği: Kayseri İmalat Sanayii Örneği*. (Kayseri: Kayseri Ticaret Odası Yayınları, 2002), p. 110-120.

doubled. However, the striking rise in the 2000s that is reflected in the exports is not covered in the given data.

Table 9: Kayseri Manufacturing Industry General (Current Prices)

Years	Number of Firms	Annual Average Number of Waged Employees	Annual Average Payments to Waged Employees	Value Added
1980	97	10,205	2,602	9,375
1981	100	10,297	3,758	9,710
1982	103	10,038	4,907	13,487
1983	102	9,442	4,811	16,511
1984	101	11,216	8,234	27,032
1985	128	11,578	11,482	46,234
1986	109	12,105	17,464	39,782
1987	99	12,648	22,754	95,622
1988	97	13,459	38,574	197,402
1989	94	13,038	74,389	342,545
1990	103	14,771	158,698	676,665
1991	98	14,307	378,735	1,237,483
1992	146	14,302	446,258	1,796,072
1993	135	14,304	1,036,778	3,977,832
1994	158	15,861	1,609,871	10,901,521
1995	173	17,213	3,174,562	21,809,929
1996	207	9,914	2,955,478	22,435,221
1997	237	11,435	6,468,770	53,911,905
1998	265	13,073	14,055,815	78,508,811
1999	262	12,771	29,903,447	126,872,315
2000	255	12,917	45,959,309	185,465,686
2001	244	12,132	45,974,228	234,465,364

Source: TurkStat

To make more accurate analysis of the manufacturing, the sectoral distribution of manufacturing industry is presented below. According to the table, food, textiles, wood and chemicals were the leaders in manufacturing where clustering occurred. Among these sectors, the share percentage of wood and furniture manufacturing in Turkey indicates the strength of the sector in Kayseri thanks to its internationally known brands. (İstikbal, İpek, Bellona, etc.)

A comparison of the ratio of firms to employment indicates that the labor intensity in metal product manufacturing, wood and furniture, and textile sectors was higher in Kayseri than the average of Turkey, which means the labor intensity of the sectors.

According to the Chamber's data, in December 2006, there were total 16,191 workplaces operating in Kayseri, of which 464 were public sector and 15,727 were private sector companies. There were a total of 136,344 employees working at the said workplaces, with 11,135 employees working in the public sector and 125,209 employees in the private sector, of which 116,814 were men and 19,530 were women. Thus, only 14.3% of the workers are women.

According to the KAYSO (Kayseri Chambers of Industry), the unemployment rate in Kayseri was around 9-10% which is more or less at the Turkey's average.

Table 10: Manufacturing Industry Numbers of Firms and Employment, Kayseri and Turkey

Subdivisions	Kayseri	Turkey	%
<b>Food, Beverage and Tobacco Product Manufacturing</b>			
Number of Firms	238	17,511	1.36
Employment (person)	5,702	382,180	1.49
<b>Textile, Clothing, Footwear and Leather Manufacturing</b>			
Number of Firms	160	15,509	1.03
Employment (person)	19,225	807,610	2.38
<b>Wood and Paper Product and Furniture Manufacturing</b>			
Number of Firms	151	2,763	5.47
Employment (person)	11,872	75,513	15.72
<b>Printing, Publishing and Recorded Media</b>			
Number of Firms	20	1,697	1.18
Employment (person)	659	65,854	1.00
<b>Petroleum, Coal, Chemical and Associated Product Manufacturing</b>			
Number of Firms	126	7,587	1.66
Employment (person)	3,662	270,268	1.35
<b>Non-Metallic Mineral Product Manufacturing</b>			
Number of Firms	39	3,214	1.21
Employment (person)	1,503	138,251	1.09
<b>Metal Product Manufacturing</b>			
Number of Firms	33	1,768	1.87
Employment (person)	4,253	106,387	4.00
<b>Machinery and Equipment Manufacturing</b>			
Number of Firms	308	12,713	2.42
Employment (person)	16,127	496,764	3.25
<b>Other Manufacturing</b>			
Number of Firms	5	772	0.65
Employment (person)	173	24,494	0.71
<b>OVERALL TOTAL*</b>			
Number of Firms	1,075	63,490	1.69
Employment (person)	63,176	2,367,321	2.67

Source: TOBB, 2005 www.tobb.org.tr

\*since some of the firms have varies in their sectors the overall total is different from the sum of the number of firms in subdivisions.

## Wages and Unions

As the study at hand indicates in the second chapter, one of the main factors behind the rapid industrialization in the Anatolian Tigers has been attributed to the comparative advantages stemming from low wages. However, these assertions are denied by the local industrialists. When asked about the low wages in Kayseri, Mr. Boydak refused the claims and sarcastically announced “If only there exists cheap labor in Kayseri and we benefit from it.” Most of the employers in Kayseri believe that labor costs in Turkey are too high to compete in competitive international market, especially to confront the Chinese products and Kayseri is not an exception in that matter -if only it is-, they underlined. Likewise, our local interviewees<sup>124</sup> also claimed that unless a firm is not very small (like a family enterprise with 2-3 employers), it is not possible to abscond to the working legislations and to have informal labor. That is, to their explanations, for the industrial firms in Kayseri OIZ, the existence of unregistered labor is not a case.

Although aforementioned explanations reveal the critical role of low wages and the existence of informal sector as the primary capital accumulation, the observations of an outsider of Kayseri, Ahmet Hakan Tola, who has been living in Kayseri for one year as the chief manager of Kayseri-Gaz, an energy initiative of Çalık Holding in Kayseri, seems thought provoking. Unlike the refusal of locals, Mr. Tola observed prevalence in informal labor in industrial firms of Kayseri. To him, since Çalık Holding invested in Kayseri, although they offered minimum wage, they received an unpredictable high amount of applications for jobs. When they examined

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<sup>124</sup> One exception was observed in the interview in the Central Anatolian Textile Company. When I ask about the employer-employee relation to Mr. Husamettin Toprak, one of the managers of the company who works at the same plant for more than 25 years, he did not refer to the “harmony” to describe the relation in workplace but mentioned to the “rights”. He said “In our plant, workers’ unions are welcomed and we are founded on the basis of collective decision making. Thus, the relations are shaped in social rights.”

the answers to the question “Why do you want to work in Kayseri-Gaz?”, in application forms, people frequently answered “Because, you offer a job with social security”. “It is clear that Kayseri has developed in food, furniture, textile and metal sectors which need relatively low skill workers providing flexibility in labor. Especially SMEs in OIZ producing in labor-intensive sectors, benefit from short-term labor by offering three-months training period without social security and frequently changing the workers. In this regard, males working before their military services are a source of low wages and mostly constitute the unregistered group. In addition, these advantages are increased through similar attitudes such as offering lower wages to women or to lower age groups. That is, in a condition where unskilled labor is abundant, there would always be demand for these informal or low waged contracts which serve to the benefits of the employers. In addition, in order to increase their profit margins, especially smaller firms would squeeze their labor force that all these constitute roughly the case in Kayseri.

For the local industrialists, however, the case is not that simple. The main point of them is the job demands of Kayserian people, as in other regions of Turkey. The widely known capitalist argument “If labor costs reduce then industrialists would invest and provide more employment and there will be a ‘gain-gain game’ for each of the actors; industrialists, Kayserian job seekers and overall Turkish economy” has been frequently replicated in the interviews with businessmen in Kayseri.

In these social settings and relation structures, unionization remained weak in Kayseri at a very low level of 3-11%. 30,182 people are registered to the nineteen labor unions and 15,402 to the civil servants’ unions. Both unions are affiliated to the workers and civil servants confederations. The labor union confederation HAK-IS,

referenced as a ‘Muslim’ confederation and spread rapidly in Anatolia, was founded in 1976 in Turkey and has affiliated unions in Kayseri as OzIplik-Is. The confederation believes in the necessity of the reorientation of labor union movements in order to adapt the contemporary international economy and in work relations they emphasized “the harmony and cooperation”<sup>125</sup>. For instance, in a *iftar* dining, Halil Ozdemir, Vice president of Hak-Iş, and Mahmut Arslan, the President of Hizmet-Is explained his gratitude on behalf of the all workers to the municipality officials for their presence in the dinner as a signal of the big picture drawing how they achieved harmony and cooperation between the employers and employees in Kayseri.

“Although there exist small problems in work places, we work together by exemplifying a social partnership where each social group would benefit from this partnership,” Arslan stressed.<sup>126</sup> The projects proposed by Oz Iplik-Iş in Kayseri<sup>127</sup> underline the importance of social dialogue in amelioration of working conditions. Furthermore, the union develops occupational training for the workers to increase labor qualifications which also corresponds to cooperation in adaptation to the international market economy.

For Esen and Çonker, the Kayserian entrepreneur does not share an attitude towards unionization but they also do not support it. In Kayseri 56.29% do not want it and for 34.44% it does not matter. From the employer’s point of view the employer-employee relation is also described in a social partnership where each actor has responsibilities. The traditional attitude towards the employer-employee relation

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<sup>125</sup> See Bugra, *Islam in Economic Organizations*, (Istanbul: TESEV/Friedrich Ebert Foundation, 1999), p.21.

<sup>126</sup> Available online at: <http://www.yenikayseri.com/modules.php?name=News&file=article&sid=4327>

<sup>127</sup> Available online at: <http://www.oziplikis.org.tr/tr/?a=1&b=12&c=6&d=223> [02.04.2008]

is described by Saffet Arslan, from Ipek Holding, “I should behave to my employee as a father, thus even in recession I abstain from lay-offs, and reciprocally an employee should protect the employers’ rights by providing maximum productivity.”<sup>128</sup>

The social role of an employer in this “harmony” is described by Mr. Boydak, “If anyone is in hunger in Kayseri this is in my responsibility, however, for more, I have nothing to do. People should work and as a businessman I could provide employment if I manage to compete in international market”. In these words, he certainly refers to their desire for lower labor costs to have advantage in international market.

To conclude, the weak unionization in Kayseri means that in such market conditions with informal and low skill workers without union memberships wages are realized below the optimal level. The use of cheap and unregistered labor is a cost advantage in addition to providing flexibility due to the easiness of firing in an economic bottleneck.

### Technology

The majority of Kayseri’s small employers are Kayseri-born and their training is based on apprenticeship either near a family member or a kin as would be analyzed in following parts on social features of an entrepreneur. Other training is obtained though the works in SEE as we pointed out in defining the development of human capital in Kayseri.

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<sup>128</sup> KAYSO Dergisi, 48 (January/March 2002)



Those employers mainly adapted the technology they learned in family or public enterprises and used low level of technology. However, we can not say that the technology used in the small work places in Kayseri can be classified within the traditional production methods<sup>129</sup> - In most small workplaces, even the technology probably old-fashioned and low level is open to upgrade. Although these firms generally do not produce their own technology they have a strong inclination to import or emulate it. To Ozturk, unless the employer does not face financial difficulties, the firms proved their capability in importation of technology rapidly.<sup>130</sup> The upgrading of technological facilities in the first place depend on the low labor costs as well as partnerships and family accumulation. That is, as far as relatively large firms are concerned, we can conclude that technology adaptation is succesful, but technology production is not that striking.

However, even university, KOSGEB and Technopark have been gradually increasing their roles in the technological development. Thus, importation of technology became much more feasible, in addition to a slow change in dependency of technology importation. The firms produce and sell machinery which is another indicator for articulation of the economy of Kayseri to Turkey and world economies. The establishment of OIZ after 1980 and the legislations of incentives in technology upgrade became front in surveys to explain technologic development in recent years.<sup>131</sup> Assuming purchasing of machinery represents technological development, particularly in textile sector, the importation and adaptation of high-technology is much more rapid. The sector has a significant level in rapid adaptation and

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<sup>129</sup> Murat Ozturk, p.187.

<sup>130</sup> Ibid., p. 160-165.

<sup>131</sup> Emine Bilgili, *Kayseri İmalat Sanayiinin Yapısal Analizi*. (Kayseri: Kayseri Ticaret Odası Yayınları, 2001), p.120.

awareness of technology in competitiveness. Thus, following their integration into the international market, the firms in textile learned the importance of technology. This inclination raises the expectation on more technology adaptation in each sector together with the articulation of them to the world market competitiveness.

To the analysis of Ozturk prepared in line with the statements made by the companies, by taking the levels and location of machinery and equipment replacement into account, the technology required for most of the sectors, commonly machinery and metal product manufacturing can be produced in Kayseri. For the machineries that are not produced in Kayseri, Istanbul and Izmir are the locations where purchasing occurs. For international transactions, the importation of machinery has been intensively provided from the Western Europe, USA, Japan and Canada.<sup>132</sup> In this regard, we conclude that, Kayseri is not in a backward position in technology adaptation than other industrial provinces of Turkey except Istanbul and Izmir, thus, can be considered as relatively in a self-sufficient position. Moreover, the variety of countries where technology importation occurred and wide-geographical locations of these countries indicate how technological improvements in the world are pursued by the Kayserian industrialists.

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<sup>132</sup> Murat Ozturk, p.161-162.

