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Local economic development, decentralisation and consensus building in Turkey

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Abstract

This study explores the prospects of decentralisation and consensus building within the context of local economic development in Turkey. The broad theoretical concern of this research is the tension between the centre and periphery in the governance structure of Turkey. Over 80 interviews from three rapidly growing medium-sized cities, Denizli, Gaziantep and Kayseri, indicate that considerable decentralisation in recent decades has enabled municipalities and local groups to formulate and realise local projects. However, detailed case studies from Kayseri illustrate both the importance of kinship and social ties in forming alliances and identifying priorities in local politics. Charismatic individuals play a crucial role in initiating and driving local projects. The experience of Kayseri in local economic development through local initiatives demonstrates the current battles among different civic groups, numerous economic interests, and the national party agendas of political leaders.

The study concludes that decentralisation has to be considered together with enhancing participatory democracy in governance at the local and national levels in Turkey. This transformation can only be achieved with a strong and credible state. The importance of a strong and credible state is even greater in the absence of a supranational body like the European Union within which localities can co-operate and interact. Perhaps more importantly, in the wake of unpredictable distortions imposed on localities by the globalisation of economic and financial activities, localities need a safeguarding national and/or supra-national mechanism in governance as well as in policy design.

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CHAPTER 1

The context

This study explores the prospects of decentralisation and consensus building within the context of local economic development in Turkey. The broad theoretical concern of this research is about the relationship between the state and local communities and businesses as well as the tension between the centre and periphery in the governance structure of Turkey. Although we generally view Turkey within a broader context of Europe, we also see the unique characteristics of the country stemming from the dynamics of and interactions among its Ottoman heritage, Islam, democracy and modern industrialisation. Since we believe that any change in the centre–periphery relationship in Turkey can only be achieved with strong local abilities, political consensus and civic consciousness, the main emphasis of the research is the character of local capabilities, civic awareness and consensus building.

The text is organised in three broad sections exploring theoretical concepts, country specific characteristics, and empirical findings from three exemplary cities, Denizli, Gaziantep and Kayseri. This first part is devoted to the theoretical and conceptual background of the study. It introduces the background information about the research and its main framework, investigates the concepts of governance and democracy and describes the research objectives.

1.1. Introduction

Turkey needs a new governance structure and more decentralised management of municipal economies as a consequence of diffused industrialisation and the growth of small towns.¹ However, this process requires a full understanding of local capabilities and weaknesses as well as the formulation of new policies, institutions, and other support mechanisms not only locally but also nationally.

For the purposes of this study, it is crucial to understand decentralisation and local economic development. In Turkey's governance structure, local authorities retain a dual structure: the elected municipal governments headed by mayors and the appointed provincial administrations headed by governors. Therefore, within this text, I have used the term 'municipal' when I referred to city municipalities. In the theoretical section, however, I used local authorities and local governments as general terms.

We should view Turkey within a broader analytical context by making comparisons among different governance and market traditions in Europe. Turkey shares some characteristics of Western and Eastern Europe but also has its own peculiarities due the nature of its economic development, history of liberal democracy, and Islamic values. Not only geographically, but also in terms of the character of its state as well as its market structure, Turkey sits between Europe and Asia. In some ways, it resembles Eastern European

¹This research was initiated by a Robert S. McNamara fellowship from the World Bank and offered a unique opportunity to study institutions and leaders of local economic development (see also Özcan, 1995a).

countries with a long history of the strong state. However, in other ways, it shares some of the characteristics of Western Europe with its troubled but long experience of democracy, private capitalist development, and liberal economic and monetary policies since the 1980s.

Mainstream literature on local governments and governance has been growing rapidly since around 1980. However, there still remains a confusion of concepts which has brought about a tendency to make ill-judged projections of Western European experiences on other regions. The literature offers many stimulating ideas and interpretations but also limits our understanding of different experiences in countries outside Western European traditions, such as Turkey.

The governance and market decentralisation of Turkey after the mid-1980s is here exemplified by evidence from three medium-sized Anatolian cities, Denizli, Kayseri and Gaziantep. Since the 1970s, Turkey has no longer been primarily a rural society. Developments during the 1970s and since marked a new trend towards industrialisation and urban growth. From the management of school boards and professional associations to environmental pressure groups, Turkish society is organising and influencing its local governments. The rapid increase in the number of municipal administrations has been dramatic. In 1929, there were only 467 municipalities. This number rose to 546 in 1947, then to over 1700 in 1977 and reached 3215 in 1998.

According to the 1997 census results, 65% of the total population lives in urban areas. While the economy has opened up to the world market in the early 1980s and 1990s, there has been a rapid growth in exports, from \$13 billion in 1990 to \$27 billion in 1998 as well as industrial expansion fuelling growth in domestic consumption.² Behind these economic growth figures, there lies another dimension of social and political transformation in Turkey that has been emphasised by two forces which have fuelled decentralisation trends. The first one is the diffusion of industrialisation to provincial Anatolian towns and the rapid urban growth associated with the emergence of new metropolitan towns in addition to the older established cities of İzmir, İstanbul and Ankara. Secondly, city economies gradually transformed with small and medium-sized businesses (SMEs) integrated into regional and world markets. Modern capitalist establishments largely eliminated the craftsmen and artisans who dominated city economies and who had been the only indigenous businesses. This transformation process has resulted in the emergence of new urban classes which combine capitalist practices with strong rural and religious ties.

These economic developments, together with the social changes they brought, have shaped and differentiated the expectations of different social and business groups in small and medium-sized towns. The recent demands for democracy and economic development mark a new trend. Previously, the demand for decentralisation in local governments largely came from academia, intellectuals and mayors who were concerned with the rapidly growing cities of İstanbul, Ankara and İzmir. These early demands were not abstract, imaginative arguments for decentralisation in governance but rather limited to solving tangible problems of metropolitan municipal governments. However, what we see

²The State Statistics Office offers a detailed analysis of these trends. The index of industrial growth was 67.7 in 1990 and this reached 101.3 in 1998. As a result of this rate of increasing economic growth, Turkey has become the 17th largest economy in the world. See the web site at <http://www.die.gov.tr/ieyd/indeks/distic.html>.

after 1990 is a totally new demand to contain the state and decentralise, and to localise governance. Our findings in the three towns studied clearly demonstrate this new level of expectation. This study is concerned with whether these demands are realistic and whether they match the capabilities of political and civic institutions at the local level. We also assess the capabilities of other local institutions, political mechanisms and actors in designing and sustaining the institutions for the decentralisation of markets and governance.

This concern is not entirely alien to Turkish academic, business and political circles. On the contrary, there has been a debate on decentralisation in Turkey since the mid-1980s and it has since followed a path of ups and downs along with the emergence of governance problems of the large cities, the rise of political Islam, problems of urban infrastructure, and the disruptions caused by the Kurdish separatist movement in the Southeast. However, despite lengthy debates in the Turkish media, there are still a lack of rich academic literature on the subject and there is no agreed ground for policy action. This is partly caused by the lack of original research in this field. There are a few narrow but valuable studies by Turkish scholars but they have not become a part of the international academic literature.³ Yet there is widespread agreement in academia, business and local government circles that Turkey's economy and society has reached a level that it can no longer be centrally managed and enforced from Ankara. Most of the current debate on decentralisation is verbal rather than written. Politicians, local groups and individuals seem to be rehearsing abstract moral or global arguments without reaching a higher understanding of how to develop and implement appropriate mechanisms. This study will broaden our understanding of local economies and societies in Turkey and demonstrate the dilemmas and challenges facing decentralisation.

1.2. Governance, democracy and economy

Globalisation in the world economy, together with an emphasis on democratisation and economic efficiency, have changed relationships and expectations within local, national and international environments. Localisation of economic growth efforts by local authorities everywhere has resulted in a new search for an effective division of powers and responsibilities among central, regional and local governments. This trend, however, has expressed itself in different forms because of different regional and historical experiences. Within the context of Central and Eastern Europe, the issue has been to reform the state and the market after the collapse of communism. In the context of the European Union, the emphasis is on European integration and on developing new institutional structures. For the developing countries, the real issue is a struggle for economic growth and improving the welfare of the poor.

In Central and Eastern Europe, Russia and the Commonwealth of Independent States (CIS), there have been common pressures for change in local government structures after the collapse of communism and the advancement of the European Union towards the east (Bennett 1993a,b). These are manifested in different forms such as pressures for

³I am deeply indebted to Birgül Ayman Güler (1992, 1996), Heper (1985, 1991), Ortaylı (1985) and Tekeli (1983, 1996, 1999) for their excellent studies on local government modernisation in the Ottoman Empire and Turkey.

decentralisation and centralisation within democracy building. Another has been pressure for administrative reforms in constructing free market disciplines. There have also been pressures coming from different historical systems of governance and market relations. On the one hand, there is the need to build an efficient administrative system and a functioning market economy. There is, on the other hand, the need to integrate into European institutions economically and politically, and to transform culturally. This transformation has its own challenges and problems. It causes chaos in the society, disillusionment and disappointment among individuals who have become too accustomed to a simple, undemanding life in the embrace of a powerful state (Bennett, 1993a). Nevertheless, the future of economic development and democracy building in the former communist countries is strongly linked to reforming local government, opening channels for participation, and building a civic society.

At the European Union level, the major issue is a new power sharing structure between the member states and the EU bodies such as the Parliament, the Commission and the Council. This restructuring is a complex process and each member country has been following a different path. But one of the most significant impacts of the EU is the emergence of regional intermediary structures and the rising importance of local governments across Europe. Sharpe (1993) defines these intermediary 'meso' structures as decision spaces rather than a level of government. He argues that there is no regional ambition to replace the national government in the European Union. There is neither a regional consciousness nor regional institutions in member states (except in some small members like Denmark and Ireland). The EU also does not have the bureaucratic capability or plan to develop regional governments. The past experience so far does not suggest that there has been any increase in the power and status of regions, even in the case of the German *Lander* where they were given direct access to the community institutions. On the contrary, the EU mechanism has strengthened the unitary federal state in Germany (Sharpe, 1993).

