



A city in search of its historical glory:

# Gaziantep

Gül Berna Özcan

Why does everybody regard Gaziantep entrepreneurs as cunning? Why is Gaziantep a possible model for the economic and social development of southeastern Anatolia? These questions are engendered by an important trend in Turkey. In recent years, an increasing number of medium-sized towns have been showing rapid economic development and population increase. Gaziantep, together with towns like Denizli, Kayseri, Konya, and Manisa, is probably the best example of this trend. These second rank cities, following large metropolitan towns, are the engines of growth in their region. While the regional and rural-urban disparities remain, this growth shows that the major social and economic restructuring of Turkey will be achieved through diffused industrialization. The social, cultural and political implications of this process are also crucial and deserve particular attention.

How can we explain Gaziantep's economic success and what about its weaknesses? The well-known and admired economic success of Gazi-

antep is entirely based on indigenous entrepreneurship, local solidarity and pride, and small and medium-sized businesses. Small and medium-sized cities and medium-sized firms provide the key to reduce regional disparities, to control rapid migration, and to integrate into the European economy. But they also have serious weaknesses which may undermine their achievements in the long term.

There are especially large economic risks for Turkish cities and businesses in the Customs Union. The main challenges are technology and manpower. We live under the threat of catastrophic marginalization of the Turkish small and medium-sized enterprises [SMEs] and medium-sized towns in the process of integration and regional competition in the coming years. Competitive and innovative businesses of the advanced economies of western Europe might easily invade and dominate semi-peripheral regions like Gaziantep.

Consequently, both SMEs and medium-sized cities need a new ori-

entation for a prosperous future within Europe. The challenge of upgrading its technology and human resources for competition will determine the place of Gaziantep's economy and social life in an integrated Europe open to global competition. If Gaziantep does not succeed, it will simply become a lost peripheral region of a more diversified and competitive world of trade. The alternative path is a more integrated and competitive role that the local economy will play in European and Middle Eastern markets.

## Gaziantep's economic history

Gaziantep's economic development has been based upon local resources and craftsmanship traditions rather than direct government investments and incentives. At the end of the 19th century Gaziantep had a large population of 81,040 and diversified economic activities. According to the Ottoman census classification, 65,398 were Muslims and the rest were Armenian (11,610), Jewish and Coptic. As part of the Aleppo Province, Gaziantep

(Ayıntab as it was called then) was an important centre on trade routes. Its economy was based on strong agriculture, commerce and manufacturing. Vineyards and pistachio plantations were two sources of especially valuable agricultural pro-

duce a small-scale industrial centre of the Southeast in the repair and small scale production of vehicle and agricultural machinery parts.

Commercial activities have historically been very important for the city economy. In the 1960s and 1970s a

city was more economically active than its neighbouring provinces. This creates a market superiority over its hinterland as many backward towns and villages are dependent upon outside sources of goods and services. The economic hinterland of Gaziantep includes parts of

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ducts. Tanning, cotton and silk weaving, alcoholic beverages and soap were the main manufacturing activities. There were almost four thousand looms in the city by the end of the 19th century. As the multi-religious and ethnic structure of the Ottoman Empire gave way to nation states, minorities left Gaziantep. This caused a shortage of skilled people and led to an economic decline in the city during the early years of the Republic.

The city's economy greatly benefited from state incentives for industry before the second world war. The weaving industry developed in the 1930s and processing of agricultural products in the 1940s. During the 1950s and 1960s, Gaziantep did not get direct state investment, except for a cement factory that started production in 1961. However, small and large private sector firms began to grow in this period. The construction of the Birecik Bridge in 1956, which connected the city with Urfa and reduced transportation costs, opened the eastern and middle Anatolian markets. Motor vehicles and mechanized agriculture increased the need for machinery parts production and repairing. In the following decades, Gaziantep beca-

me a small-scale industrial centre of the Southeast in the repair and small scale production of vehicle and agricultural machinery parts. Commercial activities have historically been very important for the city economy. In the 1960s and 1970s a