## Institutional Analysis for Economic Development

### Sociological Aspects of Anatolian Entrepreneurships

*Bu şehir dayanmış sırtını Erciyes'e  
Çoluk çocuk oldum olası  
Küçüçükten alır satar alır satar,  
Bir Allah'a inanır bir de işine  
Akşamları yıldızlarla yatar bu şehir,  
Seherde kuşlarla kalkar....Coşkun Ertepinar<sup>133</sup>*

Mustafa Çapar, the former President of KAYSO, describes the image of a Kayserian as a person who has the desire to use equity capital, is far-sighted in economic decisions, efficient in the use of sources and trustworthy. He proposes that each Kayserian is either an entrepreneur or a candidate of entrepreneur. Likewise, Mustafa Boydak, the current President of KAYSO, in his various speeches deals with the problems of the Turkish economy and explains the rapid industrialization of Kayseri. For him, these factors are, respectively, entrepreneurial spirit, genes of discipline, a proper family life, the saving habit of the people and institutional harmony and cooperation in the local business environment. In other words, the former and the current presidents of the Chamber of Kayseri deals with the industrialization question of the province primarily in terms of entrepreneurial skills and socio-cultural advantages (or disadvantages), than within local institutional cooperation. Parallel to this identification, this section of the present analysis also takes into consideration those dimensions. First, the features of the Anatolian, particularly Kayserian, entrepreneur will be examined.

According to a survey conducted by M. Ozdevecioglu on the profile of Kayseri tradesmen and entrepreneurship,<sup>134</sup> the Kayserian entrepreneur is not well-

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<sup>133</sup> On Erciyes, this city leans,  
Time out of mind, kids  
Buy, sell, buy, sell since they were little  
Only trusts in God and in their businesses  
This city sleeps with the stars at night  
Wakes up with birds at dawn....Coskun Ertepinar

educated and 75% of them are middle-aged (in the range of 25-50). The main characteristics of the entrepreneur of being self-employed (generally they do not have shares in companies) and Kayseri-born (84%) from an urban family (50%). He chose his job primarily for the profitability of the profession (22%) and to improve his father's business (15%). In addition to these findings, the survey conducted by UCTEA in the same year on four Anatolian provinces<sup>135</sup> supports this general profile drawn by Ozdevecioglu on entrepreneurs.

On macroeconomic issues more than half of the entrepreneurs believe in the advantages of CU and 62% of them support the EU accession. There is also a group of entrepreneur who confessed that they had not been in favor of the union in the past, but changed their attitudes. Seventy-five percent of people think that with an efficient regulator, privatization would result in the benefit of the country. Foreign capital is welcomed by 59.87%. In 1997, when the survey was conducted, the Islamic-rooted Welcome Party and True Path Party coalition was in government. Due to the later discussions on the influence of Islam on business relations, it is worth pointing out that most of the entrepreneurs in Kayseri was optimistic about the future and believed that besides the EU, Turkey should strengthen its international relations and cooperation between different groups of countries such as Islamic countries, Black Sea trade cooperation, and Central Asian blocks for economic development. Moreover, they believed that 'Development is possible only with a democratic regime' (64.81%). They sought 'trust' from the state and thus believed that political instabilities were the reason for recessions in the economy. The belief

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<sup>134</sup> Özdevecioglu.

<sup>135</sup> TMMOB, "Konya, Gaziantep, Denizli and Edirne Girişimcilik Araştırmaları," (Istanbul: TMMOB Yayınları, 1997).

that “to make investment is a virtue” was a shared by 70.1% of Kayserian entrepreneurs.

Half of the entrepreneurs believed that Kayseri had the potential to do better and that the main problems of Kayseri in economic life stemmed from business ethics. The problems of the urban economy, respectively, derived from the neglect of the central governments, and the organizational problems within SMEs. Amongst the problems of Kayseri lack of capital (92.37% their own savings), lack of knowledge (47.37%), lack of professionals (57.14%), lack of cooperation (44.74%), lack of skilled worker (59.09%), bureaucratic obstacles (64.71%), and political instability (65.63%) were cited by the entrepreneurs.

Kayserian entrepreneurs for long have been known for their skillful and shrewdness characters. It is significant that there is a large group of rich and famous Kayseri businessmen in Turkey. The early apprenticeship of young boys in family enterprises is influential on the business life of Kayseri. The first assumption verified by the survey of Adem Esen and Kemalettin Çonker<sup>136</sup> is that family, especially the father, has an undeniable role in a person choosing to be entrepreneur. Furthermore, 70% of the Kayserian enterprises stated that their family is a well-known family. Thus, the assumption that entrepreneurship is easy pervades in a certain upper social group is also justified.

Family life as pointed out by Boydak is very significant for Anatolian businessmen. A survey of Esen and Çonker points out that 93.49% of the

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<sup>136</sup> The study of Adem Esen and Kemalettin Çonker rests on 502 questionnaire in Kayseri, Sivas, Konya, and Trabzon to understand the regional development in Anatolia in terms of entrepreneurship in SMEs in industry sector. See Adem Esen and Kemalettin Çonker, *Orta Anadolu (Konya, Kayseri, Sivas ve Tokat) Girişimcilerinin İşletmecilik Anlayışları ve Beklentileri Araştırması* (Konya: Konya Ticaret Odası Yayını, 1999), p.41.

entrepreneurs are married, and Boydak refers that in Kayseri people are marrying at very early ages.<sup>137</sup>

In Kayseri, as in most Anatolian province, family entrepreneurship is highly prevalent. (43.8% family firm, 40.8% self employment) In such enterprises generally the owner himself is the manager (85%) and professionals are often not found in management cadres. Piore and Berger<sup>138</sup> point out to the significance of the high number of small family enterprises in many advanced countries. They conclude that the case can be understood only if the prominent role of the traditional sector even in modern societies.

According to Piore and Berger, the existence of the independent small and medium-sized business groups such as shopkeepers, artisans with their specific values, attitudes and perceptions. Thus, any attempt to analyze regional economic development driven by small firms and industrialization within a territorial context has to consider not only the economic settings, but also the non-economic factors such as the social environment of the entrepreneur. Beyond these survey results, a closer look is necessary at entrepreneurship in Kayseri for the sociological aspects of development. For Ozcan, endogenous entrepreneurship appears as the single most important the small business development in small and medium-sized cities<sup>139</sup>. In other words, the development of entrepreneurship has a parallelism with the proliferation of SMEs. In addition, local cultural elements and traditions are important to entrepreneurship. Similarly, entrepreneurship in its locality due to its

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<sup>137</sup> Mustafa Boydak, interview by author, tape recording, Kayseri Sanayi Odası, Kayseri, Turkey, 17 January 2008.

<sup>138</sup> Özcan, *Small Firms and Local Economic Development*, p. 16.

<sup>139</sup> *Ibid.*, p.5.

roots in the long tradition is one of the main forces behind business development in many provinces of Anatolia implying the significance of path dependency.

As the quoted poem at the beginning of this section says, in Kayseri people beginning from their early ages, grow up to be successful entrepreneurs that there exist several famous figures from Kayseri (e.g. Kadir Has, Ali Riza Ozderici, Sakip Sabanci), known for their entrepreneur skills. The stories of successful entrepreneurs are known by everyone and applauded publicly. The success story of “Agha of Pressure Cooker-*Düdüklünün Kadir Ağa*” or “Agha of Termo-*Termo'nun Kadir Ağa*,” is lauded by several Kayserians. At the beginning of 1950s, private entrepreneur Kadir Tanver started to produce the first pressure cooker under the brand name “Termo.” In the 1960s the production of cast or pressed pressure-cookers became widespread and the success remains fresh in everyone’s memory.

In the revelation of entrepreneurial skills, the cultural experience of apprenticeship is very important, serving as a force of socialization for young males in skills and economic activities. Apprenticeships, paternal influence and education are cited as services of motivation to enter into the market. Manufacturers say how their knowledge and previous experience as apprentices played roles in entering business. 43.64% of Kayseri entrepreneurs said apprenticeship relations determined their paths in economic life. Until setting up their own firms, they change jobs several times. After their entrances into the market, they experienced business failures at early ages, but at the end learn business generally without any theoretical knowledge.

One third of manufacturing entrepreneurs have fathers in manufacturing. Although the families of the urban middle class are the most important source of entrepreneurship, there is a large proportion of retired workers in commercial sectors.

To be born in Kayseri also serves to the benefit of the entrepreneur. Entrepreneurs are attached to their current locality by their family links and background. The question “why did you set up your business in this city” is completely meaningless for them. As a result, for immigrants from different provinces it is not easy to obtain credibility in the market.

As far as political attitudes are concerned, those who define themselves as leftist were 10% people. Most subjects preferred the adjectives “nationalist, conservative and pious” to describe themselves.<sup>140</sup> That entrepreneurship has liberal tendencies is not justified by the given answers. However, regardless of their pious life styles and nationalist world views in business life they might be evaluated differently since, there is a certain type of anti-state and anti-authority feeling among entrepreneurs together with a low confidence in bureaucracy.

According to Gul Berna Ozcan, Anatolian firms established share holding companies under the effects of their socialist ideals in the 1970s. After the 1980s, as in other central Anatolian provinces, in Kayseri family and individual firms and companies have been successful. In the section on the industrialization story of Kayseri the names of the examples of such initiatives are given. Here, the story of MIMATAS, a three-generation family enterprise which is successful in its sector is detailed.

MİMATAŞ is a textile company founded three generations ago. Ibrahim Katartas Jr., the current head of the company, tells how the company received its name. It was formed by combining the first letters of the names of the family members who had worked as managers of the company in the previous 70 years.

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<sup>140</sup> The study also refers that “nationalist-conservatism” are more common in Kayseri while in Konya “pious” is more preferable.



Each generation went further from what they had inherited from the previous ones. When Ibrahim Katartas (the grandfather) founded Guven Katlı İplik Company (Güven Katlı Yarn and Dye Factory) in 1936, although it was ranked 10<sup>th</sup> of the industrial firms of Kayseri, it was a moderate low technology firm working with only family members. In 1957, the father Mehmet took charge and the firm was enlarged. Finally under the management of İbrahim and Mustafa, the third generation, who trained under their father and grandfather, the company moved to the 1<sup>st</sup> OIZ in 2002 with the name of MIMATAS and had a remarkable increase in its profits and investments. The story is not so unfamiliar to understanding the development of family entrepreneurship in Anatolia. The ones who succeed at adopting the principles of the market economy increased their degree of development in the post-1980 era through producing international goods. MIMATAS also exports denim everywhere in the world and in production they use their own yarn. However, the company by and large has moved its production to Uzbekistan for lower costs in energy and labor.

Such stories are common in the last decades, evaluated as a pattern of Islam's conversion to capitalism by leaving the social ideals of previous decade by Murat Cokgezen and Berna Ozcan.<sup>141</sup> Although the partnership wave is very not commonly observed in Kayseri case; the unsuccessful experiences or the changing partnership structure of these plants are examined in this regard. Finally, the second wave described as conversion to capitalism after the 1980s might be a question to be raised for Anatolian development and for Kayseri. The following arguments of the European Stability Initiative have parallelism to these claims.

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<sup>141</sup> Murat Cokgezen and Gul Berna Ozcan. "Limits to Alternative Forms of Capitalization: The case of Anatolian Holding Companies", *World Development* 31, no.12 (2003), p. 2075-2077.

When an Anatolian or a Kayseri entrepreneurs is considered, Boydak describes a person who is highly modern and eager to earn more money, and consequently to integrate world, and pious and conservative about preserving his own cultural and social life which he claims the existence of a sphere to distinguish economic interest in his religious and social obligations. However, beyond his economic perspectives, references have also been made associating the Anatolian entrepreneur with Islamic values or extending its whole under such definitions as "Islamic Calvinists" or "green capital." For instance, a 2005 study by the European Stability Initiative (ESI)<sup>142</sup> that was focused on Kayseri uses the term "Islamic Calvinists" to define the entrepreneurs and their values. The European Stability Initiative urged that the rising of those industrial centers in Anatolia can be attributed to the coexisting of the Islamic life with the capitalist world in those provinces. Islamic Calvinists referred to the lifestyle of the Anatolian people, which shows “changes and conservatism” together. The study underlines that the rise in urbanization along with the rise in education level provide grounds for the emergence of new ideas. With the belief in the virtues of hard work and entrepreneurship, modern life style began to diffuse in the Kayserian life, especially in economic decisions much more easily. The argument responding to the claims that Anatolian life cannot manage to coexist with European life is enthusiastically advocated by President Abdullah Gül, the most prominent politician from Kayseri.

This analysis of ESI is both appreciated and criticized by Kayseri businessmen. It seems they are enthusiastic to be the subjects of an international analysis and a referenced study. Therefore, they respond to the related questions with

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<sup>142</sup> European Stability Initiative (ESI). September 2005. “Islamic Calvinists: Change and Conservatism in Central Anatolia” Available [online] at: [www.esi.org](http://www.esi.org)

smiling faces since they have discovered that such terms serve to the benefit of Kayseri to be known. That is undeniably an essential ideal for any Kayserian.<sup>143</sup> On the other hand, it should be noted that they are skeptical of having a positive manner about the term due to the word “Calvinism”. Although they had heard about this study, they asked for a definition, and took a pragmatic position since they were uncomfortable in being engaged in a Christian sect. Nevertheless, the content is appreciated. It is clear that people in Kayseri like to be thrifty and likes to work hard. Their attitude toward the question also makes it clear how people really believe in the coexistence of Islam and capitalism.

The thesis of ESI should be thought of within the context of the revival of the neo-Weberian attribution of economic prosperity to religious thought. According to Noland and Pack<sup>144</sup>, in this new interpretation of the Weber thesis, among adherents to the world’s major religions, Muslims are regarded as the most “anti-market” and Islam is recast as an inhibitor of Calvinism. Unlike such propositions, the identification of Islam as being positively associated “with attitudes that are conducive to growth,” is a new approach.