Among the EU countries, local authorities have been more successful in attracting Community aid than the regions. Indeed, the local governments, despite their differences of governance, are the only common administrative units which exist in all member states. However, despite Sharpe's expectation, regional nationalism and regional governments in some European countries will strongly influence the future of the governance structure in Europe.⁴ The recent developments in Eastern Europe and the Balkans show that regional nationalism is becoming a cause and a product of a new political and economic transformation in Europe. The battle for equality, a participatory regime and cultural identity has been territorialised through a new form of regional nationalism.

Bennett (1993a) argues that the enduring tension among constitutionalism, professionalism and the use of the commune, as well as the pressures on local governments for change, have produced a burgeoning set of responses in different countries. In Western Europe the decentralisation of governments and markets has been a function of four trends and their interplay has resulted in different forms of governance in European states. First,

⁴Regional nationalism in the EU has played a significant role in political developments since the 1960s as part of the process of democratic maturation. In the case of Spain and Italy, it was linked to democratisation and the end of authoritarian rule. Regional disparities have also played a role in this process. See Alfonso (1991) and Almedia (1991).

the long evolution of western unitary states, welfare societies and urban growth reached a level such that it was no longer viable to maintain public services through central mechanisms in the 1980s. Second, decentralisation has been identified with democratisation and efficiency in countries which had fascism including Germany, Italy, Portugal, and Spain. Thirdly, the European Union has played an important role in enhancing meso institutions in the political bargaining process. Local political party interests increased the decentralisation. Finally, some degree of decentralisation has also been favoured by central government in decreasing the burden of the central administration and devolving certain tasks to peripheral structures (Sharpe, 1993).

In the context of developing countries, the emphasis has especially been on the link between economic development and the efficient use of local resources (Shah, 1998a,b). Local governments have become a prime focus of development initiatives in recent years. Agencies assisting economic development through specific programmes and targeted funds have also been giving special attention to the localisation of policy initiatives, local actors and civic associations in their policy and aid formation. This shift of focus is partly related to past failures of aid giving agencies (the World Bank, the International Labour Organisation, etc.) in reaching target groups and communities or industrial sectors in programmes that work through central government administrations. But it also follows a new perspective on governance within which local governments and non-governmental organisations are expected to play a prominent role in economic and social development. They are increasingly seen as opinion makers and pressure groups on the national level.

The UN world summits on the earth (Rio, 1992), human rights (Vienna, 1993), population and development (Cairo, 1994), women (Beijing, 1995) and human settlements (Istanbul, 1996) have all strongly emphasised the role of non-governmental organisations and localised civic groups in constructing an active society in environmental, rights, gender and housing issues.⁵ Similarly, the emphasis on SMEs in local economic development has indicated a new policy shift from central to local initiatives through business associations, local governments and non-governmental organisations. This has resulted in a new form of development rhetoric about localising the efforts of economic development in both the rural and urban contexts of developing countries. The shift from the central government to local initiatives and authorities has not only been an external force, there has also been a new willingness in developing countries of local business interest and groups to take initiative.

1.2.1. Governance and decentralisation

In the political arena, the most repeated concepts in recent years have been governance, decentralisation and devolution. These concepts need to be clarified for the purpose of this study. Our focus is on decentralisation in the governance structure. Governance can be defined as the direction of control within the governing structure. This is linked to the changing role of the state and the expectations of citizens. Within the theoretical debate of the changing role of the post-Second World War state, decentralisation symbolises democracy in countries that had fascist rules such as Spain and Italy, and efficiency of service delivery in Western European welfare states. The core themes of this debate are the issues

⁵Democratisation and the participation of civic organisations were given special emphasis in the Habitat II Istanbul Conference in 1996. See Tekeli (1996) and Alpöge (1993).

of democratic participation, local governance, efficiency and accountability. It is often believed that local economies would perform better if they were free from top-down political power and resource allocation structures. A better functioning local democracy and governance would be achieved by being accountable for resources and policy decisions and by maximising local capacity.

Decentralisation and centralisation are referred to as particular situations, and they are not necessarily dichotomies. Indeed, scholars point out the continuing change in the concept of decentralisation in administrative and market structures. Bennett (1990) and Wolman (1990) define decentralisation in relation to centralisation in two main areas. First, decentralisation is analysed within the governance structure and in the relationship between different levels of government (i.e. local/state). Second, as part of the free market, decentralisation symbolises a shift of economic policymaking power from central authority to localities, non-governmental organisations and the market in general (Bennett, 1990). In the governance structure, administrative decentralisation relates to concentration or dispersal of administrative functions. Economic centralisation or decentralisation, on the other hand, is concerned with the location of economic decisions within the market mechanism. Similarly, decentralisation/centralisation refers to concentration and the market power of firms in any particular sector of the economy.

There is no single model and operational guide for decentralisation since there are many aspects of centralisation and decentralisation practices in different countries. Wolman (1990) argues that three important values enhance or impede decentralisation. These are efficiency values, governance values and distributive values. The efficiency argument is concerned with social welfare. A dispersed welfare model, he argues, will be closer to the desires and demands of local taxpayers. Efficiency and social welfare are thus likely to be maximised under highly decentralised political structures. However, efficiency in service delivery might not be achieved through smaller decentralised units. Similarly, the public choice argument points out other inefficiencies of decentralisation in ignoring national interests.

Governance values are concerned with responsiveness and accountability, diversity, political participation, countervailing power, equality and national interest. Among these, we should emphasise accountability, political participation and equality values. First, the political equivalent of the efficiency argument is that decentralisation fosters greater responsiveness and accountability of policy-makers to the will of the citizenry. However, empirically, politics in decentralised units may be more closed than national politics and more susceptible to a small unrepresentative faction or factions.⁶ Second, decentralisation encourages political education and debate, prerequisites for the effective functioning of democracy, by providing the opportunity for citizens at the local level to discuss, debate and decide upon issues through a political process. This is subject to empirical scrutiny. Local politics may be more elite based, dominated by special interests and closed to meaningful participation than national politics. Third, decentralisation will result in variations among subnational units in levels of services and tax burdens. Individuals will receive differing levels of service depending on where they live.

⁶Wolman (1990) rightly points out that devolving real decision making to the local or smaller units is also likely to anchor citizens to the political system and enhance democratic values.

Territorial inequity can be ameliorated in decentralised systems through national grant equalisation systems designed to compensate subnational areas (Wolman, 1990).

Finally, distributive values emphasise that any change in the centralisation and decentralisation debate will bring a change in the patterns of winners and losers. Decentralisation might not work in the interests of some groups. For example, in the United States, minorities, the poor, urban interests and labour organisations are more influential at the federal level than in most states and therefore they are likely to have their interests less well served by decentralised policy-making. Among these highlighted aspects of decentralisation, the real challenge lies in participation, representation and redistribution in economically and ethnically diverse regions. This is especially the case for semi-peripheral countries like Turkey.

1.2.2. Democracy, equality and redistribution

Four different forces are shaping the democratisation process in local and national governments. First, developments in information and telecommunications have been eroding state monopolies and power. Second, with the end of the cold war, authoritarian and undemocratic regimes have faced new challenges but there has also been an increase in regional and local conflicts. Third, rigid and highly centralised systems have faced difficulties in adjusting to the new global economy and financial system. Fourth, the size of the urban population has been increasing with ever more corresponding demands for service provision and problems of social integration in developing countries.

Regional integration and economic development will benefit from greater political and economic decentralisation and a clearer central government role in relation to backward regions. However, the main question is how to enhance the institutional and political structures and democratic civic culture in ethnically diverse, socially rural or semi-rural and economically poor regions. The issue has many complicated elements. The first is to find the right balance for reform in a given country. The degree of decentralisation or devolution or democratisation is directly related to the expectations and will of people, the power relations among the civic institutions, political parties and others such as the military or the church. The second is to find and agree on the right balance and framework for legal reform and institution building. The third and, in my opinion, the most challenging one is to implement this model with the appropriate participation, civic consciousness and necessary dynamism.

The experience of Eastern and Central European countries demonstrates that local democracy cannot be built without taking into consideration the values systems and institutions of society. Baldersheim and Illner (1996a), in studying local democracy in Eastern and Central Europe, found significant differences in value systems between western societies and the former communist regimes of Czech Republic, Hungary, Poland and Slovakia. They also point out that civil society, institutionalisation and localism were weakly developed in these societies under the communist regimes.⁷ Economic collapse

⁷Institutionalisation usually means a de-personalisation of social practices or organisation. To what extend the local regimes in east-central Europe have evolved towards the stage of depersonalised institutions is a major issue. Here the real question is to see how far administrative agencies have developed into organisations where individual's background and biography mattered very little for the way civil servants thought or acted (Baldersheim and Illner, 1996a and 1996b).

was accompanied by a moral collapse and interpersonal networks replaced institutions in the daily lives of ordinary people. The society lagged behind the differentiated modern social and economic structure. The reform process in Eastern Europe has also been top-down and driven mostly by an elite vision of social order. Under these circumstances, Eastern Europe seems to be unable to sustain a western model of democracy.

These characteristics make the enhancement of local democracies in these countries extremely complicated and difficult. Despite the differences in their economic development and governance history, there are some common characteristics in their governing regimes. The main features of local government regimes inherited from communist central regimes have been outlined as follows: real decision-making power resided within the communist party bureaucracy; centralism; amalgamation of public administration and elements of self-government into an ideology of democratic centralism; dominance of vertically organised and centrally controlled economic structures (Balderheim and Illner, 1996a).