**Sectoral development and trade**

Based on its share of business establishments in the national total, Gaziantep's economy is amongst the leading provinces in Turkey. The top five cities are İstanbul with 20.3% of businesses, İzmir (7.0%), Ankara (6.7%), Bursa (3.9%), and Adana (3.6%). They are followed by the second rank cities: Konya (3.0%), İçel (2.7%), Gaziantep (2.6%), Manisa (2.2%), Kayseri (1.6%) and Denizli (1.5%). Although this distribution indicates the emergence of new economic centres in the country, it also shows the prevailing disparities among regions and cities. Over the past ten years, for instance, İstanbul increased its share in the number of business establishments and in Turkey's gross domestic product at the expense of rural areas and small towns.

Gaziantep has a better developed small firms sector and economic acti-

city was more economically active than its neighbouring provinces. This creates a market superiority over its hinterland as many backward towns and villages are dependent upon outside sources of goods and services. The economic hinterland of Gaziantep includes parts of

the neighbouring provinces and it reaches the markets of the 13 eastern provinces. The province of Gaziantep is considered the "pole of growth" of the Southeastern Anatolia Project (Güneydoğu Anadolu Projesi-GAP), since it contributes 40% of total manufacturing in this region. There are over 27,700 small firms in the city employing 60-80,000 people, including unregistered workers. This is a much higher figure than that of larger companies in the province. Therefore, employment creation by the small firms is crucial for the local economy.

These firms also create income for family members and relatives in the social network. The data presented in Table 1 show that most firms are concentrated in the retail and wholesale trade (60.3%) and manufacturing (21.1%). One of the biggest problems for these businesses is the limited capacity for growth, since firms are very small (1-9 employees). They often rely on unpaid family employment and unskilled rural migrants. Especially in manufacturing, the number of small establishments is remarkably high. This is caused more by the continuation of artisanal traditions than by the presence of lean, innovative businesses. These



firms employ child and teenage male labor who are obviously unskilled and often not registered with the social security institutions.

#### **Indigeneous entrepreneurship**

Entrepreneurship is a search for opportunities and wealth in order to utilize capital and/or skill in the local market and it is not linked to unemployment or redundancy. According to my survey results, there are different motives behind the entrepreneur's decision to start up a business in Gaziantep. The most common motives are family influence (24.1%),

All small firms need a certain amount of start-up capital and/or previous involvement and local contacts in order to survive. There are two important influences for entrepreneurs in this context. First, family and friends are crucial to maintain a business tradition. They provide financial support, cheap or free family labour, business experience and a good social environment for the entrepreneur. Second, the cultural experience of business involvement as an apprentice is very important. This serves as a force of socialization of young males into skills and econo-

the success of Gaziantep is the strong sense of local identity among small and large businessmen. Therefore, growing businesses remain in the city rather than moving elsewhere. This sets Gaziantep's business culture apart from that of similar towns. Today some of these large firms are not just influential in their region but also control the Turkish market.

**Gaziantep seeks to become the economic center of the Southeast Anatolia Project (GAP)**

The entrepreneurs' expectations of and initial inspirations for their business are based on concerns about their own and their families' wealth

and living standards. The respectability of a profitable business is also an aspiration in the community where families know each other and reputations are important.

#### **Small and medium-sized businesses**

The average number of workers employed by Gaziantep's SMEs varies from sector to sector. It is highest in food, textile, leather, wood, paper, metal and non-metal products and lowest in basic metal and chemical product industries. Small firms

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previous work experience (19%) and a search for independence and profit seeking (18%). These are followed by the desire for personal satisfaction and enjoyment, easy and comfortable daily routine (particularly in commercial sectors) and a less competitive atmosphere.

mic activities.

As the firm grows and expands the business dynamics and support networks change. But one characteristic still remains important. That is the involvement and help of family and friends in the home town. Perhaps the most important factor for

concentrate in the traditional sectors. Technological improvements and industrial research and development are quite poor in most industries.