Furthermore, Noland and Pack clarify that it should be noted that the argument is not directly about Islam, which has practices such as the prohibition on *riba* (the charging of interest) or the injunction to observe *zakat* (the paying of alms), which could serve as causal links between theological belief and economic performance. The fact is that the liberal economic world accelerated the development of the developing countries of Muslim world such as Bangladesh and Pakistan Indonesia and Malaysia. If we accept that the Anatolian Tigers represent Islam in this

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<sup>143</sup> Guinness Record of Kayseri, in May 2004 121 industrialist began to build new factories at the OIZ at the same time, also demonstrates how Kayseri people like to attract attentions.

<sup>144</sup> Marcus Noland and Howard Pack “Islam, Globalization and Economic Performance in the Middle East”, *SAIS Review*, 24, no. 2 (Summer-Fall 2004): 105-116.

regard, our study overlaps with this argument since we suggest that the development of Anatolian Tigers occurred after the liberal economic environment after the 1980s. In this regard, the statistics are remarkable. In Kayseri, 44.97% of the subjects of the survey say that they were avoiding using bank credit since interest payments were forbidden in Islam. When they had financial difficulty, they generally borrowed money from family and kin (35.87%) and private finance foundations. However, İbrahim Ezinc, one of the managers of Ezinc metal, which is one of the firms in the ISO 500, explained that although they are sensitive about the issue, it is not possible to grow without using credit. A small firm can continue by borrowing from kin, a medium sized firm might use private finance banks, but when a company is large enough it is credits from these associations too expensive. Therefore, they decide to separate business and their private expenditures.

Mustafa Boydak supports this attitude. After saying that he was one of the founders of a non-interest bank due to his religious views, by experiences in business life he learned that he needed to use interest for development. Thus, he had learned to separate business life with his religious sensitivity.

People in Kayseri are more eager to be defined as “modern Ahis”<sup>145</sup> instead of Islamic Calvinists. From a historical perspective, as explained in the section on history of the industrialization of Kayseri above, there existed traditional Ahi organizations in Anatolian cities. The community, in the absence of a powerful authority had built municipal organization in the cities. In 1922, Hifzi Nuri said that the entrepreneurship features seen in Kayseri as “diligence, shrewdness, to have a keen mind, thriftiness” should be evaluated within the traditional craftsmen

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<sup>145</sup> Zafer Ozcan, “Akla ve Paraya İhtiyacı Olmayan Şehir” *Aksiyon*, (November 2005), p.66.

culture.<sup>146</sup> Traditional knowledge and capability stock passed down by the craftsmen and artisans' culture has been transformed into a modern entrepreneurship. Subsequently, Haluk Seftalici points out that Kayseri's craftsmen and artisans were transformed from proto-industrial and mercantile structure into modern entrepreneurial endeavors<sup>147</sup>.

Thus, the provinces which have a culture of craftsmen and artisans and a relative development level in this regards such as Kayseri, Gaziantep and Denizli, have a comparative advantage to start their initial industrialization. In other words, in a liberal economic environment, the cultural entrepreneurial skills inherited from the craftsmen ancestors refer to a "path dependency" to adopt the market economy more easily.

For Kayseri, the traditional home-work distinction on the basis of gender must be mentioned. The wives of 85% of the entrepreneurs are not in business life.<sup>148</sup> Especially in the manufacturing industry women participation rate realizes lower compared to other businesses. In recent years, men begin to accept women's presence in working life, but people are still conservative about the women from their own family. Due to the patriarchal attitudes, women are expected to stand one step behind men and men have possessive manners towards their wives. As far as their wives are concerned, it was often expressed by entrepreneurs that housewives

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<sup>146</sup> Haluk Seftalici and Metin Özaslan, *Kayseri İl Gelişme Raporu*. DPT 2002, p.23.

<sup>147</sup> Ibid., p.23.

<sup>148</sup> Özdevecioğlu.

have rather relaxed and comfortable lives compared to their stressful business lives.<sup>149</sup>

Thus, the low participation rate of woman in the labor force has a social importance that indicates attitudes towards their roles in Anatolian society. Although female involvement in economic and social activities in large cities has been increasing through education, and growing liberalization in the world views and the life styles, the traditional master-apprentice relation in work places contributed to the formation of male domination with its own values and morals.<sup>150</sup> The dominance becomes clearer in specific sectors such as metal work, machinery production and wood products necessitating strength in body, and have long apprenticeship traditions as a nature of the job itself. This is observed in the case studies of Ecevit for Turkey. Ecevit indicates that in the industrial sector women workers are concentrated in labor intensive and low wage industries such as food processing, textiles and clothing.<sup>151</sup> Textile and food processing are regarded as more suitable sectors for the physiological gentility of women. Similarly, a survey of UCTEA also shows the existence of unskilled women in the textile and food sectors and below-15 children 52% in textile, 37% in food, 32% wood, 32% in metal.

In an environment where the social relations are not designed on the basis of social rights and unionization is not regarded as a necessity,<sup>152</sup> the philanthropic behaviors that are appreciated by Islam are warmly welcomed. Philanthropy is regarded as the most vital “source of pride” in Kayseri. The governor of Kayseri

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<sup>149</sup> Özcan, *Small Firms and Local Economic Development*, p.116.

<sup>150</sup> *Ibid.*, p. 110-113.

<sup>151</sup> Yildiz Ecevit. “Shop floor control: the ideological construction of Turkish women factory workers”, in N. Redclift and M. Sinclair (eds.) *Working Women International perspectives on Labour and Gender Ideology*, Routledge, London 1991

<sup>152</sup> See pages 101-102 of the study at hand, for a discussion on this subject.

Nihat Canpolat, appreciates how the private sector contributions to education<sup>153</sup> (For 2003, philanthropists of Kayseri endowed more than 15 trillion Turkish Liras). He stresses that the burden of education in Kayseri is undertaken by the locals. More than 80% of the school buildings are privately built and funded. In various years, Kayseri has been cited as first in building schools.<sup>154</sup> The buildings of Erciyes University were built by the locals. Local industrialists are proud of financing the projected “Abdullah Gül University,” of which all the faculty buildings will be shared by Kayseri’s philanthropists. Kazim Akcil from Kocasinan Municipality explains how the rich people of Kayseri are in “a competition to make endowments.” According to him, most of the projects of the local government are implemented by such funds.<sup>155</sup>

Having considered that entrepreneurship is regarded as a virtue and in a society who has its own mechanisms to force young males to enter into the market, for Kayseri we can talk about an entrepreneurial advantage. However, the sustainability of the entrepreneurial advantage depends on the inter firm and inter institution organizational capacity. That is, active cooperation among public, private and volunteer agents would accelerate the economic development.

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<sup>153</sup> Su Bizim Kayseri, (October 2003), p.39.

<sup>154</sup> Available [online] [www.kayseri.gov.tr](http://www.kayseri.gov.tr) [12.June.2008]

<sup>155</sup> Kazim Akcil, interview by the author at his office in Kocasinan Municipality, January 2008

## Small Firm Networks

How do networks matter in business development? To answer such a question first it is necessary to define networks and partnerships within localities. In general, networks are the essential means of linking one group of agents to others whom they affect. According to Grabher, they are “the intricate links based on trust and reciprocal patterns of communication and exchange between producers and clients that are necessary to ensure an economic capability and responsiveness in support of business development.”<sup>156</sup> Beyond simple networks, partnerships require the commitment of the agents to work fully together to address problems and opportunities. This means they must accept long term structures that work toward sustained commitment to change and the achievement of quality. They must also accept an active commitment to changing the internal operations of each agent and help other agents to change to achieve an improved system overall. Hence networking alone is largely passive, whereas partnerships require active participation.<sup>157</sup> However, for our case the underlined feature in networking is not the advantages of partnership structure or active commitment in networking. The formations of links at the personal level arising in social relations are the focus here.

There exist long established and stable networks of personal relationships between small firms. In this regard, “locality matters for small firms more than it does large firms because of the nature of the business.”<sup>158</sup> The business theories do

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<sup>156</sup> Gernot Grabher. ed. “Introduction”. *The Embedded Firm: On the Socioeconomics of Industrial Networks*. New York: Routledge, 1993, p.8

<sup>157</sup> Michael Danson and Geoff Whittam, *Regional Governance, Institutions and Development* (Paisley, Scotland: Regional Research Institute, 1999); Available [online] at: <http://www.rri.wvu.edu/WebBook/Danson/contents.htm>.

<sup>158</sup> Özcan. *Small Firms and Local Economic Development*, p. 21-22



not generally explain such local relations, trust and personal relations seen in face to face contracts and social structures, ethics and values and political cultures which are evident in every locality.<sup>159</sup> Therefore, cultural and institutional forces and personal relationships are important to understanding the market relations of firms in Kayseri.

Social family and business relations assist the organizations of SMEs characterizing the Anatolian firm structure. Thus, the human aspects affect the firms and the market relations. There are reasons for this kind of relation. Especially in small firms the internal organizations depends on a small number of personalities. Consequently, entrepreneurial networks, family, and friends become very important in the survival of such firms in Anatolia. The importance of social ties in the day-to-day practice of small firms emphasizes cultural values, customs and traditions. Home-visits and vineyard culture can be cited in this respect for Kayseri in particular. According to Özcan, these mechanisms replace the managerial and organizational control of large firms and provide opportunities for growth and survival for small firms in various slots of local and regional economies.

Small firms especially in the Anatolian provinces improve the conditions for flexibility to respond the changes more successfully. Sugur defines “collective efficiency” to explain the dynamism of the relationship among the small firms in developing countries where social ties are determinant of the relations.<sup>160</sup> Thus, network relations between small firms in Anatolia bring flexibility and operate differently from the organizational theories of microeconomics.

Some aspects of these relations can be understood in terms of the persistent principles of the Turkish social structure and culture. Turkish businesses are largely

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<sup>159</sup> Ibid., p. 21.

<sup>160</sup> Sugur, p.99-100.

based on personalities. Especially for small businesses, which characterize the Anatolian Tigers, the importance of family and friendship relations is distinctive. In Kayseri social ties emerging from family and kin relations and home-visits (*ev oturmaları*), solidarity seen as *hemserilik* (coming from the same town) and craft culture, and having common religious or ethnic identities reinforces business contacts contribute to the flexibility of networking. These networks are crucial in the patriarchal and personalized systems of authority where the concepts of trustworthiness, reliability and loyalty are the core of social relations among individuals. In this system, social networks of friendships and kinsmen serve the needs of their members by solving personal and institutional problems in their contacts with institutions.<sup>161</sup>

Family enterprises are the first element of the formation of networks. Benedict argues that family firms are important for the economic development of low income countries.<sup>162</sup> Likewise, these are the most common firm structure in Anatolia. A family enterprise is a formation in which the manager of the firm is determined in family ties. In family firms, the firms are seen as a source of income and employment for the families; therefore the children of the current or the former managers take positions in managements. A family firm has a high social status in the Anatolian areas. The reputation of the family and the firm develop together. In addition, the paternalistic tendency in relations of family firms are seen in terms of owner-worker relations.<sup>163</sup> In general the relation does not rest on to the basis of the

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<sup>161</sup> Gul Berna Özcan. *Small Firms and Local Economic Development*, p.99

<sup>162</sup> Ibid. p.100.

<sup>163</sup> Mehmet Akif Yener, *Aile Şirketleri Yönetimi ve Adapazarı Aile Şirketlerinde Bir Uygulama*, (Master's Thesis, İstanbul University Institute of Social Sciences, İstanbul: 1987).

rights of the workers and the liabilities of the owners. Instead these relations are shaped in a family model where the father is represented by the owner while the worker plays the child.

There are several forms of family enterprises such as firms of father-son, and brother-brother. Firms are often given the name of their owners (e.g. MIMATAS), especially in the commercial sector, and their success is a matter of family pride. These firms offer certain skills and experiences to younger family members and relatives. In addition, elder brothers running their own firms inspire them in their future choices of work. Mutual trust and confidence among family members facilitate growth and the survival of the business through the collective action and solidarity of family members. However, nepotism<sup>164</sup> and paternalism are also important in these firms.

In Anatolia, entrepreneur families generally know and visit each other. In Kayseri the common vineyard culture and home-to-home visits are characteristics peculiar of the city at the heart of the vitality of the social life. People hold common grounds of values, beliefs and interests by these cultural activities.

The social relations contributing to the business life are motivated by home meetings (*ev oturmaları*) at night. In these meetings, the relatives as well as friends from the business environment, or industrialists from the same or sub sectors, gather together and in an informal environment the participants share ideas, make bargains, and conclude deals. The words given in a crowded group generally enables networking for industrial development. Such patterns also facilitate problem solving. Economically, these network relations help to reduce the transaction costs arising in a formal environment. In this regard, urban planning and its consequences in

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<sup>164</sup> Oguz Kılınç, “Aile Şirketleri”, KOSGEB (Kayseri: Kugem, August 2000).

neighborhood structure and residential areas are worth analyzing<sup>165</sup>. The flats in high-rise buildings known for their luxuries around Sivas Street put the rich, businessmen, and the local elites together.

Absolutely, the strengthening of social relations among people in the same neighborhood is predictable. Zafer Ozcan, a reporter of *Aksiyon*, participated in such a home-visit in which the participants consisted of the mayors (Metropolitan, Kocasinan and Melikgazi), members of the municipality council, four industrialist, two professors of Erciyes University, one medical chief doctor and witnessed how people discussed the various problems of Kayseri for long hours in an informal atmosphere.<sup>166</sup> For Ozhaseki, the mayor of Kayseri Metropolitan Municipality, people hold consultation with each other, lend and borrow, sometimes make philanthropic decisions as well as new partnerships emerges and even marriages are arranged during those nights.<sup>167</sup> Furthermore, these people never miss these meetings unless they are outside of Kayseri.