These broader concerns are indicative of the difficulties facing decentralisation in Turkey and other developing countries. Decentralisation in governance and markets stands on implicit assumptions about a democratic multi-party system, a civic society, and responsible individual citizens. I would like to address them briefly. First, one has to look at the representative system, governing mechanisms, and legislative and judicial powers. Power sharing among the government, institutions and interest groups is crucial to enhance a culture of negotiation, compromise and consensus. If there is such a balance of power and culture, then progress can be achieved through internal dynamics. I call this the upper structure.

Secondly, apart from this upper structure, there are some doubts whether a multi-party democracy can be maintained without a sizeable middle-class population. To put it more directly, democracy is a model based on and can survive only with economic progress, individual wealth, and freedom from dogmas. This brings us to the second structure, the virtues of civic society. Much of the world is ruled not by democracies but authoritarian one party regimes and/or feudal or tribal-type loyalties (i.e. most Asian, Middle Eastern and African countries). Certainly there are also questions of quality and representative strength for each democracy. Where electorates are bought by favouritism (selling votes, maintaining ethnic and tribal loyalties, etc.), we cannot argue that the mere existence of elections and political parties are signs of a democracy.

However, it would also be unfair to put countries which have a tradition of democratic institutions (as do Turkey, India, Brazil) into the category of authoritarian regimes. Similarly, there is a search for different means of democratic participation to overcome apoliticisation and increase participation in western democracies. Relatively low election turnouts in Britain and the USA are causes of concern but at the same time there appears a different political mechanism through the lobbying of interest groups and non-governmental organisations. Clientalism in the democratic traditions of Southern European countries, namely, Italy, Greece, Portugal and Spain have developed into local business interests and political elites which may be socially exclusive and corrupt.

The final point is about the need for a model of individual citizenship and an awareness of a collective consciousness and common sense. This individual citizen and collective consciousness ought to be at the core of democratic governance, representation and

accountability in all democracies. Perhaps this concept can be associated with the ideas of universal values and enlightenment. I would like to take this concept one step further. In my opinion, without loosing the identity of a locality and its values, religion, language and other cultural elements, it is possible to grasp some universal values and establish a democracy which is not a tribal or a feudal system of favouritism. But this system needs the creation of responsible and able citizens and a collective consciousness.⁸

We see these three issues, the upper structure, the virtues of civic society, and individual citizen vis-a-vis collective consciousness, as the crucial points to be addressed for decentralisation and consensus building in Turkey. Here we analyse both the capabilities and the weaknesses in sustaining decentralisation in Turkey at the local level by considering the roles and actions of local institutions and individual actors.

Within this context, the most commonly asked questions and concerns can be formulated as below.

1. Is decentralisation in Turkey an imported idea? Do those who support it have a clear idea about the necessary legal, institutional and fiscal arrangements needed?
2. Could this mean an end to the progressive reforms based on Atatürk's ideology which have been top-down and sometimes unpopular?
3. How do we make sure decentralisation will not be a tool for the re-emergence of semi-feudal control? Is it likely to encourage an anti-democratic form of orthodox Islam, or the emergence of national, local and ethnic chauvinism?
4. Are there sufficient institutional frameworks, financial powers and democratic traditions to sustain decentralisation? Who will bear the costs?
5. How will regional differences be reduced by new allocation and redistribution mechanism? Is there sufficient capital accumulation at the local level to sustain decentralisation?
6. How relevant is the concept of competing cities and regions in the context of national and local economic development? Can promoting one region be detrimental to another in the same country or region?
7. Given the role of the state in creating an indigenous bourgeoisie since the establishment of the Republic, what would be the new economic allocation model for regions and interest groups in a decentralised state?
8. Which groups will shape the future of Turkish cities and who will control and redistribute urban land value through zoning plans? To what extent can decentralisation reduce the favouritism, corruption and fraud in Turkish politics?

1.3. The research objectives

The main objective of this research is to assess the local capabilities in sustaining decentralisation in Turkey. I have chosen three medium-sized cities that have had strong

⁸Turkish scholars and intellectuals have recently been emphasising the human factor in building a just society and a well-functioning democracy. For example, see Tekeli (1999) and Karavelioğlu (1997). Indeed, the long struggle to modernise the Ottoman Empire and the establishment of modern Turkey both aimed to introduce a new concept of equal and free citizenship. The fight against local chiefs and religious sects in Anatolia and the Balkans preoccupied the Ottoman Empire as it struggled to restore central power during the 19th century (see Malcolm, 1998).

industrial growth during the past twenty years as part of a larger trend among Anatolian cities. The survey cities are chosen from three different regions of the country with significant variations in rural development and per capita income: Denizli is in one of the most developed areas of the Aegean region, Kayseri is in the middle income inner Anatolian region, and Gaziantep is in the largely poor and feudal south-eastern region (see Map 1).

This study extends earlier detailed survey analyses which were conducted to assess SMEs and local economic development in Turkey's medium sized towns.⁹ The fieldwork was carried out in Denizli, Gaziantep and Kayseri between September and November 1998 and in April 1999. The main emphasis of my research has been on diffused industrialisation and the growth of small towns in Turkey and the need for a new governance structure and more decentralised management of city economies. Throughout my fieldwork, I paid special attention to examining the civic consciousness, the local initiatives and consensus building activities in the survey areas.

At the preliminary stage, I collected relevant information and literature on local governments and decentralisation in Turkey and elsewhere. This part of the research assessed the impact of historical elements of late Ottoman modernisation and the early Republican principles in modern Turkish governance and centre–periphery relations. This analysis is intended to put the recent developments in the context of changes occurring in Turkish economy and society. As part of this analysis I aimed to assess the need for decentralisation within the context of state building, democratisation and economic development.

The empirical part was based on a set of face-to-face interviews in each city. Prior to each visit, a one-page synopsis about the research was sent to local businessmen's associations, local government offices, and independent experts to familiarise them with the project. I invariably found my informants understanding, accessible, and very hospitable in each city. The local chambers of commerce and industry and key actors in each city have been extremely helpful in compiling a comprehensive list of key organisations, decision-makers, local opinion leaders, and individual experts. I have been able to reduce the bias in the selection process of interviewees with the help and co-operation of these local informants and associations. I also carried out many valuable interviews with individuals and organisations in Ankara and İstanbul.

Unlike my earlier quantitative analysis of small and medium-sized enterprises in these three cities, here I have applied a qualitative and interactive method during my fieldwork. I carried out over 25 interviews in each city, usually one-to-one. In some cases I participated in or initiated small group discussions. All interviews were face-to-face and in an interactive fashion. This method encouraged my respondents to be open and sincere about their ideas, opinions and experiences. An even more important factor was that I had gained the trust of a small group of influential local people. My reputation as a researcher studying these towns for almost ten years helped me to diffuse quickly into a rather male dominated and locally tight network of relations and local bureaucracy despite being an outsider and a woman. I benefited from being the outsider occasionally, since my respondents made extra effort to explain in detail their ideas and personal or institutional conflicts. Many also had

⁹See Özcan (1995a).

transmitted their ideas as if they were reaching their opponents through me. A complete list of interviewees is provided in Appendices B–E.

In each city I found a lively interest in serious questions of local economic development and decentralisation. However, three of the major shortcomings of urban economies in 1990, imitation, lack of capital and technology, and geographical barriers remained equally important after almost a decade. One shortcoming, which is also a reflection of the conservative-traditional approach to women, is that I found few active women's groups in the leading political and organisational structures of two towns, Gaziantep and Kayseri.

In presenting my findings here, I selected and classified the most exemplary cases out of over 80 interviews. This process is naturally a subjective one but I paid most attention to represent the ideas and diversity of opinions as clearly as possible. I often preferred to use the original expression and translated them in the most meaningful way. One of the difficulties of presenting such empirical data has been that I felt a need to move occasionally between local and national foci. My research findings supported earlier hypothesis in that I observed an increased diversity in the social and economic life of these cities. Almost all groups in these cities needed and desired more freedom to formulate their own policies and control their own resources. However, their civic, political and institutional infrastructure lacked strength in sustaining a decentralised model. With this research finding in mind, I developed a set of policy proposals at the conclusion for both sustaining and liberating these local economies and societies within a fair decentralised system in Turkey.

Map 1: Turkey and its provinces



Map 1.

CHAPTER 2

Turkey

This part aims to put the experience of modern Turkish governance into a historical and regional perspective. Three main issues are developed here. The first section analyses the Ottoman Islamic system of governance. Modern Turkey inherited an Islamic culture with some democratic traditions and centralist tendencies from the late Ottoman Empire. In the second section, the governing structure of Turkey, its various layers and the contradictions among them are discussed. The final part explores transformation in the centre periphery relationship within the political and economic changes in the country. From this analysis, one major question arises: whether and how Turkey can reach a new peaceful synthesis between its Ottoman and Islamic past and democracy without loosing its modern western orientation.

2.1. Historical prelude: European and the Ottoman administrative structures

There are various historical elements that formed the governance structure of Europe and modern Turkey. The historical roots of the local government structures in Europe¹⁰ can be traced in three distinct forms of ecclesiastical¹¹ and administrative traditions. These are Protestant, Catholic and Orthodox Christian, and Ottoman Islam. These traditions were not fully based on organisational forms of different faiths but expressed themselves strongly in the long life of empires which shaped and were also influenced by ecclesiastical traditions, value systems and governance structures. The Roman, Habsburg, Napoleonic, Prussian, Russian and Ottoman empires have all left distinct characteristics on the governance and administrative structures in Europe.¹²

The Western European tradition in local governments is based on a particular Catholic south and Protestant north Christian culture and the tension between the church and the Napoleonic and Habsburg empires through a couple of centuries. Bennett (1993a) defines this western Christian Europe according to its border with the Ottoman Europe in the sixteenth century. The ecclesiastical structure of the Catholic Church gave rise to an independent status for the commune as a geographical territory with basic administrative functions. The Christian commune has, therefore, a history of autonomy within a network of central/local relations within the church. These relationships were given civil significance from the eighteenth century onwards, with a greater separation of the civil and ecclesiastical in the Protestant north than in the Catholic south. The democratic local institutions in Western Europe, however, emerged after a long struggle among the

¹⁰We use the concept of Europe in a wider context which includes the Balkans, Ukraine, Russia and Turkey.