The size of small businesses in different sectors is closely related to the size of the local and regional markets. For example, the construction



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processing and packaging, textiles, and cottage industries in medium-sized towns have particularly benefited from this indigenous production.

These characteristics are similar to countries in Southern Europe such as Portugal, Spain, and Greece. Small businesses in these countries typically imitate new products and business practices. This practice di-

minishes profit levels and leads to increasing competition as the number of small firms in a particular trade or production area increases and satu-

sector developed along with urbanization and increasing family income. Similarly, food processing and textile industries flourished due to regional demand in southeastern Turkey as well as in the Middle East. Gaziantep's trade links with the Middle East are especially strong as 76.3% its exports go to Middle Eastern countries. This is followed by African (9.2%) and Asian countries (5.4%).

### **Bottlenecks for local business**

In flexible specialization, small firms reach economies of scale through networking by taking advantage of a wide range of choices for supplies or services. The stable business contracts and sub-contracting relations help small businesses to develop their skills and products. Small firms gain control of production, design and marketing through specialization and modern technologies. Large companies also benefit from this process as they externalize risks. However, small and large firms in Gaziantep and in Turkey as a whole have quasi-

networks with weak cooperation and temporary business relations.

There are three main problems with small firm growth. First, imitation rather than innovation shapes business practices. Second, lack of trust among business people and limited strategic vision create short-sighted relations. Third, instability in the national economy adversely affects business prospects. These impede long term stable business relations, economic growth and technological investments.

### **Imitation versus Innovation**

Most Gaziantep firms do not innovate but diffuse and alter technology through widespread imitation. Certainly, there is a possibility to move from imitation to innovation in these firms, but present practices show that this is unlikely. Gaziantep firms play an important role in introducing and digesting new product or business techniques into the local markets and they spread into other small and medium-sized firms. Food

rates the market.

Yet, imitation in manufacturing is crucial for the artisanal development of entrepreneurs. Entrepreneurs who were ex-employees and apprentices develop their skills and knowledge of machines through repairing and imitation. The problem for these small machinery manufacturers is the widening gap between the capabilities of what they produce and the best new designs.

### **Trust and Vision**

Small firms in Gaziantep are very vulnerable to macro economic changes and government policies. Most such firms have complex trade relations with big and small businesses. This makes them susceptible to any fluctuations in the business environment including bottlenecks in their supply lines. These vulnerabilities mean that personal and business trust between entrepreneurs is crucial for deals and agreements. However, neither partnerships nor business relations last long, due to

### Industry and business establishments between 1985 and 1992 in Gaziantep

	Number of establishments			Annual Ave. Persons Engaged		
	1985	1992	(%)	1985	1992	(%)
<b>Manufacturing</b>	5435	5852	(21.1)	16074	18183	(29.7)
<b>Electricity, gas, water</b>	-	19	-	1647		
<b>Construction</b>	117	198	918	1101		
<b>Wholesale &amp; retail trade</b>	12135	16708	(60.3)	22476	30309	(49.6)
<b>Transport/commun.</b>	176	232	590	709		
<b>Financial institutions</b>	460	722	832	1252		
<b>Social, personal services</b>	3025	3986	(14.4)	6965	7946	(13.0)
<b>Total</b>	<b>21,348</b>	<b>27,717</b>	<b>47,855</b>	<b>61,147</b>		
<b>Turkey share (%)</b>	<b>2.4</b>	<b>2.6</b>	<b>2.2</b>	<b>2.2</b>		

Source: General Census of Industry and Business Establishments 1992, State Institute of Statistics, Ankara.

mutual mistrust and corruption in the local economy. Even among family members and relatives, managerial difficulties and profit distribution cause serious disputes and even lead to a break up in relations. Fake bonuses and cheques and unexpected business failures affect local firms in an economic sense but further diminish trust and confidence among businessmen. This in turn reduces the chances of network relations and partnerships among firms.