At this point, it is important to remember the networks' effects emerging from the clustering designed in the first section of this chapter. The social ties strengthened in such environments have a direct network effect especially among small firms. In Kayseri case, even the industrial and local elites take notice of home-visits. The overlap of social and business life provides a networking advantage for

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<sup>165</sup> Ali Ekber, Dogan. "Mekân Üretimi ve Gündelik Hayatın Birikim ve Emek Süreçleriyle İlişisine Kayseri'den Bakmak" *Praksis*:16

<sup>166</sup> Zafer Ozcan, "Akla ve Paraya İhtiyacı Olmayan Şehir" *Aksiyon*, (November 2005), p.66

<sup>167</sup> *Ibid*, p.67

the firms in this local area. Similarly the vineyard culture, moving to suburban areas around the city in summers, gathers together people from a circle.<sup>168</sup>

There is also a geographical tie called *hemsehrilik*, referring to coming from the same town (also village or city). People get to know each other through families and primordial ties from similar geographical identities and cultures. These businessmen build friendships in the same sector and get customers through *hemsehrilik* ties. *Hemsehri* is the indicator of being reliable for both businessmen and customers and one of the main criteria used in labor recruitment. In a local area, this mechanism works in a relatively less effective way, but provides employment opportunity for the townsmen looking for jobs.

There is several elements related to the market practices of firms. In this regard, political, religious and ethnic clusters exemplify these opportunities for business owners. Similarly, to be a member of a religious sect has an expansionary function for an entrepreneur on social networks of businesses in the local market. In addition, they are a part of the employer-employee relationship. In all Anatolian cities, but particularly in Kayseri, Friday prayer is a common practice among businessmen, which is crucial to strengthen the ties between workers and employers in local markets. The praying provides a ground for creating informal relations and individuals know each other.

As far as women in these networks are concerned, they fulfill a supportive role. While males control business practices and commercial networks in the local market it's not possible to talk about a similar business network for females. Furthermore, roles of woman are shaped as partners, investors, consumers and

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<sup>168</sup> Although most of the Kayserian has vineyard houses, the geographic position of the houses changes depending on the income groups. The upper class industrialists mostly prefer Talas to build a vineyard house.

network supporters.<sup>169</sup> Women's informal networks in social relations provide a ground for diffusion of the knowledge on fashionable goods in the market and they discuss quality of them. Thus, women contributes to the family, kinship and business networks in the social life of these cities while in business partnerships men strengthen the relations. Since, in a male dominated working environment, the job opportunities are more accessible for men.

Our findings show that consequently entrepreneurs place much more importance on informal social networks than formal ones. Social networks are strong and dominant in the business practices of small firms; in other words, social networks replace institutions in the absence of formal information networks and an efficient bureaucracy.

#### Small Firms and Clusters

While Turkey does not have any formally designated "clusters," it possesses considerable concentration of economic activity, locally, and economic diversity, nationally. Being the one of the leading exporters of manufacturing in the world, Turkey has long been an economy based on the export of its textiles, furniture and metal products. In recent years, there has been considerable investment in the modernization of these sectors.

#### The Story of Small Industry Site

Small industry sites have played a crucial role in the local development of Kayseri and its region, by leading the growth of middle and large scale industry on a local basis, providing them logistic support, facilitating them as sub-industry and

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<sup>169</sup> Ozcan, p.116.

producing certain goods that require competence. With small industry sites, the productivity of businesses is increased through the building of modern workplaces that comply with the technical and economic requirements of today's world. With these sites an opportunity is provided for the transition from repair to manufacturing, from manufacturing to serial manufacturing, and thus, from repair shops to small and medium scale industry. In addition, according to Rustu Bozkurt, because of their relationships with secondary industries, sub-contractors, dependent, subordinate and independent companies, these clusters help increase the efficiency of large enterprises as well.<sup>170</sup>

Before 1950, small artisans in Kayseri were spread around the city arbitrarily. For instance, coppersmiths were generally located Kazancılar Street, whereas heater manufacturers and cotton producers were established around Bayrampaşa Office Building across from İskender Restaurant. Lumber merchants were located within the southern side of the Castle walls. Again, before 1950, auto repair shops were operating near Yoğunburç, in between Cumhuriyet Square and Düvenönü. They were then moved inside the old market hall across from the Military Recreation Facilities. This place was used as a market hall for some time, and then was rebuilt.

Today, there are eight Small Industry Sites in Kayseri, if the distinct of Argıncık is accounted as one. Six of them are located at the city center, one in Pınarbaşı, and the other in Tomarza districts. In these sites, there are more than six thousand companies operating, which provide continuous employment for nearly 30 thousand people.<sup>171</sup>

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<sup>170</sup> Bozkurt.

<sup>171</sup> KAYSO, "Kayseri", cd, May 2006

Table 12. Small Industry Sites in Kayseri

SITES	LOCATION	ACTIVATED YEAR	NUMBER OF FIRMS	NUMBER OF EMPLOYED
Old Industry Site	Kocasinan	1957	2,178	8,795
New Industry Site	Kocasinan	1972	2,600	17,863
Medium Industry Site	Melikgazi	1979	55	126
Eastern Industry Site	Kocasinan	1985	280	438
Manu. Marketing Ind.	Melikgazi	1985	220	402
Wood Industry Site	Melikgazi	1995	850	9,387
Argıncık Small Ind. Site	Kocasinan	1992	220	324
Pınarbaşı Small Ind. Site	Pınarbaşı	1999	104	170
Demirciler Small Ind. Site	Melikgazi	2003	326	377
Develi Small Ind. Site	Develi		120	257
<b>TOTAL</b>			<b>6,953</b>	<b>38,139</b>

Source: KAYSO

In order to check clustering in Kayseri, the Table 13 based on KOSGEB database surveys, provides valuable information. The firms explained how they met a need in repair, replacement and machinery and equipment. The answers of firms, presented in the column as Z, P, D, I. Z, refers to “in the same industry zone” while P, D, and I respectively refer to, “in the same province”, “in different provinces”, “internationally”.

The table indicates that for repair services in each subdivision of manufacturing, the majority of the firms have sufficient services within the province. (The majority of the firms answered for Z and P for each subdivisions) Despite the fact that the pattern is in the same direction for replacement services, the majority of the first two rows are not as clear as the repair services. However, we can claim that the wood and metal product and machinery sectors have a remarkable sufficiency, even in replacement. On the other hand, for machinery and equipment, firms meet their needs generally outside of Kayseri (except for the wood and furniture industry). The general view obtained from the table lets us to claim clustering in the wood and



furniture sector and a level of clustering for metal products and the machinery and equipment manufacturing sector in Kayseri. In addition, according to the KOSGEB database surveys conducted for with 47,000 firms<sup>172</sup> examining cluster development coefficients in terms of firms' development levels procurements of goods and marketing. Yet again the coefficient of the furniture sector in Kayseri was fourth following Istanbul, Izmir and Ankara. The coefficient for metal product manufacturing was third following Ankara and Istanbul. In textile and machinery equipment, Kayseri placed in the top 10 among overall 81 provinces of Turkey.

Table 13: Clustering Survey for Manufacturing Subdivisions, Kayseri

Manufacturing Subdivisions NACE Code		Repair Services	Replacement Services	Machinery and Equipment
(15-16) Food, Beverage and Tobacco Product Manufacturing	Z	13	3	0
	P	29	23	9
	D	18	39	44
	I	5	12	23
(17-18-19) Textile, Clothing, Footwear and Leather Manufacturing	Z	17	14	2
	P	50	44	16
	D	29	141	69
	I	2	34	57
(20-36) Wood and Furniture Manufacturing	Z	208	163	78
	P	311	383	406
	D	61	160	267
	I	5	28	54
(21-22) Printing, Publishing and Recorded Media	Z	11	7	3
	P	46	36	24
	D	34	62	66
	I	5	13	26
(24-25) Petroleum, Coal, Chemical and Associated Product Manufacturing	Z	20	13	9
	P	43	49	29
	D	37	72	98
	I	5	18	21
(26) Non-Metallic Mineral Product Manufacturing	Z	9	7	3
	P	25	25	15
	D	22	30	39
	I	1	4	12
(27) Metal Product Manufacturing	Z	68	49	29
	P	144	188	151
	D	61	104	166
	I	0	9	29
(28-29-30-31-32-33-34-35)	Z	45	40	33
	P	10	157	127

<sup>172</sup> Details of calculation method see: KOSGEB Saha Araştırma Çalışması, Kayseri İli Değerlendirme Raporu, Ankara 2005 p.77

Machinery and Equipment Manufacturing	D	58	120	197
	I	8	26	57
(37-72) Other Manufacturing	Z	0	1	2
	P	5	9	10
	D	6	16	16
	I	1	5	6

**KAYNAK:** KOSGEB Yararlanıcı Durum Tespit Formu, 2004 Kayseri Alt Bölgesi İmalat Sanayi Araştırması

According to Nadir Sugur, cooperation and collaboration among small firms will provide collective efficiency by strengthening the ties among small firm clusters. Therefore, flexibility is achieved on a collective basis. For him, the networking of small firms helps flexibility by:

- Borrowing and lending equipment
- Sharing their own technical knowledge
- Exchange of their own skilled labor force
- Financial assistance
- Distribution of subcontract work in
- Accordance with each shop's realm of specialization
- Technical help to one another for innovation in production process
- Exchange of business related information
- Availability of second hand machinery<sup>173</sup>

Many of the clusters in the Turkey are at the preliminary stages of their development, and would require considerable hard work before they could deliver on their promised potential. They are, nonetheless, a step in the right direction to diversify the natural resource-dependent economies. Realizing the promise of these clusters would link Turkey to the rest of the world through trading relationships, and would ensure a prosperous and viable economic future for both Anatolia and Turkey.

At the end of this section, the story of Hacilar will be given as an example of a cluster within Kayseri.

Clustering example from HES in Hacilar<sup>174</sup>

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<sup>173</sup> Sugur, p.

In 1974, a group of entrepreneurs from the Hacilar district, “Hacılallıs” in the local language, established HES KABLO. This plant was among the most significant investments of this period, and acted as a turning point for the history of industry in Kayseri.

It is observed that persons other than the Hacilar residents, have also become partners of HES KABLO. In the following years, the partners established HES MAKİNE, producing machinery (1990); HES FIBEL producing fiber optic cables (1990); HES KİMYA producing liquid and powder cleaning agents (1992); and HAS ÇELİK, producing steel ropes as well as aluminum and steel aluminum transmitters (1989). In the later periods, HES Kimya also started to produce diapers and sanitary pads. During the initial period, HES Group was led by Mustafa Derin and Sadettin Erkan, who were both electrical engineers, and were supported by families such as Özbekler, Kılıçlar, Boydaklar, and Gürdoğanlar.

Many enterprises including İstikbal, Bellona, Merkez Çelik, Boyteks, Boydak Dış Ticaret, and Boytaş were established by the Boydak family, who were among the founding partners of HES Kablo, and were united under the body of Boydak Holding.

HES KABLO acts as an important enterprise of Kayseri, which has paved the way for the establishment of many companies. For instance, liquid and powder cleaning agent producer MIO, belongs to the Büyükmihci family, who are the later partners of HES Group.

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<sup>174</sup> Kadir Dayıoğlu “Kayseri’de Planlı Endüstri Alanlarının Hikayesi 1, KAYSO Dergisi, 51 (April/June 2003)

Today, the factories of the HES Group are allocated between the partners. Electrolytic copper wire producer ELBAK A.Ş., established by the Kılıçlar and Mutlular families and their employers who have left the HES Group, is among the most important and qualified investments of the city. This picture, which also includes many other commercial and industrial enterprises of various sizes, clearly demonstrates the effectiveness of the geographical clustering of the Hacilar district and the benefits of partnership and collaboration in a local economy.

## Public and Private Organizations

As one leg of the analysis in understanding the cooperation and networking of the industrial elites of Kayseri, the intermediary public and private institutions which strengthen the position of industrialists in transmitting their demands and providing support would be scrutinized in this section. Thus, the chambers and associations that keep records of firms and serve their members in Anatolian organizations that would provide a ground for industrial development through expanding networking and negotiations, in a broader statement, ‘flexibility’ in the case of Kayseri will be mentioned.

There is clearly a sense in the new world in which governments and firms bargain with themselves and one another on the world stage. This bargaining and the conflicts between the central and the local lead to the emergence of *governance* as a concept of an understanding of organizational and administrative change. In most of the regional studies, urban regeneration and partnerships are regarded as important elements in governance. In this regard, the chambers and associations benefited from the rule of ‘governance’ in their local industrialization. Thus, the concern to the concept in this study lies where it is involved in the urban development. Particularly in this part several correspondence of this mentality are found within the networks involving public-private partnerships or with the collaboration of community organizations in Kayseri. In other words, understanding of governance as a method of mutual adjustment and negotiation brings together the central and local authorities<sup>175</sup>, business interests and local community in Kayseri as well as other parts of Anatolia.

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<sup>175</sup> In the section on ‘local government’, we would also refer to the ‘governance’ as a managerial method of the new world.

The World Bank defines governance as “*the use of institutions, structures of authority and even collaboration to allocate resources and coordinate or control activity in society or the economy.*”<sup>176</sup> In other words, it is the management of a system, usually political or organizational with mutual adjustment, negotiation and accommodation between the parties of an economic activity. This management system occurs in three ways: one is primarily involves governments and the state bureaucracy that uses top-down methods, the second one occurs by the use of market mechanisms when market principles of competition serve to allocate resources while operating under government regulation and finally within the networks involving public-private partnerships and the collaboration of community organizations. In other words, when the relation of government to local entrepreneurs and other agents are all considered as the components of the local development, the related dynamic is a correspondence of the mentality change towards governance.