¹¹The term ecclesiastical is often used in the sense of 'related to church'. Here we use it in a broader sense: related to any pious institutional form.

¹²By the term of Ottoman Islam, we specify the interpretation of Islam and Islamic governance that the Ottomans developed. At least in its original form, this system was based on a synthesis of Byzantine, Arab-Islamic and the Central Asian Turcoman traditions. This division between the Ottoman Empire and Western Europe does not imply that these different systems did not interact with each other. For an interesting analysis of the economic and political influences of the Ottoman Empire on Europe see Lewis (1982), Faroqhi et al. (1994) and İnalcık (1994).

local classes of aristocracy, bourgeoisie and the central power (Bennett, 1993a,b; Güler, 1992).¹³ There appear two forms of transformation. The northern European states (Norway, Denmark, Sweden, Finland, and the UK) have not created entirely new regional governments since they were able to modernise their local government systems (Sharpe, 1993).

In Southern Europe, by contrast, the resistance of local government systems was compounded by other factors peculiar to Napoleonic central-local relations within which the region became an attractive option in modernising administration.¹⁴ In general terms, the modern outcome of this historical development is a threefold local government system in Western Europe: the Napoleonic fused systems, the Anglo-Saxon dual systems, and the Scandinavian split hierarchy systems (Bennett, 1993b). Although we might interpret the Turkish-Ottoman and Russian governance structures to be within the Napoleonic fused system, we argue instead that modern Turkish and Russian governance structures and local/central relations have evolved under particular regimes and economic conditions.

The tradition of local governments in Russia has a peculiar history of long centralised power with weak local governments. The literature does not offer a clear analysis of the role of the Orthodox church on local communes in Russia in comparison to Catholic and Protestant influences in Western Europe. But in the Ottoman Empire, the Orthodox Church and local communes existed within a decentralised system of administration, at least in the Balkans.¹⁵ Güler (1992) analyses the reform trends in the Russian local government system in the nineteenth century within the context of power struggles between different social groups and the central power.

Local governments, with the introduction of local institutions known as *zemstvo* in the nineteenth century, emerge in Russia when the institution of serfdom was abolished in the process of industrialisation, urbanisation and capitalist economic relations. As we will show later, this historical setting is one of the distinct differences between the Russian and the Ottoman local government reforms in the nineteenth and twentieth centuries. According to Güler (1992), the 1864 reform in Russia which introduced local governments of *zemstvo* and *uyezd* was a response to limit the radical demands of different social groups within the process of peasant liberation and industrialisation. But the *zemstvo* experience resulted in revitalising feudal relations rather than constructing bases of an industrial

¹³Güler (1992) argues that the democratisation in western society did not happen via a force from the local governments to central government but it occurred in the opposite direction. She points out that the local governments in the modern sense were in a way imposed on the feudal urban governments in the West from the top down. This has some resemblance to, with her terminology, 'the Eastern centralism'.

¹⁴Sharpe (1993) explains that local government was modernised or enlarged in the Northern European dual or split hierarchy systems (Norway, Denmark, Sweden, Finland and the UK), and this meant that some externalities attributed to the new functions, such as new-style secondary and vocational education and land use planning, could be internalised. In the Napoleonic fused hierarchy states the pressure to change communal boundaries was less, since the centre was the service provider, thus externality and economies-of-scale problems were less important. It was not constrained by communal boundaries.

¹⁵For example, Christofilopoulou-Kalder (1991) argues that there was a decentralised communal administration in Greece during the Ottoman rule and the imposed centralist system introduced after the formation of the independent Greek state in 1830 was in direct contradiction with the tradition of decentralised communal administration (see also Malcolm, 1998).

society in Russia. When communist rule came, the Soviet Union became a fully centralised system divided into the powerless autonomous regional and urban governments with central planning and the rule of the one party system (Lysenko, 1993).

2.1.1. The Ottoman administrative structure and municipal governments

The Ottoman governance structure was based on a centralised empire with a decentralised system of administration holding many different ethnic and religious communities together. But this decentralised structure did not imply any self-government in the modern sense. In its most extended form in the 16th century, it stretched from the Middle East, the Black Sea and Mediterranean coasts and up to Vienna in Europe. During the classic Ottoman period, local elite or ecclesiastical groups were not powerful enough to represent different local structures or interests in the empire. Unlike Christianity, Islam never had an ecclesiastical hierarchy uniting the religion territorially, apart from the caliph.¹⁶ The presence of four major and many small sects and pious institutions have long been diversifying elements of practice and influence of Islam in local communities.

The Ottoman Empire allowed each *millet* or the semi-autonomous community to organise around their ethnic and religious institutions. This created a flexible system that survived many centuries largely in peace until the decline of the empire and the emergence of nation states in the 19th century. The craft guilds [*Ahilik*], pious Islamic foundations as well as Jewish and Christian communities organised around their religious and ethnic institutions and maintained their community interests, pursued their needs, and performed certain tasks locally (see McGowan, 1994; Kili, 1987).

In contrasting Japan and the Ottoman Empire in the middle ages, Tadashi (1989) points out the distinct characteristics of the Ottoman multi-ethnic mosaic. Ethnic groups were forcibly interconnected by the Empire's government apparatus and by a thin cover of Islamic culture. The Ottoman Empire managed in this way to achieve a 'unity in diversity'. Its centralised governing structure was based upon an Islamic belief system and a large governing apparatus based upon the model of a centralised empire. The governing structure was headed by the Sultan and provincial administrators were dispatched by the Sultan from the centre of the government to the various parts of the Empire. They were servants of the Sultan. Within this structure, aristocrats with personal fiefs, hereditary privileges and ecclesiastical powers did not exist. This basic framework closely resembled the governing ideals of the Ch'ing dynasty in China, and presented a sharp contrast with the decentralised governance system of feudal medieval West Europe and Tokugawa Japan. Tadashi (1989) argues that the Ottoman Empire strove to be a world empire, using principles of heterogeneity to administer a huge geographical range.

Ottoman society did have a rigid stratified structure. The Ottomans divided the ruling strata into two broad categories: 'men of the pen' [*ehl-i kalem*] and 'men of the sword' [*ehl-i seyf*]. The former took charge of civilian administration and the latter military affairs. 'Men of the pen' included two very different social strata called *ulema* and *katip*. The former were the scholars and teachers who specialised in Islamic theology

¹⁶Islam recognises no intermediary between God and the worshiper. But the Ottoman Empire that maintained the caliphate and modern Turkey which abolished it in the 1920s always played a significant historical role in this loose and flexible ecclesiastical tradition in Islam.

and law; their functions included judicial administration. The latter were secular scribes and specialists in the management of financial affairs and record keeping (Tadashi, 1989).

Among the learned class, *kaadi* were the administrative and judicial leaders of the Ottoman city and its rural land. Tadashi (1989) traces the origins of this Islamic administrative system back to the Mamluk Turks in Egypt and the Rum Seljuk Empire in the eleventh century. The *kaadi* were appointed by the central authority for a particular period. There was often no permanent local administrative staff or offices of local governments, so wherever *kaadi* settled became the court or municipal building. Similarly, the *kaadi* often had his own staff travelling with him or hired temporary local people (Ortaylı, 1985). Until the *Tazminat* reforms in the nineteenth century, the Ottoman Empire did not have a local government institution or a tradition of self-government. However, starting from the eighteenth century the Balkan cities began to develop a local government tradition with increasing trade with Europe, decreased central authority control, and the increased influence and power of the Orthodox Christian communities.

This coincided with the rise of a new merchant class in the Balkan cities (Ortaylı, 1985). Similar developments with the increasing role of local *millets* in the city governance were also noted in Albania, Bosnia and Hungary (Malcolm, 1996; Ortaylı, 1985). Although Ortaylı (1985) and Heper (1985, 1991) argue that the Ottoman Empire did not have any decentralised local governance in the modern sense, Ortaylı (1985) also points out decentralised models of tax collection and administration that devolved authorities to local communities, for example, in Athens, Cyprus, Rhodes, and Selanik (Thessolanika). Indeed, some scholars even argue that the locally organised *millet* structure of the Ottoman Empire was far more participatory and just than the top-down construction of modern nation states in the Balkans (Christofilopoulou-Kalder, 1991).

However, the millet structure started to erode with the military, economic and social decline of the Empire. The Empire was under pressure from various European powers to grant rights to its, especially, non-Muslim subjects. The real transformation in political participation in the governance of the whole Empire came with the declaration of *Hatt-ı Hümayum* (the declaration for citizens' equality) in 1839. This declaration was mainly a result of the search for keeping the collapsing empire together in an age of enlightenment and social and technological change and preventing nationalist upheavals in the Empire.¹⁷ It was a move towards the concept of citizen and putting an end to the classic Ottoman society of *millets* with many ethnic communities organised according to the Christian, Islamic and Jewish faiths. The bureaucrat and intellectual cadre of the empire designed the declaration for citizens' equality under pressure from major European powers at a time when the immediate needs for reforms in agriculture and industry were failing.

A series of modernising reforms, however, were underway in the political field. The first elected assembly, the Ottoman *Meclis*, was gathered following local elections in 1877. The most important change was the introduction of the democratic participation of 'citizens' in the governing councils of provinces and cities through elections. The main philosophy behind these reforms was to protect and enhance the central power by modernising and democratising local participation under new institutions. One result of this administrative

¹⁷In this respect the Russian and the Ottoman Empires have similarities in their the reforms for restoring the centre–periphery relations in order to maintain central authority and power.

modernisation was the establishment of local assemblies (*meclis*) with the participation of local representatives starting from the 1840s. Then the Province Legislation (*Vilayet Nizamnameleri*) of 1864 and 1871 defined the provinces and maintained the local *meclis* and enhanced their role in local administration and judiciary affairs. These reforms had long lasting effects in shaping modern Turkish administration systems.

