

The rising economic star of the Aegean region:

Denizli

Gül Berna Özcan

Within the past two decades Denizli has become an industrial centre and an example of the rapidly developing urban economy in Turkey. Its economic growth has been faster than its counterparts in the Aegean and other regions of Turkey. In the city, a large number of industrial and service activities ranging from leather, iron works and tourism mobilize local resources in mainly small and medium-sized businesses. However, Denizli's economy thrives on the textile, weaving and clothing industries and their subcontracting companies which range from independent machinery repairers to giant factories.

The whole city works like a giant textile machine. Various forms of cloth and weaving production are performed by thousands of small units, including households with the participation of family members and relatives. The men, women and even children of Denizli fit towels, cloths and garments for people whom they

have little idea about in European and American markets. This type of production is based on flexible contracts, organized through large factories or intermediate merchants, and is widespread in the residential neighbourhoods of the city as well as in its villages.

Many attribute this character of the city to flexible specialization and post-Fordism. I disagree with these arguments and will elaborate on this further. Three factors make the Denizli experience interesting and surprisingly successful compared to other Turkish cities of similar size. First, the early experience of a market economy and textile production facilitate continuity and diffusion of the manufacturing techniques. Second, it has a prosperous and well developed rural hinterland which successfully interacts with the urban economy and businesses. Third, the entrepreneurs of Denizli have succeeded in integrating with world trade via Izmir and Istanbul. It is also

important to point out the significance of indigenous capital and successful local entrepreneurship in utilizing the opportunities and resources of Denizli.

The city economy

Denizli is an inland province of the Aegean region, one of the most developed regions in the country. The province's population was three quarters of a million in 1990. Population increase has been relatively stable and it continues to grow fast, although more than half of the population lives in fertile rural areas. At the end of the 19th century Denizli was already an important trade and agricultural centre with almost a quarter of a million inhabitants. According to the latest figures of the State Planning Organization (1994), Denizli's share in the distribution of the gross national product of Turkey was 1.2% in 1994 (at 1987 prices). This share is small, comparable to other

successful medium-sized cities such as Kayseri (1.1%) and Gaziantep (1.6%). Although the per capita gross domestic product of Denizli (US\$1, 951) is slightly higher than Kayseri and Gaziantep, it is still close to the national average. These figures are not encouragingly high and do not reflect the growth potential of successful middle-sized cities.

Denizli has a wide range of businesses integrated into the Istanbul and Izmir markets as well as the national market. Apart from textiles, the main crafts are iron and metal work, food processing, plastics, wooden furniture and tanning workshops. A new business site has been established recently for tanning, one of the oldest crafts in the city. The iron rolling mills are not only crucial for manufacturing industry in Denizli but they have also made a market niche in Izmir and other cities in the Aegean region.

The city has large companies whose names are well respected in the country as well as abroad. For example, Emsan, which began the production of metal kitchen utensils in 1973, is now one of the most successful names in the steel kitchen utensils market in Turkey. It also markets its products in international markets. Similarly, Ozanteks, Tümteks, Dirlik Textile are among the largest firms nationally in textiles and clothing. There are also technologically competitive textile machinery producers such as Küçük Makina Sanayi.

Despite the presence of large firms, the city economy is still dominated

by small businesses in the manufacturing, commerce and service sectors. In 1992, the number of small manufacturers employing fewer than



9 workers was 4,849. Most of these firms employed only 2 or 3 persons. The number of establishments in the service sector was 1,648. More than 60% of these firms employed only one person. Depending on business expansions in the market, these firms also employ unregistered temporary workers as well as family members. However, these family dominated small firms are too small to have a transformative impact in the local economy.

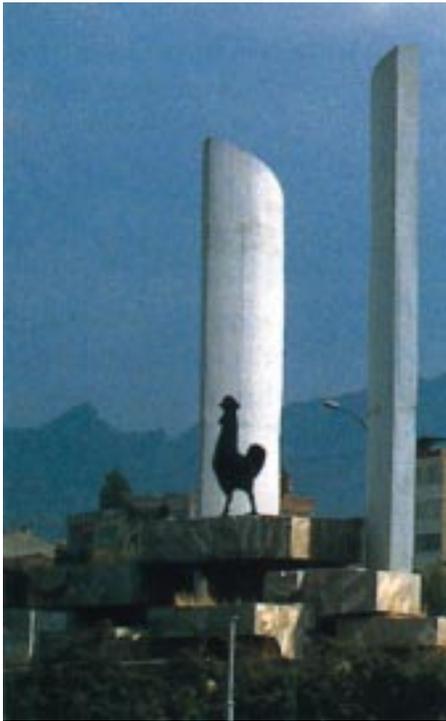
Denizli is also lucky to have a diverse economy. Apart from industrial and service firms, it also has a fertile agricultural hinterland, and rich historical and natural resources. The character of farming and rural prosperity has a strong effect on the city economy. Most of the cultivated land is owned and worked by the farmers themselves, tenant farming is rare. Mechanization in agriculture began earlier in Denizli than other towns. Therefore, the average income per farm and the average productivity in farming generally are

higher than the national average. Farmers are prosperous and consequently social and physical services are good in rural areas.