For the employers in industry and the trade, unlike the weak labor union organizations, we cannot stress the lack of organizational formations which would negotiate as a part of the governance in Kayseri. According to the survey of Esen Çonker<sup>177</sup>, 43.02 % of businessmen in Kayseri are members of various business associations. For instance, Kayseri Chamber of Trade (KTO)<sup>178</sup> has been serving since 1896, and as of the end of 2006, it has 13,044 registered members classified in 36 separate occupational groups. 42 sub-chambers registered to Kayseri Chamber of

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<sup>176</sup> World Bank, Managing Development - The Governance Dimension, 1991, Washington D.C. Available [online] at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/03/07/000090341\\_20060307104630/Rendered/PDF/34899.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/03/07/000090341_20060307104630/Rendered/PDF/34899.pdf)

<sup>177</sup> Esen and Çonker.

<sup>178</sup> Available online <http://www.kayserito.org.tr/pxp/kto-hakkinda/oda-tarihcesi.php>

Craftsmen and Artisans (KESOB)<sup>179</sup> founded in 1954. As of the end of 2006, the number of active members registered at Kayseri Craftsmen and Artisans is 32,702. Leaving the aforementioned organizations, I would like to briefly focus on the most prominent ones, KOSGEB as a public organization serving to the SMEs and MUSIAD and KAYSO, the private business associations.

### KOSGEB- The Small and Medium-sized Industry Development Organization

First of all, as a public organization it is needed to be underlined the importance of KOSGEB in Anatolian development. The association has been founded as an extension of the development and the governmental attention to the issue. Thus, the role of KOSGEB has been remarkably increasing in Anatolian provinces where we know the prevalence of the SME. The initial formation for SMEs development was founded with the name of “Small Industry Development Organization” in 1983 and it is transformed into the Small and Medium-sized Industry Development Organization (KOSGEB) in 1990. KOSGEB is a public association founded by Ministry of Industry and industrial training and development centers turned to the KOSGEB and its agencies located in various parts of the country. The foundation of KOSGEB is an attempt indicating to the shift towards the policies to protect and develop small employers. Consultancy, quality improvement, marketing and investment guidance, training, information are some of the departments affiliated to the KOSGEB organization.

While the lack of knowledge about the application processes to the programs and incentives of the organization, in recent years, the organization has become much more visible and its advantages for SMEs became clearer easier. Erdal Cinar,

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<sup>179</sup> Available [online] at:  
[http://www.kesob.com/index.php?option=com\\_content&task=view&id=17&Itemid=28](http://www.kesob.com/index.php?option=com_content&task=view&id=17&Itemid=28)

the chief manager of KOSGEB in Kayseri for 17 years, explains the role of the organization in local development of Kayseri through creating closer relations with local small industrialists. “I am aware of the capacities and projects of each firm in the small sites and OIZ in Kayseri and most probably have personal relations with the owners,” he said. For him, in Kayseri KOSGEB accomplishes to the local industrialists and have organic relations with KAYSO, although it is a public association. These relations contributed to provide efficiency in their roles.

Furthermore, by time, the small employers begin to rely on these institutions’ concrete assistance as well as their social networking. A study of KOSGEB-Kayseri informs that by the macroeconomic stability the supports given by KOSGEB in Kayseri has tremendously boosted. The exact numbers for 2003 and 2004 indicate the increase in the number of firms supported by KOSGEB from 370 to 819 in various categories. Among these support categories, supports for participation in national fairs (240) and in international fairs (72), training (314), computer software assistance (99), consultation (79), information (45), R&D consultancy (44), courses qualified employment (35) are the most common requests among KOSGEB supports. Consequently, the total expenditures of KOSGEB in Kayseri has reached to 4,134,6581 YTL that indicates that Kayseri benefits from the sources of this institution much more efficiently relative to the most cities in Turkey.<sup>180</sup>

#### KAYSO-Kayseri Chamber of Industry

Tradesmen and industrialists operating in Kayseri were united under the framework of Kayseri Chamber of Trade and Industry until 1966. In 1966, 150 industrialists left the Chamber of Trade and Industry and established the Chamber of Industry. These

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<sup>180</sup> KOSGEB, ‘Bankalar Birliği’, 2005; Available [online] at: [www.kosgeb.gov.te](http://www.kosgeb.gov.te)



industrialists believed in the necessity of a separate legal entity for providing institutional support in industrial issues and the associated negotiations. As of the end of 2006, there are 1002 registered members of Kayseri Chamber of Industry and these members classified in 26 separate occupational groups.

Kayseri Chamber of Industry functioned as a local force to support local industrialists. The endeavors of Ali Riza Ozderici, asking for incentives during a cabinet council, to develop the relations with the Central Government that was explained in industrialization stories of OIZ in the previous sections is a significant example to see how chambers have roles in strengthening the relations of businessmen to the central governments. Similarly, Mustafa Capar, the former President of the Chamber, tried to prevent some of the laws that are against to the interests of the members of the chamber. For instance, he harshly opposed to the law<sup>181</sup> that attempts to regulate environmental issues (Environment Legislation, 2000-2001) by regarding it as a punishment for industrialists and entrepreneurs. He revealed their attempts to protect industrialists interest thus to prevent this law through conveying their complaints to the MP's of Kayseri.

As seen in these relations, local politicians always play key roles to strengthen the linkages between local industrialists and central governments. For instance, in recent years, President Abdullah Gül, the most prominent politician of the province, has personal relations with the industrialists and the local elites. Both Boydak and Ezinc, for example, expressed their respect to the Mr. Gul and underlined that when they have face-to-face relationships with him they explain the problems of industrialists in Kayseri and the projects concerning Kayseri's

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<sup>181</sup> The aforementioned regulation was causing new burdens and costs to protect environment unlike the interests of industrialist and industrial production. The whole chapter of the journal of Kayso for that time criticized the regulation.

industrialization. “He cares what we offer and what we complained and sometimes we all together think about solutions to the problems” tells Mr. Boydak. In additions to these personal relations of the KAYSO members, President Gul and the local members of the parliaments regularly participate in meetings in Kayseri organized by MUSIAD and KAYSO or other organizations and meet the industrialists in Kayseri.

The relations between the members of the chamber and the central government always played remarkable roles in the city. As observed in Ozderici’s relation with Turgut Ozal the president of chamber provided an unpredictable grant for Kayseri by means of informal methods. According to Ozderici, they also sought for such connections during military authority.<sup>182</sup> The benefits obtained from personal relations and the point where the central government stands resemble to the governance mentality in the relations of organizations and institutions.

KAYSO has also roles in enabling exportation procedures rapidly for its members. In addition, it actively functions in development of skilled workers in the city. The cooperation between Kayseri Governorship and KAYSO to the purpose of training and changing workers composition provides labs and financial supports and extra courses vocational colleges.<sup>183</sup> Similarly, journeys to the other cities as Kutahya, Afyon, Konya, Maras and Gaziantep, with the mayor of Kayseri Metropolitan Municipality serve to develop economic relations in inter-provincial level and there are references to such trips in each volume of the journal of the Chamber.

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<sup>182</sup> It is worth to note that we observed more close and strong relations between the members of chamber and right parties, especially pro-liberal ones. The legacy of Ozal always is respected in the evaluations of the articles on local sources and the policies of left parties criticized much more severely compared to the conservatist, right governments. Likewise, personal relations to the central government functioned more efficiently during pro-liberal Motherlad parties and JDP governments. It’s expectable since the support of right parties is averagely 90% in almost each elections of the province.

<sup>183</sup> “Kurumsal isbirligi” KAYSO March-April 2007

## MUSIAD- The Independent Industrialists and Businessmen's Association

Some words also have to be said on MUSIAD, the Independent Industrialists and Businessmen's Association, known with its prevalent organization in Anatolian provinces in recent years. In this regard, MUSIAD establishes one leg of the socioeconomic networking among the actors of industrialization. In this purpose, MUSIAD uses the binding characteristics of Islam and the traditional cultural values among its members.<sup>184</sup> Thus, the binding moral system and Islamic persuasion within the themes of MUSIAD reduce the transaction costs and facilitate the business expansion with different networks and affiliations. To Aydın Uğur and Alkan MUSIAD creates a platform for Anatolian capital owners to stress the demands. As a result of flexibility in membership acceptance policy adopted by MUSIAD, unlike the rigidity of TUSIAD and other regional SIADs the members of the organization increased tremendously and generally the membership structure is composed by the SMEs. As of 1995, only 20 of the 1900 firms<sup>185</sup> employed more than 500 workers while +1500 of the remaining are small firms with 1-49 workers capacity. In this respect, supports for national and international industrial fairs helped to this increase in the amount of members.<sup>186</sup> Thus, the business network of MUSIAD grew rapidly beginning from the 1990s and reached to the 3000 firms in 2000s.<sup>187</sup> In Kayseri, there were 112 members in 1995,<sup>188</sup> so far the number has reached to 154.<sup>189</sup>

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<sup>184</sup> Bugra p.47

<sup>185</sup> Ayşe Bugra, in her study gives 1780 for the year 1995 while the tanitim catalogue of the MUSIAD 1900 for details see aydin ugur haluk sahin .. p.141

<sup>186</sup> Sennur Ozdemir, *MUSIAD*, p. 67

<sup>187</sup> [www.musiad.org.tr](http://www.musiad.org.tr)

On the other hand, beyond its strong ties to the Islamic politics, the expansion of MUSIAD organization corresponds to the liberalization process of the Turkish economy. For instance, 589 of the 1780 members of MUSIAD in 1995 were founded in the 1990s and only 437 of them were founded before 1980.<sup>190</sup> Turgut Ozal, the Turkish president adopted the liberal economy, was the person who stood in the opening ceremony of MUSIAD's Kayseri branch. The problems of the affiliated firms in MUSIAD, occurred with the opening to the world market. In other words, firms which began to exportation needed such associations to transmit their demands and difficulties to the officials. The members of MUSIAD explained that they transmitted their demands to the associated administrators of the chamber or organization and to the bureaucrats and local MPs.<sup>191</sup> In this environment; MUSIAD emerged as the only major representative of the Anatolian firms to safeguard the rights of these firms and to negotiate for the interests of its affiliations. For instance, it contacts regularly to the Capital Market Board to explain the problems and needs of these firms.<sup>192</sup>

One important role attributed to the MUSIAD is its functions in socio economic transformation of its representatives.<sup>193</sup> While it changes in the conditions it also functions to the social transformation of the affiliates.

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<sup>188</sup> Ayse Bugra, *Islam in Political Organizations*. p.70

<sup>189</sup> Available [online] at:  
<http://www.musiad.org.tr/uyeBilgiBankasi/results4.asp?Submit5=Ara&Sector=&subSector=&Product=&City=38>

<sup>190</sup> Bugra. *Islam in Economic Organizations*, p.52

<sup>191</sup> See survey conducted by Aydin Ugur and Haluk Alkan, p.143

<sup>192</sup> Ozcan and Cokgezen, p. 2075-2077.

<sup>193</sup> Ugur and Alkan, p.153.

On industrial relations, MUSIAD members propose a model basis on mutual trust relations, affection and respect among both employee and employers. Such relations are believed to provide “harmony and cooperation.” Similar to these ideals in work relations, MUSIAD defined itself as a “platform for development-dialogue-cooperation and solidarity” created for the purpose of contributing to the social, cultural, political, economic, scientific and technological development of individuals and institutions, to the country and the society, to the region and the world.<sup>194</sup> These ideals are criticized by Bugra due to the lack of collective bargaining practices and for standing against standard welfare state provisions and organized representation of interest by labor unions.<sup>195</sup>

Fitting to the above mentioned ideals of the association in Kayseri, MUSIAD overtakes a networking role among its members at local and national level. The most frequently seen news in the website of the Kayseri branch<sup>196</sup> is about consultation meeting with other associations, especially with KAYSO, and the meetings of members at dinners for various purposes.

To sum up, the change in Anatolian provinces in the last twenty years is that different groups have learned to act together for their interests. The interest of the industrial firms in OIZs and Free Zones of Kayseri are strongly protected by the public and private associations exemplifying the cooperation

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<sup>194</sup> Available [online] at: <http://www.musiad.org.tr/english/about/identity.asp>

<sup>195</sup> Ayse Bugra. “The Claws of Tigers”.

<sup>196</sup> [http://www.musiad.org.tr/kayseri/haber\\_arsiv.asp?](http://www.musiad.org.tr/kayseri/haber_arsiv.asp?)

## Local Government

A development parallel to the globalization of production, knowledge, and finance is the rise of transnational economic diplomacy and the globalization of state power. The central state becomes a negotiator actor for the benefit of the national economies in international economics. While the power of the state changes in this regard, urban economies gained key importance, transformed the role and the autonomy of local governments as well as changing the methods of administration and relations to the local elites. Therefore, the analysis in this part also highlights the governance methods that changed in the state-bureaucracy scheme so that the roles of the local governments became more effective in terms of their relations to the local elites.

Local administrations exert a great deal of power over SMEs as the issuers of bureaucratic permits. In developed countries, the central and local administrative units try to accelerate development by creating equality of opportunity for SMEs with efficient coordination and the necessary infrastructure. Obviously, in developing countries their role in the construction of and contributions to infrastructural improvements related the industrial development are more crucial. Bozkurt supports this governing principle and claims that for their resource mobilization and utilization, and especially when they are located in peripheral areas, SMEs require the support of local administrations as much as that of the central state administration.<sup>197</sup> However, for a long period in Turkish history, local governments have not been considered autonomous units or as integral unit for the local

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<sup>197</sup> Bozkurt.

industrialization process by the central governments in which power largely held by bureaucratic elite groups.<sup>198</sup>

The rapid urbanization after the Second World War, relative industrialization and increasing population in urban centers led to diverse problems in urban life that indicated the importance of local government in this regard. Furthermore, according to Metin Heper, in the 1970s, while the status of the bureaucratic elites changed due to shifts in political status, the fragmentation and the polarization of the political system also began to change.<sup>199</sup> However, the local governments were once more considered tools at the disposal of the political center. Moreover, when they participate in developmental projects, suspicions are generally concentrated on them from the ruling party, especially when controlled by the rival party.