Provinces headed by governors had become the new units of administrative organs in the empire. This administrative structure was changed into province led hierarchy within which each province was divided into the smaller administrative units of *liva*, *sanjack*, *kaza* and *köy*. Each administrative unit had its own local *meclis* (Ortaylı, 1985). This experience marked the beginning of the development of modern local governments in Turkey. Ortaylı (1985) and Güler (1992) emphasise that the reform in the governance structure of the empire aimed to enhance central power to keep the unity of empire and was not led by local social and business elites. Nevertheless, the tradition of representation and participation in local assemblies in the 19th century gave a special meaning to the basis of local government and democratic traditions in Turkey.

2.2. The governance of Turkey

We can find the roots of modern Turkey's local governments and participatory democracy in the late Ottoman reforms. During the 19th century, these reforms redefined provinces and established elected provincial assemblies. However, they did not fundamentally change the character of the centralised system which can still be seen in Turkish governance. Apart from the Ottoman heritage, the French model of strong central government practices became influential in shaping the relationship between the central and local authority structure during the establishment of the Turkish Republic in the early 1920s. The 1921 Constitution, prepared by the first Grand National Assembly imaginatively improved the participatory mechanisms for citizens (Ortaylı, 1985). This constitution gave broad responsibilities to the province assemblies. It specified the executive power to be used by the province assemblies in education, health, and economic affairs, and in improving the social welfare of cities. However, following the social and economic destruction of the First World War and the independence war, the newly independent Turkish Republic was not able to sustain this decentralised structure and most of these rights were centralised and not restored again.

The republican government designed a strong centralised state in order to realise social and economic transformation. The three dimensional local governmental structure in Turkey (provincial local administration, municipality and village) resembled the system in France, but in many respects the system in Turkey has been more centralised. Turkey, like France, is divided into provinces (see Map 1). Each is run by a centrally appointed governor, who is in charge of both an administrative unit of central government and a territorial unit of local government, or provincial local administration [*il özel idaresi*]. Other local government bodies are municipalities [*belediye*], greater city municipalities [*büyük şehir belediyesi*] and villages [*köy*]. The provincial local administration dates back to 1864, at which time the French system was taken as a model. It gained juridical personality in 1876. The 1876 Constitution determined that the administration of the provinces was to be based on the principle of decentralisation (Heper, 1991; Kili, 1987).

The legal framework for provincial administrations in modern Turkey, however, dates back to a temporary law enforced in 1913 and which remained in effect until 1987 (see Appendix A for the legal and institutional framework). During the early years of the Republic, provincial administrations played an active role in national government. But this active involvement gradually deteriorated and many executive powers were taken over by Ministries and other central governmental institutions. The current responsibility of this provincial administration is to co-ordinate and assist service provision and the investment projects of various central government institutions within the province.

The 1924 Constitution had permanent effects in defining provinces, townships and villages as extensions of central government power. Currently, Turkey has 80 provinces [*il*]. Each province has its districts [*ilçe*] and each district has villages and hamlets in a strict hierarchical structure. The majority of districts also have townships [*bucak*] which are interposed between districts and villages or hamlets. There are currently 849 districts [*ilçe*] and 689 townships [*bucak*]. In total, there are 35,191 villages that do not have municipal authority but rather a form of elected village council. There are 3215 municipal authorities that include most settlements of over 2000 inhabitants. There are also 15 greater city municipalities, mainly metropolitan areas of large cities. Apart from this, there are 65 provincial city municipalities.

There are two principles of governance that form a duality between centralisation and decentralisation. One is the governor [*vali*], the district head [*kaymakam*], and sub-district director [*bucak müdüri*] appointed by the central government in Ankara and the other is the elected mayor [*belediye başkanı*] and municipal council [*belediye meclisi*]. The periodic strain between these two has expressed itself in the political struggles between the ruling party in Ankara and the political party that controls a particular provincial municipal government. Therefore, the recent tension over decentralisation in Turkey manifests itself in some places as a power struggle between the locally elected municipalities and the state controlled provincial administrative system; sometimes this is an explicit tension between the state ideology and political Islam or ethnic separatism.

The first and most powerful governance structure is the central government and its representatives in provinces, counties and townships. The province administration is based on a model of state control and appointments whereas the municipal governments are based on principles of representation and local elections. Each province has a governor assigned by the central government in Ankara and there is no strict period of service. Apart from the governor, there are directorates of different ministries in each province, functioning under the control of the governor (see Appendix A).

2.2.1. Provincial local administration (*il özel idaresi*)

Provincial administrations consist of the governor [*vali*], the province council and the executive provincial committee. The province council is composed of members elected through proportional representation within each district. The number of representatives is adjusted according to the size of each settlement.¹⁸ For example, districts with a population from 25,001 to 50,000 can send three members to the province council. The council consists of these elected members from each district. The governor chairs

¹⁸The Act of 2972 (1984) regulates the size of provincial councils.

the province council. The council elects five full and five reserve individuals among its members, who represent different districts, to form the executive provincial committee for a one-year term. The approval of the Ministry of the Interior is needed for both for the extension of the regular sessions and for the holding of extraordinary sessions. The decisions of the council can only be implemented after the approval by the governor (Heper, 1991). The governor also chairs the executive provincial committee and the main task of this committee is to execute the decisions of the provincial local council and to control the monthly expenditures of the governor.

Although the province council has some degree of power to control, the real power lies with the governor in the provincial local administration. The council can give a vote of no confidence but only the Ministry of the Interior can remove the governor from his/her post.

The provincial local administration has played a significant role in building social and physical infrastructure. They have traditionally been responsible for such functions as the construction of city and village roads, village water systems, and village schools and nursery schools, the establishment of model farms, and other agricultural facilities, setting up clinics and hospitals, etc. However, these functions of the provincial local administration have been gradually taken over by agencies of the central government ministries in the provinces. The bulk of the revenues of provincial local administration comes from its shares in general taxes and grants provided by the central government (Heper, 1991).

2.2.2. Municipalities: elected local governments

The municipalities are the only institutions open to local democratic participation. The mayor, elected by popular vote since 1963, is the chief executive of the municipal government. The municipal council is the chief decision-making body of municipality. Members of the council are elected for five years by popular vote and by a proportional representation system. The council has a minimum of 12 members. The number of members is determined according to the size of the population (Heper, 1991). Some foundations of municipal governance come from the special experience of Ankara's urban development and planning.¹⁹

Local authorities are defined by the 1982 constitution and are elected every five years. The definitions of city, district and village are made according to their population size; a city has over 20,000 inhabitants, a district between 2000 and 20,000 inhabitants, and a village has fewer than 2000 inhabitants. If a settlement has fallen to fewer than 2000 inhabitants but has a municipality, it is considered to be a district and is subject to municipal law. The Municipalities' Law 1580 states that townships over 2000 can have an elected municipality. The mayor and the municipal council are elected for a five-year period. The organs of a municipality are a mayor, a municipal council [*belediye meclisi*], and an executive municipal committee [*belediye encümeni*].

¹⁹Bilgen and Özcan (1988) analyse the impact of Ankara's planning experience as a model of development for the young Republic and point out the link between this experience and the development of legal framework. One of them is the Municipalities Law 1580 enacted in 1930.

2.2.3. *The greater city municipalities*

In the 1980s, as rapidly growing Turkish cities became hard to govern by a single municipal body, there was a need for a new municipal structure, a new co-ordinating body, and new powers for local authorities. There was also growing tension between the municipalities in major urban centres and the central government, exacerbated by the fact that leftist opposition parties dominated large cities during the 1970s. The interim military regime of 1980–1983 tried to centralise the municipalities and weakened the left-wing municipal administrations. However, as Heper (1991) argues, the military government also tried to solve urban problems and took important measures concerning municipal revenues. The real re-structuring in the municipal government, however, came with the Motherland Party victory in the 1983 elections. In 1984, Act 3030 brought the concept of a greater city municipality. This act defines the roles and responsibilities of small municipalities and districts and their relationship to the greater city municipality. This marked an important step for decentralised and more independent local governments as well as a new form of local participation and democracy.

Currently, there are 15 greater city municipalities in Turkey (see Map 1). The act gives greater city municipalities a governing power and a co-ordination duty over small municipalities. The duties of the greater city municipalities are defined as follows:

1. To make investment plans and programmes for the city.
2. To make and implement the master zoning plan.
3. To approve and control the implementation of the urban development plans.
4. To execute water, public transport and sewage services.
5. To co-ordinate affairs between district and township municipalities and to mediate in disagreements between municipalities.

The mayor of the metropolitan municipality, the metropolitan municipal council, and the metropolitan municipal executive board are the main organs of the metropolitan municipality. The metropolitan municipal council is comprised of the district mayors and one fifth of the members of the district municipal councils. The metropolitan mayor heads the council. The metropolitan municipality executive board is made up of the metropolitan municipality mayor, or someone they designate as their deputy, the secretary-general and the directors of five administrative departments. The secretary-general of the metropolitan municipality, with their assistants, is responsible, under the mayor and in accordance with the mayor's directives, for carrying out the metropolitan municipal services (Heper, 1991; Kili, 1987). This model had created a two-tier metropolitan municipal structure within which both the metropolitan municipality council and the metropolitan municipality mayor have extensive powers over the district municipalities.

2.2.4. *Village administration*

This is the smallest local government unit. The legal personality of village administration is defined and regulated by the 1924 Constitution and Law 442 enacted in 1924. The village administration was headed by the village head [*muhtar*], and also includes a council of 'elder villagemen' composed of 8–12 members, depending upon the size of the village. The village administration controls village affairs. Most local services in the

village are carried out by the collective efforts of villagers [*imece*]. The village administration collects a local tax (*salma*) which is the basic financial source for services provided.