Another barrier to growth is related to the attitudes of the entrepreneurs. Many entrepreneurs learn the business in practice but lack managerial skills and education. Small business owners and families want to keep control of the key decision-making and financial aspects of the business. Therefore, they do not want to expand the business. There is also some evidence that businessmen do not always make investments to improve the current business and they hesitate to hire qualified engineers, accountants and marketing agents. There are speculative investments

and conspicuous consumption by the entrepreneurs and their families. Small businessmen are stimulated by a wealth seeking impulse, and not by investment in innovative and growing business. Generally, entrepreneurs in all sectors want to secure their capital and seek more profitable areas by diversifying their activities.

#### Prospects

Rapidly changing government policies, inefficient bureaucracy and high inflation rates adversely effect the business environment in Gaziantep. Survival is a day-to-day challenge for local businesses. Many entrepreneurs have little trust in government and state institutions, so they largely rely on their credibility in local markets. Financial burdens are backbreaking as interest rates are prohibitive. Since unpaid debt can ruin reputations entrepreneurs are reluctant to take big loans or commit resources to ambitious business projects.

Yet, so far Gaziantep has been successful in organizing itself for its

economic development. Businessmen are willing to invest and are actively putting pressure on the central government to improve their business environment. To offset the debilitating impact of the economic embargo against Iraq, the city businesses have been looking for new markets. Chambers of Industry and Commerce demand that Gaziantep be considered the leading city in the GAP project. They lobby for a free trade zone, and want to develop better links with European markets. Gaziantep also seeks a new role in the Middle East, historically its economic lifeline.

The number of organized work sites in the city has been increasing in recent years. The Gaziantep Organized Industrial Zone was established in 1969 and experienced rapid growth. In 1995, 116 firms were operating there and employing around 20.000 workers. Another rather recent development is the aggregated business and trade centres in the city. GATEM (Gaziantep Industrial Center) incorporates 15



different business groups and over 1900 individual companies. YASEM (Construction Industry Center) is a project to host construction companies. Similar sites developed by medical doctors and other professionals are proliferating. This type of business aggregation helps the development of business standards and facilitates the use of information in the local market. It is also a sign of the organizing capacity of the city.

The future of local economies and communities lies in their capacity to



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organize themselves. In a more competitive world where the power and patronage of central governments are diminishing, cities and regions have to learn to act in their own interests and to catch up with technological and business changes. Turkey is no exception in this process and it is increasingly important to make the necessary changes for a more decentralized local governance structure and to support indigenous development in rural areas and towns in the country. This is not an easy process and there are no ready made recipes. Civic awareness about local matters and the organized participation of businesses are essential for future prosperity. Lack of new technologies, poor business services, weak business integration, macro economic problems, lack of managerial skills and qualified manpower, problems of business ethics are major bottle-necks. There are other problems as well that are largely related to fast urban growth, insufficient urban infrastructure, and environmental degradation.

Gaziantep has the opportunity as well as the potential to make this change. The city economy has to be diverted to the benefit of its citizens. The partnership for the future will focus on improving human resources, increasing business capacity and competence. But this process is strongly linked to the future opportunities and prospects for development nationwide.

First, how the economic policies, distribution of resources, power of local governments will evolve in the near future is a critical question for any local initiative in Turkey. Second, how the GAP project will help overcome economic backwardness and whether the clashes in the southeast will end soon remain crucial questions for stable growth in Gaziantep. Third, what kind of economic opportunities the Middle Eastern peace process and the Customs Union will bring to the region is also important for the international relations and trade links of the city.

The real lifeblood of the Turkish economy is not just the 20% which İstanbul represents. It is distributed among the small and medium-sized towns throughout the country. We can see that the problems and opportunities of Gaziantep and other second rank cities show the real direction and potential of the Turkish economy. The cities face a challenge. They will either be active members of the integrated European market or be marginalized. If these cities fail and do not realize their potential, they will be relegated to the lost periphery of Europe.

**Dr. Gül Berna Özcan**

Department of City and Regional Planning,  
Middle East Technical University