For Heper, the correspondence of the economic liberalization program following the 1980 military intervention shrank the sphere of the state for the first time while politics had an environment in which to expand. In these circumstances, in addition to the transformation in the political economic arena, the administrative decentralization of the government also occurred; new funds were directed to municipalities. Dynamic mayors emerged at the regional level. In this regard, most of the municipalities got involved in developmental projects and were obliged to provide increasing services, transportation, employment and housing to respond the problems that occurred as a result of rapid urbanization. The model is called “democratic and autonomous municipalities,” a healthy financial base with local taxation powers and economically productive administrative units which create an economic sphere for the “municipal sector.” With this new equipment and relative

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<sup>198</sup> Heper, Metin. “Local government in Turkey: Governing Greater Istanbul”. (London: Routledge, 1989), p.21.

<sup>199</sup> Ibid, p.28.

financial power, the municipalities achieved to some extent to be redistributive rather than productive. For Heper, the Motherland Party government in the 1980s, -after 1984- with the Local Government Reform (*Yerel Yonetimler Reformu*) intended to restructure the municipal system in the urban area for their longer term goal behind the political and administrative decentralization. It is remarkable that Turgut Ozal, Prime Minister and the leader of Motherland Party, indicated that giving more autonomy to local governments, the development of local political structures, trained future political leaders and mobilized citizens.<sup>200</sup> Ustun Erguder points out that one of the most important reforms of the post-1980 period in Turkey that signaled important changes in political culture was the decentralization of the local government with the legislation law 3030 (1984).<sup>201</sup> Therefore, the studies of social scientists on the subject have increased in its political, economic and sociological dimensions.

Similarly, there exists a great deal of literature on the economic success of the Islamic parties in local administration to explain the rise of political Islam. Studying the economically successful Anatolian provinces, the Anatolian Tigers, the subject spontaneously leads to this literature. However, this section of the study does not attempt to evaluate the policies of local governing parties and their roles in the redistribution at a provincial level with its socio-political consequences, rather the local government will be examined in a place where leading to the “self-reliance and self-pertaining” local development and cooperation.

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<sup>200</sup> Üstün Ergüder, “Patterns of Authority” *Local Government in Turkey : Governing Greater Istanbul*. Heper, Metin. London : Routledge, 1989. p.36

<sup>201</sup> Ibid, p.32



The post-1980 municipalities represent a relatively “federal approach” to urban government and uncertainties remain as to how authority, resources and responsibilities will be shared and how cooperation among institutions, industrialists, and infrastructural support will occur. Beyond this point, all these debates are critical for the analyses at hand solely for their demonstration of the crucial role of municipalities in local resurgence by reshaping the political sphere even by wealth transferring to certain groups.

Going back to the reforms of local administrations, one other change regarding local government is the reorganization of the municipal organizations as metropolitan versus district municipalities. In this organization, metropolitan municipalities have more gains in their financial autonomy. The mayors of the metropolitan area are also in control of substantial resources compared to the pre-1984 era. As a result, almost all municipalities embarked on program of large-scope infrastructural investments. The system also maintains the accumulation of vast amounts of funds in local hands when they succeed in governing, administration and organization. The Anatolian Tiger provinces (Kayseri, Malatya, Gaziantep, Konya, Denizli) all gained the metropolitan municipality status in those years, except for Kahramanmaraş. To Ozcan,<sup>202</sup> with the gain of certain financial and organizational freedoms from the central government, the roles for Anatolian municipalities became more active. Parallel to these practices, prior to the local elections in 1989, Kayseri Municipality was given the status of a metropolitan municipality,<sup>203</sup> which was accompanied by the division of the center into two districts called Melikgazi and Kocasinan. With Metropolitan Municipality Law no. 5216 dated 10 July 2004, the

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<sup>202</sup> Gul Berna Özcan. *Small Firms and Local Economic Development*. England: Avebury, 1995. p.93

<sup>203</sup> Law Code: 3508, 14 December 1988

districts of Talas, Hacilar and İncesu which are significant for their development levels with industrial zones and sites, were also included in the scope of the metropolitan municipality. The number of districts affiliated with the metropolitan municipality was increased to five.<sup>204</sup>

When the practices of Kayseri Municipality are analyzed, it is seen that the pattern of the local government is clearly a reflection of a mutual relation with the local industrialists and local institutions. The municipality has moved beyond classical developmental functions such as providing transportation. For industrialization purpose, Kayseri municipality and entrepreneurs of Kayseri together play important role in the construction of the plants which provide electricity to industrial sites. The Yemliha Dam, which was built on Kızılırmak went into operation in July 2005.

Mustafa Ozhaseki, the mayor of Kayseri Metropolitan Municipality, who received 70% of the votes in the last elections, says that the municipality is like his own “firm”. “We administer here as we work in our firms and try to make profit to improve and make new investments.”<sup>205</sup> In another interview, he reiterated their mentality concerning their governing of the municipality: “We govern our municipality as a modern business, thus, as I tried to reduce expenditures stemming from over-employment in my own business, I do not let to over-employment in this municipality. Instead of enlargement in size, I prefer to buy services at auction, which would be less costly.”<sup>206</sup>

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<sup>204</sup> For administrative information on Kayseri Metropolitan Municipality, see [www.kayseri-bld.gov.tr](http://www.kayseri-bld.gov.tr)

<sup>205</sup> Zafer Ozcan, “Akla ve Paraya İhtiyaci Olmayan Şehir” *Aksiyon*, November 2005, p.66

<sup>206</sup> *Ibid*, p.68

According to Kadir Dayıođlu, who is an expert on industrialization history of Kayseri, particularly in Kayseri local governments always functioned as forerunners and supporters of the industrialization, especially in the formation of industrial zones and sites. For instance, Osman Kavuncu, one of the former mayors whose name was given to a prominent street in Kayseri, forced craftsmen and artisans to move Small Industry Site in 1950.<sup>207</sup> Subsequently, Mehmet Calik, the follower mayor, set the land costs in industry sites relatively less than the actual premium. Similarly, Memduh Buyukkılıç, the mayor of Melikgazi, is also the chief President of the Kayseri Free Zone, indicates how industrial problems are responded to at the municipality level. Interviews also refer to the prominence of municipalities in the networking of industrialists. The relations of the mayors and the chambers are described by both as follows: “We have harmony working together for one purpose: to take Kayseri one step forward.”<sup>208</sup> Mustafa Capar praises that as a result of their local solidarity, their OIZs and municipalities have no debt to the central government. The infrastructural costs of the OIZ have been managed by Kayserian’s own money.

Şukru Karatepe, a former Mayor of the Metropolitan, wrote a book<sup>209</sup> on Kayseri in which he presented his analyses on the city with historical references from a socio-economic perspective. The last part of the book refers to the economic issues of Kayseri. Karatepe’s administrative policies can not easily be distinguished from today’s due to the sameness of cadres; the three mayors of the metropolitan, Ozhaseki, Yıldız, Buyukkılıç were working together with him. Interestingly, for the

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<sup>207</sup> Kadir Dayıoglu, p.19 KAYSOBilgi, 59 (May/June 2006)

<sup>208</sup> Interviews, M.Boydak, and M. Buyukkılıç, K. Akcil [12-17. January. 2008]

<sup>209</sup> Karatepe, Şükrü. *Kendini Kuran Şehir*. Kayseri: KBB Yayınları 1999

sustainability of competitiveness in the world market Karatepe asked to use the advantages of flexibility and concentrated on more RD, collaboration and the necessity of training. His projects on these subjects are also significant to demonstrate the “governance mentality” of a former mayor.

The initiatives by the municipality of Kayseri are generally examples towards an active local authority. The project for a ski center on Mt. Erciyes which according to local authorities would be the biggest of Europe, intends to drive urban development and economic growth by bringing tourism revenues to the city. The Yamula Dam, which was funded by local sources, is now in service. It was one of the most important projects of the municipality to meet energy needs.

The reforms in the local government system have had a role in the local development of the Anatolian provinces. In this regard, the parallelism in the rise of local governments and Anatolian industries is crucial. The mayors and the organs of the municipalities work largely in cooperation with industrialists, even providing networking and sometimes using their redistributive power to create Anatolian capitalists from local elites.

As far as local governments are concerned in the Anatolian Tigers context, the first conclusion is that local governments gained relative authority in the world, a trend found throughout Turkey. Second, the changes in governing principles towards the governance mentality of every actor of economic performance are also seen in local governments and they fulfilled the cooperation between these actors, as business and institutional cooperation and provide more networking.

While the role of the state was transforming towards a more decentralized governance-based apparatus, the urban economies that achieved the “fit” arising

from their SME formations and related sociologic structures stood at the forefront in rapid industrialization.

When the provinces analyzed in the second chapter of this study, the so-called Anatolian Tigers, are examined in terms of their integration to the global markets with a SME structure, it is concluded that the main reason behind their success primarily lies in the transition from Fordism towards flexibility; and subsequently, in their coherence in global-local dimensions. In other words, the cultural, institutional and personal relationships are significant in understanding the market relations of firms, particularly in relatively small regional districts. As the theory previously suggested, network relations among local firms arising from the social ties and the sectoral clusters have brought flexibility to Anatolian firms.

A crucial aspect of production within the industrial districts of Central Anatolia can be attributed to the degree of trust and cooperation which exists among the key actors in the area. Economic gains can be achieved by the promotion of trust and cooperation between these key players, the firms, the financial and social institutions, the business associations, the labor organizations, and the local authorities. Kayseri, with its peculiar local organization, fits into the category of the flexible model in which firms benefited from the collective efficiency.

To sum up; the observations on the case of Kayseri confirm that the economic performance of a region should fit between the local and the global. To what extent the institutional structure of the city responds to the fit determines the level of performance.

A geography inconvenient for agricultural production, convenient social environment that glorifies entrepreneurship, a family and social relation environment enabling entrepreneurs to enter into the market by providing a network, a local

government working in coordination with business associations mediating among the local elites and the governments, and the trust and cooperation among businessmen stemming from their localities are all of key importance in this framework contributing to the remarkable performance of Kayseri.

## CHAPTER FOUR

### CONCLUSION

Globalization is not only about the rise of trade, FDI, and migration. It is also about the changing linkages in the relationships stemming from these rises. Thus, the new global system has prompted changes in the approaches of macroeconomic policies, and inter-firm and inter-industry level organizations and structures. Likewise, the emergence of flexible production models within post-Fordism systems indicate the rising importance of networking and information as well as the resurgence of the local and the fit of the local and global dimensions by which the changing linkages and dynamics are exemplified.

First, global economic policies have been transformed in market-oriented ways. These changes in macroeconomic policies have crucial effects in international market volume. Thatcherian model economic policies have been adopted by governments and became prevalent throughout the world. The reason for this shift in economic understanding can be sought in the rapid diffusion of information about the opportunities available in other parts of the world and the World Bank's pressure to developing countries experiencing poor economic performance with ISI policies. Thus, the "social state" concept was abandoned in favor of the economic liberalization and the belief in the dominance of the central state in development was transformed into anti-statism in the new world economic order. In addition, for adaptation to both shocks and trends as well as the past policy mistakes that occurred prior to the 1980s, much more attention has been given to the adoption of adjustment programs for liberalization. During the 1960s the prevailing economic policy for

developing countries was to pursue an import substitution industrialization strategy to avoid the problem of deteriorating terms of trade. This policy meant the development of domestic industry through high protective barriers of tariffs, quotas and licenses. Consequently, developing countries shifted from a severe and destructive protection to trade liberalization. Latin American countries, such as Mexico, Argentina and Brazil, entered into free trade agreements. Enthusiasm for more openness of the economy has seen in Korea and Turkey for free trade.<sup>210</sup> In Turkey, as the first chapter of this study pointed out, the reform process started with the introduction of the January 24 Program involving the liberalization of the foreign trade regime and continued with the liberalization of the financial sector, and last of capital accounts during late 1989. During the following years, a significant improvement in the share of exports as percentage in the GNP was observed (see Figure 2). In 2006, this share rose to almost 25% of the GNP, which indicates that the Turkish economy gained remarkable ground in the outward-orientation.

Recent decades have witnessed marked changes in the composition of merchandise trade, notably the rise of manufactures relative to primary commodities. The growth of manufactured exports has consistently been faster than for primary products; the share of primary products in total world merchandise exports fell from 57% in 1950 to 26% in 1991, while manufactures grew from 43% in 1950 to 74%.<sup>211</sup> This rise in manufacturing production mostly has been provided through goods produced in the East Asian Countries. In Turkey, the share of manufacturing in

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<sup>210</sup> Rudiger Dornbursch. "The case for Trade liberalization in Developing countries The Case for Trade Liberalization in Developing Countries" *The Journal of Economic Perspectives* 6, No. 1, (Winter, 1992), pp. 69-85

<sup>211</sup> Tony Killick. *The Flexible Economy: Causes and Consequences of the Adaptability of National Economies*. (New York: Routledge, 1995), p.25.



exports has also risen after the openness, from about 35% in the 1980 to 90% in 2005 (see Figure 4) that indicate the remarkable change in the composition of international trade in Turkey. Therefore, at the beginning of the study, in order to establish an understanding of the economic settings of Turkey, the macroeconomic developments observed in the international economy after the 1980s as the ascent of liberal economic policies as well as the abolition of ISI and the adaptation of outward oriented liberal development policies in Turkey were analyzed. Post-1980 economic policy changes in Turkey, and the liberal reforms and their consequences that occurred after the adjustment program of 24 January were evaluated within this context.