2.3. Centralisation and decentralisation in modern Turkey

The centralisation and decentralisation dynamism has been explored in the academic literature based on certain assumptions and contemporary developments. The single most important contemporary development is the change of the welfare state and its relationship with local governments (Hesse and Sharpe, 1991). However, the welfare and post-welfare model (see Bennett, 1993a,b; Hesse and Sharpe, 1991) cannot be used easily to explain the relationship between the centre and periphery in Turkish local government structure, nor can it be applied to decentralisation. Turkey went through some of the common characteristics of this model, such as urban growth, state provision of social welfare, and efficiency of resource allocation. However, there have been fundamental differences in service provision and resource allocation between the western welfare state and Turkey. Turkey has never had a welfare state in the western sense. Political and socio-economic forces shaping the state, society and local government relations have been quite different. Modern Turkey has witnessed a major transformation from a primarily peasant society to a primarily urban one but still with a big agricultural sector in place.

Therefore, it is more appropriate to analyse the centralisation–decentralisation trends in modern Turkey within the overall framework of intergovernmental decentralisation and decentralisation from governments to markets, quasi-markets and non-governmental organisations within the context of political and social change.

2.3.1. The state and local bourgeoisie before 1980

With the establishment of the Turkish Republic in 1923, the main emphasis was on building the nation state and the central government administration following the structures established in the late Ottoman reforms. These brought with them various tensions between the centre and periphery. However, the first 60 years of the Turkish Republic can broadly be described as a period of a strong centralised state with weak municipal and provincial administrations both in terms of governance and markets. However, the power relations between the centre and the periphery changed with economic growth, the emergence of new social classes, and the power struggles among different political ideologies. Up to 1980 there were three distinct stages within which central government power began to erode towards local governments and the free market economy: étatism, followed by early democratisation, followed by the gradual growth of municipal powers.

2.3.1.1. *Étatism [devletçilik] and one party rule up to the Second World War.* The period between the establishment of the Republic and the Second World War was one of powerful central bodies. In this period, the independent economic development of Turkey began through the nationalisation of capital, through industrialisation, and with the creation of a national bourgeoisie. The initial idea of economic development by stimulating private enterprises was given up under the conditions of the world economic crisis of the 1930s. The state ideology formulated by Kemal Atatürk and the

Republican People's Party centralised the state power in order to realise the two most revolutionary changes in Turkey,²⁰ nation building and industrialisation.

First, they wanted to realise a modern nation to replace the traditional Islamic character of Ottoman society. That entailed creating new social meanings and identities in reference to the state and citizen relationship. Second, there was an immense need to build the economy and industrialise the country on the ruins of a disintegrated empire. In the absence of a national capitalist class, the state developed and set up many basic industries and built infrastructure in the country during this period (Keyder, 1987; Okyar, 1979). National state planning was introduced and the regional balance of economic development was emphasised.

Within this centralised political and economic power structure of the Turkish Republic, the highly participatory and democratic elements of the 1921 Constitution were replaced with a new model. In the intergovernmental sense a highly centralised structure was introduced with the division of provinces and province administrations controlled by the state. In markets, again there was a centralised structure with the state being the major driving force behind the weakened economy. The dismantling of the multi-ethnic mosaic of the Ottoman Empire and the emergence of nation states caused drastic population movements and the loss of many skills and businesses in Anatolia (Mardin, 1980).

The control of the central state in urban development and local economies can be demonstrated by the choice of the capital city, Ankara, and its urban design. This was the first experiment of the new republic in social and economic engineering. Many of these experiences were later implemented nationally and became models for building national institutions. Building a new capital city, creating the image of state and nation preoccupied early Republican politics. Ankara's municipal history as the symbol of the young republic clearly demonstrates the power of centralism over localities in administrative as well as in participatory structures (Bilgen and Özcan, 1988).²¹

In this period, despite a brief and unsuccessful experiment of multi-party democracy and local opposition groups, we do not see a strong political or social pressure coming from local communities or private businesses challenging the authority of the one party regime or the state.²² Many big national infrastructure investments were initiated and state planning was introduced in the Soviet fashion. Turkey primarily had an agricultural economy and a peasant society. There were a small number of cities and those that had municipal government had little industrialisation.

During this period, the province administrations had played a much more powerful and

²⁰The core of the state ideology was based on the principles of 'six arrows' which were followed by the Republican People's Party (CHP) during one-party regime and after until the 1980s. These arrows symbolise republicanism, secularism, populism, nationalism, étatism, and reformism. The importance given to economic nationalism, industrialisation, and state enterprises in the Kemalist period led a mixed economic framework that has had long-term effects on modern Turkey.

²¹In 1933, the Municipal Bank [Belediyeler Bankası] was set up. Later, this bank and the Municipal Development Committee [Belediyeler İmar Heyeti] were united and in 1945 the Bank of Provinces [İller Bankası] was created to assist urban and rural development. However, most of the expenditures of the bank had been for urban development.

²²There were, however, two notable uprisings, the Sheikh Said and Dersim upheavals, led by local feudal chiefs in the east in the mid-1920s and the late 1930s.

important role than the municipalities. The prime objective was to transfer agricultural capital to industrialisation and in many ways we see an income transfer from small to large municipalities. The social consensus between local landholders and the state was achieved within province administration councils. The prime motive was to transfer revenues from agriculture to industry (Güler, 1992). The state building activity also introduced new local institutions into social life such as local party offices, People's Houses (*Halkevi*) and Turkish Houses (*Türk Ocağı*).

2.3.1.2. Democratisation from 1945 to the military intervention of 1960. During this period, the centralist one party power gradually diminished in Turkey. The first fundamental change was the introduction of multi-party democracy in the late 1940s and the second was the move towards a free market economy. Turkish-American relations and Turkey's NATO (North Atlantic Treaty Organisation) membership in 1951 had profound effects on the industrialisation policies and the development of local capitalist classes. The local bourgeoisie, merchants and large landowners demanded a liberal economy and the 1945 Act of Land Reform met strong resistance from large landowners. Members of the large land-holding families were also among the founders of the opposition party, the Democrat Party, in the late 1940s (Tezel, 1975).

The Democrat Party came into power in 1950 and stood against the étatism of the one party regime as well as the secularist revolutionary elements of the state ideology. The Democrat Party brought localised traditional and Islamic values into national politics. Despite the rhetoric of a liberal free market economy and entrepreneurialism, the party followed similar economic policies and established new state-owned enterprises in the fields of transport, irrigation, mining, and manufacturing. Decentralisation took place only in the field of markets to a certain degree through private sector developments.

In this period, three important developments had long lasting effects on the local governments, economic development and international relations of Turkey. These were the increasing influence of local businessmen and land-owning classes in politics, capitalist development through private entrepreneurship and the alliance with the capitalist world and NATO.

The Democrat Party encouraged entrepreneurs and private capital accumulation and placed greater emphasis on agricultural development and infrastructure projects. The most significant developments in this period were the mechanisation of agriculture and the rapid urban development that accelerated the growth of small indigenous businesses in the cities. The number of small firms in the country doubled from 1950 to 1963 (Özcan, 1995a,b). The crisis of the mixed economy and fear of counter-revolution by traditionalists was followed by a military intervention. The Turkish intelligencia and military-bureaucrat cadre was uncomfortable about the autocratic tendencies of the Democrat Party government and its anti-Kemalist sentiments.

Until the 1960s, the İller Bankası (The Bank of Provinces) had been a strong institution financing urban development, service provision and assisting urban planning. The bank maintained its functions largely from Ankara with a small number of regional offices and simply remained closed to local interest groups. It remained open to large construction and sub-contracting businesses in preference to small local ones (Güler, 1992). There was a net transfer to local businesses through investments funded by the

state but the local investments provided by the central government and mainly large businessmen and contractors benefited from the public bids. In this period municipal revenues did not increase but the government extended financial aid and credits to municipalities.

Despite the popular rhetoric of the Democrat Party, the governance structure did not change and local administrations remained weak institutions. The role given to municipalities with the 1930 Municipality Law which sets out the duties and responsibilities of municipalities did not change substantially until the 1980s (Bilgen and Özcan, 1988). As Güler (1992) points out, in this law there is no centre/periphery relationship defined. Municipalities were also excluded from any active political or economic decision making power at the local level. As an extension of central government, their prime role has been to regulate local commercial life and to provide local municipal services. Therefore, municipalities were kept out of any local political and economic power building. With increasing urban growth, their role diminished even more to include only cleaning, garbage collection, and other service provision.

2.3.1.3. Municipal powers in the 1960s and 1970s. The pressures of rapid urban growth increased the importance of municipal governments and urban planning from the 1960s. The urban population reached 42% of the total population and the number of municipalities increased to 1386 in 1975 (Güler, 1992). But the central power expressed by the İller Bankası could not cope with the increasing pressure to finance urban development nationally. During this period the structure of the local municipal councils changed along with the emerging new urban groups. In the 1950s small artisans and businessmen controlled these councils and they were not integrated into and sometimes even clashed with large merchants and industrial capital.

This tension became more acute with the increasing industrialisation and the gradual elimination of the craft sector throughout the country. As a result, the influence of traditional artisans and small businesses was reduced in the municipal councils. New social forces emerged with industrial and trade businesses and the working classes of the new *gecekondu* occupying between 45 and 60% of all the major towns. However, apart from the metropolitan cities, when we look at the business developments in our survey towns this transformation has been less polarised between classes and business groups (Özcan, 1995a,b).

During this period, local revenues were collected by the centre and used for industrialisation and not local but large businesses in metropolitan towns benefited from state contracts. Local revenues were reduced and municipalities remained economically and politically weak (Güler, 1992).