Although the region sent migrant workers to western Europe especially in the late 1960s and the 1970s, the agricultural sector holds the rural population in villages and townships. Today, farms attract migrant workers from other towns in Turkey, especially during the cotton harvest.

There are some important indicators of the growing integration of local markets

into the global economy. The economic reports of the chambers of industry and commerce point to an increasing rate of exports from Denizli to the Middle East and western Europe since the 1980s. However, the largest share of local exports belongs to a small group of large firms. Small businesses appear to be weakly integrated into this process. The single largest export item from the city is bath towels followed by copper wire, clothing and processed agricultural products. International tourism has been developing fast in recent years and the city is visited by more than one million tourists every year. Its location along the popular tourist routes of Izmir, Antalya and Cappadocia increases Denizli's potential to attract a larger number of tourists. This potential encourages service investments in the town, as well as creating business opportunities for other sectors such as construction.



The city as textile factory

Textile production covers Denizli like a net. Small and large businesses as well as households are involved in this industry. There is also an opening to the international market through local merchants. Some analysts categorize this as flexible production. However, the term is misleading. First of all this type of flexible production is not a new phenomenon. It comes from the nature of this industry. Although its scale is much bigger, productivity per machine is larger, and market relations are more complex than traditional textile production, this type of manufacturing still relies on the traditional structure of the society and mainly uses traditional machinery. Therefore, it might be more appropriate to call it “community production” or “communal production”.

Families are often parts of the flexible textile production process

Families are often parts of the flexible textile production process through their community bonds and social networks.

through their community bonds and social networks. In-laws, women, men, and even children are all involved in this process, and at times whole neighbourhoods act as textile production lines. Their control over machinery, capital, and products vary according to the communal relations and social associations. Geographical proximity brings external advantages. This is the easiest industry to diffuse to homes and rural communities. But Denizli and its surrounding villages have historical advantages as well. There is an historical continuity with the accumulated experience in the production of textiles and rural prosperity.

First among these advantages is the early experience of a market economy and textile production that underscore continuity and facilitate the diffusion of manufacturing techniques. For almost one thousand years, Denizli has been a weaving centre. During the Ottoman period Denizli and its main townships (Sarayköy, Buldan and Çal) were important cloth weaving centres. Sarayköy had cotton seed pressing, and Çal produced carpets. Almost all textiles were produced by hand until the 1950s. In 1953 the Sümerbank Clothing Factory was established with new technology and became an immediate stimulant to the local industry. By the 1960s the sector had reached the point where growth continued without any state investment. State incentives given to

large investors in priority development areas helped Denizli to acquire some big investments in the early 1970s. As with Kayseri and some other medium-sized cities many joint venture investments were made in manufacturing by Turkish migrants abroad. Only a few of these survived.

The villages of Denizli are integrated into the province’s textile production processes today and many households perform putting-out production alongside their agricultural engagements. The industry today employs, in total, around 50-60,000 people in the province. The state operated Sümerbank factory has pioneered many small weaving producers in the town. Starting from the 1970s the number of electric motors in weaving gradually increased and became affordable for small producers as many second hand machines were available in the market.

The second element is the history of capitalist agricultural production and the character of land ownership in rural areas. Former caravan roads were replaced by the railroad to the port of İzmir at the end of the 19th century. The İzmir-Aydın railway, built by English investors, opened new markets and introduced capitalist farming in Denizli and its villages. Agricultural products were shipped by rail to İzmir and then to foreign markets. This, in turn, increased rural pros-

perity and fostered capital accumulation in the region.

The agriculturally favorable climate and high productivity helped to generate capital for urban development as well as non-agricultural businesses. Unlike in Gaziantep, for example, rural-urban interaction has been closer and social and cultural gaps smaller. This, in turn, facilitated business and capital flow in both directions. Villages maintained their traditional production to a certain extent but more importantly they succeeded in retaining their business culture and successfully interacted with the urban economy and businesses. This prompted the integration of villages like Sarayköy and Buldan into the

business partners.

Although it has many elements of flexible production and networking, this system is not based on high-technology. Computer controlled, sophisticated machinery are not yet being widely used in Denizli. Business management is not sophisticated and the labour force has poor qualifications and is largely semi-skilled. Today, the high technology of textile production is available only in large factories. Most of the small and medium-sized companies use second hand machinery from former communist regime countries (former east Germany, the Czech Republic etc.). The presence of numerous textile machinery repairers and parts producers is also an indication of the

is very different from and inferior to other examples of flexible specialization such as in Silicon Valley in the USA or Bologna in Italy. Denizli is primarily an example of the extension of diffused industrialization and of an economy only semi-integrated into the global markets.