The international trade conditions display as in the theory of social Darwinism, and the adaptation of the theory would systematize the global competitiveness discussed in the text. Klick says that:

The concept of fitness in Darwinism theories of evolution economic competition among nations as a kind of survival of the fittest where fitness is determined by the speed with which economies can respond to shocks and can move to take advantage of new technologies and markets and adjust to the actions of others. The greater the ease and the lower the costs with which an economy adjust the more it's likely to prosper.<sup>212</sup>

The fitness referred o in the quotation is also among the main arguments of this thesis where a fit between global and local dimensions is drawn. "The greater the ease" has been succeeded by the local units due to the advantages provided by clusters and agglomerations as well as the flexibility of social relations. The notion that flexibility contributes to growth does not appear to need much arguing. In addition, the degree of openness of an economy also has an important influence on

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<sup>212</sup> Ibid., p.16.

its flexibility.<sup>213</sup> Learning by exporting, for example, been an important way in which the new economic giants of East Asia have raised their production levels and the quality of their output. The relation between openness and flexibility appears in the context of developing countries, in the analysis of economies in transition between systems and in explanations of the productivity slowdown in more advanced economies.

As an extension of the patterns in economic understanding, the sovereign state is regarded as an old-fashioned entity and regional or supranational units of economic cooperation are regarded as the way to economic development. The process tells us that the production is now moving to regional free trade zones while the market expands globally. In addition, in such a world an economy with flexibility in adjusting to the needs of time will achieve faster development through responding to the shocks easily compared to the rigid economy structure. In local industry sites and free trade zones, the advantage of the flexibility occurs especially through the collective efficiency among the SME.

The resurgence of the local in the new economic order is a consequence of the transformation on the micro scale due to the striking changes in international trade. Fordist production models favoring mass production, standardization and rigidity in workplaces have been replaced by flexible production methods which enable to adaptation the rapid changes as a rule of competitive markets. The new mechanism, called Post-Fordism as stated by Ayşe Buğra, plays an influential role in the resurgence of local and regional development by providing “a strategic fit” between the traditional structures and the global conditions.

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<sup>213</sup> Ibid., p.22

A brief and precise definition is not possible for the notion of flexibility since it is hard to define what flexibility is and how it can be achieved in developing countries. The main source of flexibility is defined, as explained throughout this study, in techno-based sectors by innovative responses. The importance of education, and technological capabilities are the basic factors for the flexibility. For this purpose, the emergence of manufacturing as a leading sector is a necessary condition for the development of adequate technological capabilities. However, the applications and analysis in the second chapter of the study indicate that despite a significant upward trend in each of these variables, it is not possible to claim the presence of innovative flexibility for the Anatolian Tigers, at least at the technological level as it does generally in developing countries. Nevertheless, for Kayseri, we can assert the presence of an upwardly mobile middle class with capitalist values and entrepreneur spirits who have made significant progress in adaptation and responses to the global trends.

At this point, it is worth noting that the flexibility of economies in different geographical places emerged in different ways. Thus, the flexibility of a particular local area worthy of separate study such as this arises out of a regional, local resurgence as seen in the development of Kayseri which analyzed.

In the third chapter an answer was given of the question how flexibility has been achieved within the context of Kayseri. In this analysis, since I am inclined to believe that the local economies as well as the national economies can only be evaluated in their institutional and social context, the importance of the role of local institutions and local elites as distinguishing factors in the economic prosperity of the Anatolian provinces was underlined. Here, the point of origin lies in the local industrialists and entrepreneurs composition separating the Anatolian Tigers from the

Secondary Industrialized Provinces (SIP), where the pace and the nature of growth in these provinces are in the hands of decentralized industrialists. The statistics demonstrated how plants founded by Kayseri-born entrepreneurs are dominant in Kayseri unlike the cases in Kocaeli, Sakarya and other SIP.

Turning the question to the Anatolian Tigers' adaptation to the flexible models, the interaction between economic and social variables determines the flexibility of the market. Economic flexibility requires institutions to respond to the needs of modern economic growth by means that keep transactions costs to a minimum.<sup>214</sup> Therefore, institutions as tradition and religion, and their adaptability to prevailing economic understandings of the time are crucial in terms of the responses given by them.

While enquiring into the determinants of the flexibility of economies, importance must be given to the local determinants of networking. The flexible economy can be defined as one in which institutions individuals and organizations efficiently adjust their goals and resources to changing constraints and opportunities. Networking is achieved by collective efficiency which is a growth path for small-scale industry emerged in traditional societies.<sup>215</sup> Furthermore, SME networking is determined by institutional arrangements especially in developing country examples. Similarly, in Turkey, small and medium-sized enterprises at local levels have formed a business community by improving their business practices, learning technology and seeking out new markets. Even without direct support from the government, the

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<sup>214</sup> Killick, p.15.

<sup>215</sup> Hubert Schmitz. *Local Enterprises in the Global Economy*. (Cheltenham: Edward Elgar, 2004), p.66.

advantages brought by openness and strengthened by social networking have triggered a process of production and capital accumulation in Anatolia.

The progress is also associated with the socio-economic transformation in Turkey. When the national effects of the changes in the Turkish economic environment are considered it can be concluded that policies of openness have led to economic restructuring and shifts in the society's economic center of gravity, which exemplified in the emergence of Anatolian capital. Throughout this study, questions were raised pertaining to the socio-economic development in Anatolian provinces, known as the Anatolian Tigers, by placing this concept of certain global changes in production and trade patterns. However, the socio-political consequences of the transformation that occurred with the Anatolian Tigers was not explained. Many discussions of the subject turn around the correlation between the success of Anatolian industrialists and the rise of political Islam in terms of wealth transfer and capital accumulation in certain classes. Within this study the key economic analysis for a further study on the subject was provided since it is believed that the rising power of political Islam in Turkey cannot be explained in terms of identity politics alone. Therefore, in order to understand the telescopic rise of both political Islam and AT, it is necessary to look at the socio-economic processes operating in Turkey as well as global processes which have significant impacts on Turkey. In this regard, the change in the views of Islam-related movements (parties, business organizations, etc.) towards western values in the 2000s as their pro-liberal and pro-business approaches, support for liberal democracy, globalization and incorporation into the European Union have significant correspondence in the economic views and practices of the entrepreneurs of the Anatolian Tigers.

By leaving the answers to these questions to other studies, the discussion turns to “conservative” characterization of Anatolian Tigers. Conservatism has always been involved in Anatolian capital and the rise of it whether the capital is articulated directly to green capital, has corresponded to the rise of conservatism in Turkey in several studies. The analysis of Kayseri demonstrates that the Anatolian entrepreneur distinguishes his economic decisions from his lifestyle. In the former they might have been completely liberal while culturally they choose a traditional home life. In this regards, Fuat Keyman<sup>216</sup> interprets to the conservatism of these groups in their avoidance of social state that the capital-labor relations are shaped on the basis of the rules of family and traditions, not on the basis of unions or social rights. Similarly, Bugra contributes this argument by explaining how economic relations rest on traditional ties while individual rights are disregarded. This pattern expands its grounds by glorifying philanthropist activities. Thus, the compatibility between Anatolian origin capital and international conditions shaped by economic liberal policies is considered as a synthesis of the conservatist-liberal synthesis.

Kayseri exhibits the local dynamics which can be attributed to world trends. As stated by Killick, “A society with a vigorous entrepreneurial culture is likely to have a flexible economy.”<sup>217</sup> This touches on the path-dependent nature of flexibility in the context of the entrepreneurship features in Anatolia, particularly in Kayseri. Kayseri gives us the example of a flexibility strengthened in family-based networking based on social ties in a historically entrepreneurial society. It was observed in Kayseri that change along with conservatism is one of the societal functions of the entrepreneurial structure.

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<sup>216</sup> E.Fuat Keyman. *Değişen dünya, dönüşen Türkiye*. (İstanbul: İstanbul Bilgi Üniversitesi, 2005), p.81.

<sup>217</sup> Killick, p.16.

In addition, the small firm structure in Kayseri fits into the category of flexibility in terms of networking. The small firms of Kayseri have the ability to join in occupational organizations in order to solve their common problems, providing flexibility to these firms. Furthermore, from a craft culture, the collective efficiency in relations of local actors emerges in their economic relations. The industrialists of Kayseri also are conscious of what further steps are necessary for international competitiveness.

In addition, in terms of institutional structure, state policies regulations and various public institutions have produced relatively good results for small firms in Kayseri. The presence of private institutions shows a much better picture for small firms that struggle to overcome bureaucratic formalities and the inability to make adequate profit. Moreover, firms, especially relatively larger firms, find it easier in Kayseri to control the business environment in which their firms operate and to benefit from local relations.

The political autonomy of the local government, which is another child of the liberal state view, and governance as a new management method describe the relations among these public and private institutions in Kayseri. Particularly, the local relations and the local government's attitude in its relations to the business life we were examined throughout this study as another influential factor for flexibility providing more networking and a sphere of movement for local elites in their relations to the central government while asking for grants and incentives. The correspondence fits into the global society.

Domestically, the effects of the process are also issue on which to focus that make new interpretations regarding the political sphere of Turkey. If a new articulation is drawn to the world capitalist system, in argument there exists a

reference to the emergence of a new capitalist class regardless of how they define their ambitious competition in the international arena. For a country in which the whole governing class historically has been bureaucratic rooted and with a state-led bourgeois, the new spheres of these classes in the society seek a political sphere for themselves. The growth of the case in the 1990s has parallelism to the rise of the Anatolian Tigers.

Flexibility means being able to take advantage of an expanding international market by using networks, social ties, low wages and entrepreneurial and institutional features. In the case at hand, geography inconvenient for agricultural production, convenient social environment that glorifies entrepreneurship, a family and social relation environment enabling entrepreneurs to enter into the market by providing networks, a local government involved in the coordination of business associations mediating among the local elites and the governments, and the trust and cooperation among businessmen stemming from their localities are all of key importance in this framework contributing to the flexibility of manufacturing industry in Kayseri which in turn gave a rise to the rapid industrialization and remarkable economic performance.

They are not located in the hinterland of any traditionally industrialized provinces (TIP). Unlike the Secondary Industrialized Provinces (SIP), they are not developed in the hands of a decentralized entrepreneur group or by the capital coming outside. The development rests on its own entrepreneurs and local sources and corresponds to the openness of the Turkish economy. A population movement from the rural areas to the industrial centers within the province as a result of the resolution in agriculture in favor of industry occurs. Clustering in definite sectors, mostly in labor intensive low skilled on the basis of SMEs is a general feature of



manufacturing industry in these provinces. Locality has key importance in achieving the flexibility on the basis of SMEs which are the main characteristic of Anatolian firms and provide a social networking to response market conditions.

In conclusion, with their significant economic performance, and striking increases in exports especially in manufacturing, the Anatolian Tigers will continue to attract the interests of academics.

The observations on the case of Kayseri confirmed that an economic performance of a region should be placed in a fit between the local and the global. To what extent the institutional structure of the city responds to the fit determines the level of performance.

On the other hand, to sustain future performances, the fit between the global and the local could not be sufficient while the productivity growths remained stable or at low levels. It is stated in the analysis of the second chapter, the dissatisfied productivity change in the Anatolian Tigers which does not stem from technical innovation rather it depends to the rise in employment capacity and the importation and adaptation of technology. In addition, throughout the analysis it observed that low wages and unregistered workers contributed to the capital accumulation in those provinces. Therefore, having considered the sustainability of competitiveness, it is difficult to claim an optimistic prediction for Anatolian provinces. The competitive sectors are labor-intensive and low technology sectors such as textile, furniture, metal product and thus, there are limits for changing product composition and cost reduction specifically compared to the costs in southeastern Asian countries and China.

For Kayseri, it is observed that when a firm have a high export-orientation, then the awareness of the determinants of the global competitiveness became clearer

for its managers. The studies indicate that high importation and adaptation of technology in those firms, but the point restricting the high future expectations here is the fact that the sectoral composition of industry in the Anatolian Tigers. The structurally low technology sectors having the driving position in industrialization of these provinces have to be transformed into the high-tech sectors for competitive sustainability.

In creation of new export-oriented industries through new investments for export expansion, there are further steps to be taken for Anatolian Tigers. If such a sectoral and structural transformation can be achieved, considering the catalyst effect of the flexible relations in the society, a further development in definite provinces would be much more possible. In this respect, for the establishment of the new high-tech companies and for a shift in sectoral bases technical knowledge potential of universities should be transferred into the manufacturing industry as well as the necessity for further steps in human capital development through vocational education and trainings. Furthermore, credit-financing facilities enabling SMEs to innovate and upgrade their plant would accelerate the investments in industrial sectors and contribute crucial transformation.

## APPENDIX A

### Face-to-face Interviews

Mustafa Boydak, KAYSO President and Boydak Holding 2<sup>nd</sup> CEO, interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri Chamber of Industry, Kayseri, Turkey.

Nihat Molu KAYSO General Secretaries, interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri Chamber of Industry, Kayseri, Turkey.

Ayşe Pekmezekmek, KAYSO Research and Publications Dep., interview by author, note taking, Kayseri, Turkey, January 2008. Kayseri Chamber of Industry, Kayseri, Turkey.

Tolga Gökşen KAYSO Foreign Trade, Fairs, EU and International Relations Dep., interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri Chamber of Industry, Kayseri, Turkey.