However, the 1970s also witnessed the increasing importance of municipal governments and urban planning under the pressures of rapid urban growth and the rising power of social democrat politics at both central and local levels. The social democrat municipalities in major metropolitan cities introduced new concepts of local governance in the 1970s. They redefined the municipal government concept for the local people and emphasised democratisation and public participation. But this was also an experimental period which introduced another form of non-market forces through municipal enterprises. The social democrat municipalities tried to solve the worsening economic conditions and

shortages in the aftermath of the 1970s oil crises through municipal corporations and co-operatives.²³ The 1970s ended together with hyper inflation, political instability and street terror.

Social democrats demanded more power at the municipal level against the right wing central government in Ankara. They argued that the real owners of the local governments, local problems and solutions were the elected municipalities and the local people. They stressed the immediate need to have new power and resource sharing between local and central authorities. The clash between the central government controlled by right wing coalitions and left wing local governments exacerbated these problems and made life difficult for both local governments and the majority of residents. Göymen (1980) described this period as one when: 'the urban population got stuck between responsible but powerless elected municipalities and irresponsible but powerful central government'.

2.3.2. Liberalism, Islam and decentralisation in the 1980s and 1990s

Following the political polarisation and street terror of the late 1970s, Turkey had its third military intervention in the form of the second coup d'état in 1980. The Motherland Party (ANAP) came to power in the 1983 elections with a liberal economic message. Starting from the early 1980s, Turkey experienced market decentralisation from the centre with new liberal policies. The development of a free market economy, liberalisation of foreign trade, elimination of price controls and monetary policies have been pivotal elements of this transformation. The 1980s witnessed a new alliance between small businesses and large capitalist classes at the national and municipal level (Güler, 1992).

In the 1980s, as rapidly growing Turkish cities became hard to govern by a single municipal body, there was the need for a new municipal structure, a new co-ordinating body, and new powers for local authorities. There was also growing tension between the municipalities in major urban centres and the central government exacerbated by opposition parties during the 1970s. The interim military regime of 1980–1983 tried to centralise the municipalities and weakened the left-wing municipal administrations.

However, as Heper (1991) points out, the military government also tried to solve urban problems and took strong measures concerning municipal revenues. The real re-structuring in the municipal government, however, came with the Motherland Party victory in the 1983 elections. In 1984, the Greater City Municipalities Act introduced a new concept. This act defines the roles and responsibilities of small municipalities and districts and their relationship to the greater city municipality. This marked an important step for decentralised and more independent local governments as well as a new opportunity for local participation and democracy (Bilgen and Özcan, 1988).

The restructuring of municipal services in major urban centres was informed by the assumption that metropolitan municipalities and the district municipalities together formed a unified entity. This notion clashed with the perception that the district mayors had of themselves and of their municipalities. The district mayors placed great store in the

²³An interesting development since the 1970s is the increasing number of co-operative arrangements among neighbouring municipalities. Currently there are 13 unions of municipalities across the country, mostly in western Anatolia. The Kocaeli Union of Municipalities, established in 1990 with 42 municipalities, under the Izmit (Kocaeli) Greater City Municipality is one of the best examples. See, Kocaeli Belediyeler Birligi, (1996).

fact that they were elected and, therefore, that they were responsible for providing services to the people. In contrast to the earlier periods, most of these mayors had a private sector background which in part explained their dynamism. Both metropolitan municipality and district mayors often established grandiose projects in the hope of electoral gains. However, according to the findings of Heper (1991) the two-tiered metropolitan municipality structure had been a success. However, the district mayors had complaints about their misperceived roles: they resented that they did not have adequate autonomy. Furthermore, they disliked the interference of the bureaucrats of the metropolitan municipality.

One of the concomitant features of the high level of performance of the new metropolitan municipal system has been the heavy debts taken on by most metropolitan municipalities. Given the high level of inflation in Turkey in the mid-1980s, the central government set limits to borrowing by municipalities, and Law 3394 enacted in 1987 expanded the scope of the tutelage of the Ministry of Public Works and Resettlement over metropolitan municipalities. The Ministry acquired the authority to take over temporarily, upon the approval of the Prime Ministry, all powers belonging to municipalities concerning city planning.

Heper (1991) argues that on the whole the post-1980 attempt at decentralisation has been successful. The recent developments towards re-centralisation at different levels should not be taken as a significant reversal, but as corrective measures against what was perhaps an overly ambitious design.

Despite this optimistic interpretation, municipalities have remained small institutions compared to the central government. The total number of employees working at municipal level increased along with the increasing number of municipal governments. In 1931, there were only 498 municipalities with 5180 employees. In 1975, the number of municipalities reached 1654 and employees 64,157. By 1990, these figures were 2100 and 106,267, respectively. This clearly indicates the size, functional role, and power of the local governments in Turkey. However, this dramatic growth is proportionally small since municipal workers never constituted more than 10% of the total number of civil servants (Güler, 1992).

Increasingly, central government in Ankara is no longer able to control local developments. This change has come about together with the increasing industrialisation in the provincial towns of Anatolia and a rise of new urban classes with non-cosmopolitan and traditional values. The liberal policies contributed to economic development by encouraging entrepreneurial activities, loosening the control of the state and diversifying social class structure in urban areas. The indigenous SMEs and strong rural links have sustained the local economies of many Anatolian towns. This in turn created a new urban class with some resentment towards secularism, cosmopolitan structures and state bureaucracy. The rise of political Islam has also both contributed to and exploited this character of small town development. In the 1994 local elections, the left and liberal right parties lost the management of metropolitan cities for the first time. The rise of political Islam in municipal governments has earmarked a differentiation of political priorities between local and national politics in Turkey during the early 1990s.

In the 1999 general and local elections, the Islamist party (Virtue Party) lost its appeal.²⁴ It placed third in the general elections but managed to retain Istanbul and Ankara metropolitan municipalities. The most significant result of this election, however, is the extent of

²⁴For an interesting discussion on centre-periphery relation see also Birtek (1994).

the variation between local and national preferences. ANAP, which came fourth in the general elections, held the most municipalities. Similarly, while HADEP, the party which represents Kurdish ethnic and political interests, gained only around 4% of the national vote, it managed to win control of 16 small municipalities in eastern provinces.

However, despite favourable conditions for a new centre–periphery formulation towards decentralisation in Turkey in the 1990s, there have been serious political difficulties in implementing them. The most significant handicap comes from three partly related issues. The first one is the undemocratic nature of party politics which is based on a cult of leadership in Turkey. This structure naturally encourages centralist tendencies and narrows group favouritism in politics. From the definition of party policies to the preparation of local party candidates, the party leader and his/her team controls everything. Along with the centrist tendencies in the party politics, the political pollution has recently been a major concern in Turkish politics with increased number of corruption cases and the increasing influence of mafia groups. The credibility of the state has been seriously damaged by various scandals coupled with the mismanagement of the economy. The Susurluk incident and others have dramatically highlighted this political pollution and the nasty links among politicians, feudal lords, and the mafia groups.^{24a}

Second, the impact of the 1980 coup d'état and the Kurdish separatist guerrilla movement (PKK) have reinforced centralist tendencies in Turkey and also strengthened the army's central role in safeguarding the Republic. Fighting methods against the PKK have created dismay among the population and further eroded the credibility of the state. Although the PKK never respected human rights and followed a bloody campaign against both civilian and military targets, the anti-terror methods via mafia groups have widened the human right abuses and weakened the respect for state authority.

Thirdly, the worsening relations with the European Community in the 1980s reached a climax in the aftermath of Turkey's exclusion from the list of potential members in the Luxembourg summit.²⁵ This process has hampered the diffusion of new ideas and institutions in Turkish society within the process of integrating European Union's governing mechanism. The EU has also turned a blind eye on the PKK terror supported by various countries and maintained an unproductive rhetoric by continuously condemning Turkey for its poor human rights record. The EU's de facto support for the PKK through one of its members, Greece, has also significantly affected Turkish politics and public opinion towards Europe and European institutions. The successes of the nationalist left (DSP) and the authoritarian right wing (MHP) parties in the 1999 elections were one reflection of this sentiment. Another reflection of this development is strongly linked to the clean image and the modest personal life of the party leaders of DSP and MHP.

^{24a}In 1996, a dramatic traffic accident or perhaps a planned car crush in Susurluk, uncovered an MP who is an eastern war lord, and a secret agent turned into a mafia leader and drug dealer in the same automobile with guns and heroin. The further enquiry of this event exposed a strong mafia influence diffused into the ministries and among feudal lords. The public prosecutor's report, which was not fully made public until recently, pointed out the links among politicians, mayors and mafia groups. For further information see Savaş (1998). There are also other pending corruption and mafia charges which also implicate several former prime ministers in Turkey.

²⁵See Uğur (1999) for a detailed analysis of anchor/credibility dilemma between Turkey and the European Union since the Ankara agreement in 1963.

CHAPTER 3

Local actions and capabilities

The previous section introduced the general structures and powers of Turkish central/local governments. This will help us to understand the dynamics and the role of medium-sized cities as well as different opinions expressed by institutions and local actors. This empirical part presents a diverse set of issues and opinions on local governments, municipal financial regimes, capabilities and conflicts at the local level in three case study towns.

The growth of medium-sized cities, along with the emergence of a new set of metropolitan cities, has altered the political and economic dynamics of Turkey and it has increased financial and political pressure for decentralisation. This part analyses this particular trend in the cases of Denizli, Gaziantep and Kayseri. The first section analyses the economic aspects of their growth and their relationship with national and regional trends. This section emphasises the invisibility of global strategic choices in development for cities. The crisis in the Denizli textile industry illustrates that nationally designed policies of technocrats and the lack of local business strategies can lead to disastrous consequences for a whole city's population and its businesses. The second section explores local initiatives. The case studies indicate the increasing number of local projects initiated by groups in each city. However, local projects do not always develop and run smoothly. Kayseri is an illustrative case for many Turkish cities. Three projects there are analysed in depth to examine the challenges facing local economic decentralisation and the sources of discontent. Highly fragmented local political allegiances, weak civic culture, and personal animosities make it very hard to realise local projects according to needs of local people.