Prospects

Denizli has become the focus of attention for policy makers as well as scholars in recent years. Many try to understand the “Denizli miracle.” Some have been quick to label the nature of the weaving industry in the town as a new form of capital accumulation, “flexible specialization” or “post-Fordism”. Turkey’s competitive advantage

Denizli is primarily an example of the extension of diffused industrialization and of an economy that is so far only semi-integrated into the global markets.

wider network of textile production.

Third, entrepreneurs of Denizli have been successful in integrating into the global market via İzmir and İstanbul. Denizli manufacturers have increased their textile exports to the EC and the USA in recent years. The city is also replacing Bursa in the national market for cotton goods as Bursa moves toward specialized silk production. There has been a diffusion of technology and the use of modern machinery in the local market from big producers and dealers towards household producers. The division of labour still requires women and children to perform shaping and finishing tasks and detailed labour-intensive jobs while men tend weaving machines and deal with outside markets and

prevalence of old machinery in the industry. Product designs and quality can not be developed by these small units in a networking fashion. They simply engage in putting-out production according to specifications given by major domestic and international dealers.

In this respect the Denizli textile producers are semi-integrated into international markets. Turkish textile producers serve the needs of advanced economies with cheap products. The current comparative advantages of Denizli do allow it to compete in international markets. However, this does not guarantee long-term business development and innovation, as relative advantages might shift elsewhere geographically. In these ways, production in Denizli

vis-a-vis other semi-peripheral countries in textiles might lead to a much deeper transformation. But we can not isolate this city from other cities and the general economic and structural problems of the country. In other words, we can not imagine that Denizli has skipped from semi-industrial to almost “post-Fordist” production.

I argue that Denizli does not exemplify a model of economic miracles. Neither is it a good example for the post-Fordist debate. First, there has been continuity in its growth, which is obviously incremental and modernist much more than a miracle of high-tech post-modern development. Second, its economic achievements parallel specific local conditions as well as

communal entrepreneurial thresholds. Each new business contributes to the entrepreneurial pool and it attracts or dispatches other new businesses.

Moreover, my research indicates that the spatial differences among small and medium-sized businesses, which dominate the economies of medium-sized cities, are not as large as expected. In the absence of large national and multinational companies in local markets, local economies are dominated by indigenous firms. Among them, small firms form a large section. Local economies are dominated by similar general constraints of the highly centralized structure of institutional and financial authority in Turkey. So far, attempts towards the decentralization of power have been very weak. In this structure, businesses and communities are affected by policies, investments and bottlenecks at the national level. Turkish small and medium-sized enterprises as a whole in medium-sized cities share similar structural bottlenecks such as low capital investment, old technology and managerial insufficiency.

As I pointed out in my previous *Private View* articles, medium-sized cities are the real life blood of the Turkish economy, and national statistics do not reflect the growth potential of successful cities. All economic indicators show that these cities still fall under the shadow of İstanbul. The İstanbul megalopolis is still a giant although growth is significant in diverse regional

metropolitan centres such as Mersin, Konya, and Adana. In addition, local developments and economic growth are strongly influenced by the macro-economic, financial and structural



problems of the country. Capital does not circulate much among and within provinces and remains in the hands of a few large companies and medium-sized businesses. In consequence, despite the increasing number of local firms and foreign links, economic and social development and capital do not trickle down to the whole city and its rural areas. It rather remains in the hands of the largest local businesses and enterprising families.

Throughout Turkey there is evidence of a strong association between entrepreneurial characteristics, such as family backgrounds, and urban growth. Migration from rural areas has been a source of cheap labour as well as entrepreneurship. Denizli and Gaziantep present contrasting cases in this respect. Denizli has a large group of entrepreneurs who were born in the villages and townships of the province while entrepreneurs in Gaziantep largely come from the urban classes. This shows that small business development and local

market opportunities for migrants vary between cities. Early comers fill available business opportunities and follow the market expansion as they develop their business and social networks. Similarly, urban classes hold opportunities in the local market in the case of Gaziantep and Kayseri.

The case of Denizli once again demonstrates the importance of medium-sized cities for balanced regional development. Medium-sized cities mainly rely on indigenous capital and the entrepreneurship of small and medium-sized businesses.

This is a very important asset in Turkey because national private capital does not move around much. Foreign investment is concentrated in a few centres and there is no effective planning and coordination for regional development.

Turkey is now at the crossroads of marginalization or integration. İstanbul has been dominating business innovation and outside links but it is no longer capable of diffusing economic and social benefits and it is soon going to reach stagnation. To be integrated into competitive world markets requires better education, infrastructure and organization. Thus, it is crucial to share the fruits of wealth at the local level with better schools, physical infrastructure, health and social services. Business groups as well as local governments must share responsibility in exploiting this tremendous potential for fostering growth.

Gül Berna Özcan
Economist