Ahmet Erkan, KTO Vice President, interview by author, note taking, Kayseri, Turkey, January 2008. Kayseri Chamber of Trade, Kayseri, Turkey.

Husamettin Toprak, Orta Anadolu Mensucat, Manager, interview by author, tape recording, Kayseri, Turkey, January 2008. Central Anatolian Textile, Kayseri, Turkey.

Ali Ezinc, Ezinc Günes Enerjisi Sistemleri, General Manager , interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri OIZ, Kayseri, Turkey.

İbrahim Ezinc, Formal Aluminyum, General Manager, interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri OIZ, Kayseri, Turkey.

Saban Bayrak, Bayrak Gıda A. S., General Manager, interview by author, note taking, Kayseri, Turkey, January 2008. Kayseri OIZ, Kayseri, Turkey.

Kasım Akçil, Kocasinan Belediyesi, Manager of Media and Publications, interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri Kocasinan Municipality, Kayseri, Turkey.

Akif Yavuz, Kayseri Buyuksehir Belediyesi, Project Director, interview by author, note taking, Kayseri, Turkey, January 2008. Kayseri Metropolitam Municipality, Kayseri, Turkey.

Ahmet Hakan Tola, Kayseri-Gaz, General Manager, interview by author, tape recording, Kayseri, Turkey, January 2008. Kayseri-Gaz Headquarters, Kayseri, Turkey.

Erdal Cinar, KOSGEB Kayseri, General Manager, interview by author, note taking, Kayseri, Turkey, January 2008. KOSGEB, Kayseri, Turkey.

#### Collected Interviews from Local Publications

Yataş General Manager, Yılmaz Oztaskin

Has Çelik A.Ş. General Manager., Halit Özkaya

Atlantik Halı General Manager, Mehmet Ozbıyık

Saymen A.Ş. General Manager, Mahmut Sami Yangın

Boydak Holding General Manager, Sukru Boydak

Bellona Marketing Manager, Bulent Alıcı

Birlik Mensucat General Manager, Ali Riza Hasoglu

Katartaş Group, İbrahim Katartaş

Emin Çelik Kapı General Manager, Emin Sarptaş

Kınaş İnşaat, Hamdi Kınaş

Kınaş Çelik Kapı, Hakan Kinas

Gurpınar Otomotiv, Hamdi Gurpınar,

Hok Kilit, Abdullah Kucukkatırcı

Mimatas Tekstil, İbrahim Katartas

Karamancı Holding, Demir Karamancı Orta Anadolu Mensucat

Arkopa Ashap Panel Ltd., Haluk Kılıçer

Ezinç Metal İbrahim Ezinç ve Ali Ezinç  
Kumtel İletisim Aletleri, Osman Köseođlu  
Canitez Çanta Ltd., Cahit Canitez  
Kayseri GESIAD President, Mehmet Filiz  
Kibar Holding, Asım Kibar  
Boydak Holding, Hacı Boydak,  
Mayor Melikgazi Municipiality, Memduh Buyukkılıç.

APPENDIX B.

PROVINCIAL DATA ON PRIVATE MANUFACTURING INDUSTRY

YEARS	PROVINCES	NUMBER OF FIRMS	ANNUAL AVERAGE NUMBER OF EMPLOYMENT	ANNUAL AVERAGE NUMBER OF WAGED LABOR	ANNUAL AVERAGE NUMBER OF WAGED LABOR	ANNUAL PAYMENTS TO WAGED LABOR	TOTAL WORKING HOURS	STOCK CHANGES	INPUT	OUTPUT	VALUE : MILLION TL	VALUE ADDED
1980	DENİZLİ	116	6195	6062	1035	10214590	1309	10004	14293	4294		
1980	GAZİANTEP	135	5932	5650	858	14434200	762	6026	8109	2083		
1980	K.MARAS	17	709	679	83	978560	132	819	1094	273		
1980	KAYSERİ	97	10337	10205	2602	16523912	2238	10151	19529	9375		
1980	KONYA	138	4873	4664	724	8995760	1058	8989	11927	2930		
1980	MALATYA	16	741	720	106	1208492	75	875	1184	310		
1980	AT-SUM	519	28787	27980	5408	52355514	5574	36864	56136	19265		
1981	DENİZLİ	122	6384	6249	1403	9960526	1257	16187	22445	6262		
1981	GAZİANTEP	134	7747	7479	1908	13551064	303	11846	15131	3287		
1981	K.MARAS	16	750	744	116	939328	127	1459	2047	587		
1981	KAYSERİ	100	10440	10297	3758	16579160	2572	16609	26314	9710		
1981	KONYA	135	4975	4787	1427	8454208	830	12788	17507	4718		
1981	MALATYA	16	1053	1036	212	1570483	160	1367	2003	635		
1981	AT-S	523	31349	30592	8824	51054769	5249	60256	85447	25199		
1982	DENİZLİ	121	6916	6749	1707	11694596	431	23304	30694	7386		
1982	GAZİANTEP	138	7723	7418	1989	12161092	390	16749	22293	5545		
1982	K.MARAS	17	700	674	182	1074656	197	2436	2915	476		

1982	KAYSERİ	103	10187	10038	4907	17798667	1999	25281	38765	13487
1982	KONYA	144	5516	5309	1548	9520910	1396	20786	27782	6997
1982	MALATYA	18	883	877	300	1311333	288	1901	2591	689
1982	AT-S	541	31925	31065	10633	53561254	4701	90457	125040	34580
1983	DENİZLİ	113	7476	7299	2730	14457100	2167	32102	43276	11170
1983	GAZIANTEP	144	7397	7065	2692	14040032	5985	24372	32690	8321
1983	K.MARAŞ	15	651	634	239	1098484	539	3439	4184	742
1983	KAYSERİ	102	9599	9442	4811	18093872	4287	40746	57260	16511
1983	KONYA	138	7245	6437	2866	12466580	2245	34463	46648	12183
1983	MALATYA	17	1134	1125	478	1485128	335	2950	3920	968
1983	AT-S	529	33502	32002	13816	61641196	15558	138072	187978	49895
1984	DENİZLİ	111	8216	8067	4367	16287529	4578	55443	78237	22788
1984	GAZIANTEP	127	7534	7281	3801	14494456	3246	41069	58694	17619
1984	K.MARAŞ	13	625	611	321	1182840	-1	4497	6068	1568
1984	KAYSERİ	101	11345	11216	8234	20289159	5978	70654	97693	27032
1984	KONYA	133	8244	8091	5414	15354224	3235	71875	105746	33872
1984	MALATYA	16	1289	1281	718	2781214	66	6436	8561	2124
1984	AT-S	501	37253	36547	22855	70389422	17102	249974	354999	105003
1985	DENİZLİ	114	8583	8422	6238	17318875	4644	80762	109664	28896
1985	GAZIANTEP	193	9407	9060	6215	19620252	12449	85316	112096	26781
1985	K.MARAŞ	35	950	908	559	2077576	397	8149	10397	2244
1985	KAYSERİ	128	11736	11578	11482	22319378	10893	102116	148351	46234
1985	KONYA	214	9778	9473	7633	16547278	9475	122051	152646	30597
1985	MALATYA	21	1355	1336	1163	2721092	210	9715	13722	4005
1985	AT-S	705	41809	40777	33290	80604451	38068	408109	546876	138757
1986	DENİZLİ	110	9110	9017	9483	18679461	8220	141396	201879	60492
1986	GAZIANTEP	160	9472	9193	8437	19551386	11916	114409	156565	42157

1986	K.MARAS	28	917	877	978	2016456	579	14117	18783	4661
1986	KAYSERİ	109	12214	12105	17464	23552464	9047	133278	173064	39782
1986	KONYA	186	9960	9700	10683	18764337	6509	156168	211860	55699
1986	MALATYA	22	1524	1503	1653	3130508	1431	12219	17755	5536
1986	AT-S	615	43197	42395	48698	85694612	37702	571587	779906	208327
1987	DENİZLİ	99	8861	8788	13547	18466898	10288	226671	313171	86504
1987	GAZİANTEP	137	11745	11546	15354	25700536	34704	263510	375783	112266
1987	K.MARAS	24	868	837	1345	1737840	1200	18491	24251	5759
1987	KAYSERİ	99	12744	12648	22754	24382406	25244	223551	319173	95622
1987	KONYA	169	9228	8988	15084	16493872	18302	242270	339455	97190
1987	MALATYA	18	1363	1343	2432	2886676	5216	21598	27358	5758
1987	AT-S	546	44809	44150	70516	89668228	94954	996091	1399191	403099
1988	DENİZLİ	117	10487	10380	28053	21910155	41447	429920	604080	174162
1988	GAZİANTEP	138	12605	12384	27265	27894138	13071	442971	607579	164607
1988	K.MARAS	28	1832	1800	4087	4091116	5872	61318	86520	25202
1988	KAYSERİ	97	13554	13459	38574	26663251	47434	396497	593894	197402
1988	KONYA	160	9711	9510	25801	17430990	59704	423022	601353	178340
1988	MALATYA	16	1378	1367	3717	2754798	610	34903	48238	13336
1988	AT-S	556	49567	48900	127497	100744448	168138	1788631	2541664	753049
1989	DENİZLİ	104	10124	10038	50282	20767016	63732	813150	1062408	249260
1989	GAZİANTEP	127	12703	12549	47225	28116457	111305	910197	1153193	242985
1989	K.MARAS	32	2056	2034	8932	4529775	11914	142430	197120	54690
1989	KAYSERİ	94	13128	13038	74389	25870873	95859	663669	1006222	342545
1989	KONYA	152	8015	7820	48026	13768098	69013	620458	866208	245741
1989	MALATYA	17	1469	1456	8032	2916400	-179	53738	76121	22383
1989	AT-S	526	47495	46935	236886	95968619	351644	3203642	4361272	1157604
1990	DENİZLİ	94	10048	9999	96407	20141895	94618	1111958	1545589	433628



1990	GAZIANTEP	113	11936	11812	95443	26642346	84270	943349	1300927	357569
1990	K.MARAŞ	38	2420	2395	21055	5195780	19358	256745	359774	103037
1990	KAYSERİ	103	14826	14771	158698	29434796	150029	1063932	1740609	676665
1990	KONYA	135	7286	7156	86844	12788720	148758	874567	1219957	345385
1990	MALATYA	15	1461	1449	16261	3605848	18359	98075	142088	44015
1990	AT-S	498	47977	47582	474708	97809385	515392	4348626	6308944	1960299
1991	DENİZLİ	81	8955	8919	163554	17832155	174982	1749104	2487702	738598
1991	GAZIANTEP	99	9190	9121	133211	18701107	143571	1409084	2011803	602717
1991	K.MARAŞ	34	2627	2617	35110	5385024	26696	441485	666701	225220
1991	KAYSERİ	98	14357	14307	378735	28822260	302092	1836133	3073615	1237483
1991	KONYA	133	7768	7654	183363	13414856	331792	1437503	2210942	773443
1991	MALATYA	14	1553	1546	32826	2981392	24670	165001	259421	94421
1991	AT-S	459	44450	44164	926799	87136794	1003803	7038310	10710184	3671882
1992	DENİZLİ	163	12260	12141	308396					1665577
1992	GAZIANTEP	190	12972	12809	267646					1392205
1992	K.MARAŞ	146	14401	14302	446258					1796072
1992	KAYSERİ	185	8222	8057	497847					1426446
1992	KONYA	28	1750	1737	55410					180879
1992	MALATYA	54	3310	3273	66972					439990
1992	AT-S	766	52915	52319	1642529					6901169
1993	DENİZLİ	165	13127	13032	567227					3502324
1993	GAZIANTEP	180	14072	13914	544663					2219791
1993	K.MARAŞ	135	14375	14304	1036778					3977832
1993	KAYSERİ	168	8117	8011	519125					2483540
1993	KONYA	21	1639	1636	91617					312238
1993	MALATYA	43	3711	3689	141581					784114
1993	AT-S	712	55041	54586	2900991					13279839



1998	DENİZLİ	21	656	632	482415						4915359
1998	GAZİANTEP	186	24320	24286	26382460						161959540
1998	K.MARAS	265	13136	13073	14055815						78508811
1998	KAYSERİ	50	5153	5149	3827692						8791637
1998	KONYA	214	21825	21770	38726356						208279547
1998	MALATYA	99	4871	4835	4474582						25985837
1998	AT-S	835	69961	69745	87949320						488440731
1999	DENİZLİ	18	790	775	1462974						6853239
1999	GAZİANTEP	177	23359	23323	45313965						227956249
1999	K.MARAS	262	12818	12771	29903447						126872315
1999	KAYSERİ	49	4859	4856	7107852						210866666
1999	KONYA	195	22051	22001	64046016						333198641
1999	MALATYA	89	4369	4348	6980808						39762458
1999	AT-S	790	68246	68074	154815062						755729568
2000	DENİZLİ	19	860	858	2612904						20434643
2000	GAZİANTEP	176	24464	24437	68474279						366678751
2000	K.MARAS	255	12946	12917	45959309						185465686
2000	KAYSERİ	44	5260	5256	10187171						4011033
2000	KONYA	191	21938	21866	98812420						482804143
2000	MALATYA	87	4175	4151	10465135						63233154
2000	AT-S	772	69643	69485	236511218						1122627410
2001	DENİZLİ	18	706	700	4098699						18753551
2001	GAZİANTEP	173	23320	23306	99662227						562178390
2001	K.MARAS	244	12147	12132	45974228						234465364
2001	KAYSERİ	39	5157	5154	12885491						77906629
2001	KONYA	178	22086	22064	123151402						976553210
2001	MALATYA	79	3658	3624	12441009						64660810



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