3.1. Emerging medium-sized industrial centres: Denizli, Gaziantep and Kayseri

In all three cities, economic development has been based upon local craftsmanship, production workshops and commercial traditions that date back to the Ottoman Empire. Each city went through an economic decline during the late semi-colonial period of the Ottoman Empire. Following the migrations and expulsions of minorities, many Anatolian towns lost their most skilled craftsmen and artisans (Keyder, 1987). The recovery from this destruction was incremental, aided by the industrialisation policies of the state. Industrialisation in the Anatolian towns is in a way a continuation of traditional production in a more efficient and systematised manner. Despite this continuity, however, the scale and the character of the industrial diffusion is no longer confined to traditions and to a few original industries. We see an increasing pace of diversification in city economies. Even in Denizli where the whole economy is dependent on textiles, clothing and the weaving, the diversity of production techniques and work practices is remarkable. We also find sophisticated practices diffused into neighbourhoods and nearby rural towns.

Although the recent development is not based on direct investment by the state, early state capital investments in Denizli and Kayseri contributed to skills development in the

1950s. These investments, once the only source of technology in these towns, are now far out of date compared to state-of-the-art private sector machinery and know-how. However, the state played a crucial role as facilitator and burden carrier in the industrialisation process of Denizli, Gaziantep and Kayseri and indeed in industrialisation and economic growth in many Anatolian towns. The state supported market decentralisation by financing urbanisation, delivering opportunities through state procurements and tax incentives, tolerating tax evasion, and providing infrastructure investments. Table 3 indicates that İstanbul received the lion's share in public expenditure between 1990 and 1998. This data also show how incentive schemes were used to encourage the private sector. The sectoral incentives have also been effective in encouraging new business creation across the country.

When we look at the modern history of economic development in each town, several paths become remarkably clear. The economic development in Denizli, Gaziantep and Kayseri had its first push from the agricultural sector development. The modernisation in agriculture, which started in the 1950s, on the one hand increased the surplus value that was transferred to urban areas nationally through the central government, but also changed the life at family level through the migration of young men and the transfer of savings. However, this process increased the rural demand for agricultural machinery and domestic consumption goods. During this first push, many skills were developed through imitation and repair activities in all three cities.

The second push came with urbanisation. Increasing urban demand coupled with little competition in the closed economy of the 1960s and 1970s offered new opportunities.²⁶ Urbanisation both offered cheap young labour for the businesses and many niche markets for manufacturing as well as commerce and services. During the 1970s, all three cities suffered losses because of the emigration of skilled workers to Western Europe, mainly to Germany. But the city economies also benefited from the remittances of Turkish workers abroad. The gradual integration of the geography of economic activities emerged through the national distribution and franchising networks of large companies and also diffused new ideas, goods and business practices to small and medium-sized towns.

The real challenge and the final push came with the liberal policies of the 1980s and the gradual opening of the Turkish economy to the world markets. This process significantly contributed the technological and business advances in all three cities. The new opportunities have arisen with liberal policies and the export support system. During the early period, businessmen focused on Arab and other Middle Eastern markets. With the fall in oil prices and increasing confidence, many businesses entered the new markets in Europe, Russia and elsewhere. The emergence of the independent Turkic states in Central Asia offered another window of opportunity. Through increased trade and manufacturing opportunities, many businesses had a chance to grow. This process has been changing the character of the local SMEs from being inward looking and conservative to being adventurous and risk taking. There are also signs of the gradual diffusion of various

²⁶My earlier research (See Özcan, 1995a) allowed me to hear many interesting stories of the personal experiences of over 200 businessmen in this respect. Perhaps the most striking feature is the persistence and resilience of local entrepreneurs in adopting to new circumstances.

industries and businesses into smaller rural towns. For instance, the towns of Babadag and Buldan in Denizli, and Hacilar in Kayseri are becoming strong manufacturing locations alongside their agricultural activities. This may be the beginning of a long awaited process of industrial diffusion in Turkey.

My accounts in Denizli, Gaziantep and Kayseri, however, show that there are also many challenges in this process as well. What is also important to note is that this industrialisation is a relative process which must be compared to other countries.

The economies of Denizli, Gaziantep and Kayseri are based on traditional industries with no high technology base or high level of skill acquisition. They are consequently largely dependent upon imported foreign technology.

Indeed, the majority of SMEs are technology consumers rather than producers (Özcan, 1995a,b). Seen in this light, these economic developments signify a marginal shift for Turkey from a peripheral to a semi-peripheral economy. Nevertheless this is significant given its historical and regional context. Turkey is the 17th largest economy in the world according to its gross domestic product. It is certainly the largest economic power in its region, together with Israel. The implication of this for local businesses and cities is that future opportunities will require new adjustments. Not only are capital and knowledge going to be crucial in determining the role and place of Denizli or Kayseri in a wider region, it is also crucial that their communities have the ability to govern, to reach consensus and develop solutions for the needs of their citizens. Within this context a new definition of core and periphery, state and local is unavoidable.

3.1.1. A brief economic history of the survey towns

Gaziantep. The city economy greatly benefited from state incentives for industry before the Second World War.²⁷ The weaving industry developed in the 1930s and processing of agricultural products in the 1940s. During the 1950s and 1960s, Gaziantep did not attract any direct investment except for a cement factory in 1961. The construction of Birecik Bridge in 1956, which connected the city with Urfa and reduced transportation costs, opened the eastern and central Anatolian markets. It also re-established Gaziantep's link with its historical markets of Aleppo and Syria. Agricultural modernisation and mechanisation increased the need for machinery parts production and repair. In the following decades Gaziantep became a minor industrial centre of the Southeast in the repair and small scale production of vehicles and agricultural machinery. Commercial activities have also been historically important for the city economy. In 1992, there were 21,409 small firms employing around 60–80,000 people in the town (see Table 1). The city economy has diversified dramatically over the past 15 years ranging from food processing and machinery parts production to textile industries. Middle Eastern countries receive two-third of the city exports (Özcan, 1996c).

Kayseri. The city has been the principal industrial and commercial centre of central Anatolia for many decades. Because of its central location and proximity to Ankara, the city received high levels of public sector investments during the early periods of the Republic. The first state venture was *Hava İkmal*, an aeroplane factory, in 1927.

²⁷Yurt Ansiklopedisi (1984) provides a detailed historical analysis of Denizli, Gaziantep and Kayseri. See also Gaziantep Kültür Degisi, June, 1997.

Table 1

Industry and business establishments in Denizli, Gaziantep and Kayseri (1992) (source: State Statistics Institute, Ankara, 1992)

Sectors	Denizli	Gaziantep	Kayseri
Manufacturing (1–9 employees)	4849	5852	2810
Service	1648	2180	1528
Wholesale and retail trade	6237	13,377	8264
Total ^a	12,734	21,409	12,602

^a One should also bear in mind the large unregistered and unmeasured economy in Turkey. There are many small companies and business ventures in Denizli, Gaziantep and Kayseri that are not registered with the State Statistics Institute.

This was followed by a series of textile and weaving factories such as the Bünyan (1933) and Sümerbank (1936) cloth factories, and a sugar factory (1955). These investments created many jobs and developed new skills in the region that later on fed the private sector investments in the 1960s and 1970s. Building on local manufacturing traditions, food processing, furniture and carpet industries gradually developed (Özcan, 1996b). As Turkish agriculture became mechanised, Kayseri became a producer of farming equipment. In 1990, according to the Department of Industry, 60% of Turkish milk processing machines were produced in Kayseri. In the 1970s, the city became

Table 2

Some economic indicators on the regional disparities and the GAP in Turkey (1997) (source: compiled by the author from the statistical data sources of the State Statistics Institute (DİE) DİE, Ankara, 1999)

Province	Gross domestic product per capita (at 1987 prices in \$) ^a	Electricity consumption per capita (kW/h)	Number of motor vehicles per 10,000 population	Population per doctor
İstanbul	3201	1746	1253	567
Ankara	2621	1100	1722	329
<i>Denizli</i>	2355	1331	1331	1116
<i>Kayseri</i>	1486	1296	960	920
The GAP region				
<i>Gaziantep</i>	1704	1475	945	1771
Batman	1240	527	213	3326
Diyarbakır	1101	394	223	1610
Mardin	885	446	318	3124
Siirt	770	531	207	2558
Sanliurfa	1016	623	432	3068
Sırnak	546	273	551	4897
Kilis	1881	346	297	2656
National average	2068	1282	945	907

^a The Turkish Lira has been rapidly depreciating against the American dollar. In 1987 one American dollar was equal to TL 872. Some high per capita domestic product figures in the GAP region are due to large state sector plants (like the Batman petroleum plant). In the case of Kilis, the importance of border trade plays a significant role in the gross domestic product figures.

one of Turkey's first producers of consumer durables, manufacturing refrigerators, ovens and sewing machines.²⁸

In the 1970s the Turkish government and the European countries which hosted Turkish migrants tried to encourage joint venture investments in various Anatolian towns. Kayseri was among them but the experience failed.²⁹ Neither the city economy nor the managerial abilities were sufficient to exploit the chance offered by a Dutch initiative in the 1970s. Retail and wholesale trade occupies a central position in Kayseri's economy. Construction is the second largest sector, followed by furniture manufacturing. Some of the best developed firms of Kayseri can be found in textiles, retailing and wholesale trades. *Birlik Mensucat* and *Orta Anadolu*, set up in the 1950s, are large and internationally reputable textile companies in the town. In retailing, *Beğendik* department stores and hypermarkets, initiated by a dried fruits and nut dealer and wholesaler, achieved a big success in Turkish retailing. However, despite the success of its companies, the local economy is very susceptible to global business and competition. For example, the Kayseri meat processing industry slumped dramatically in the aftermath of the beef crisis in Europe. Carpet weaving, another important rural industry, suffered tremendous losses when cheap Chinese carpets entered the market.

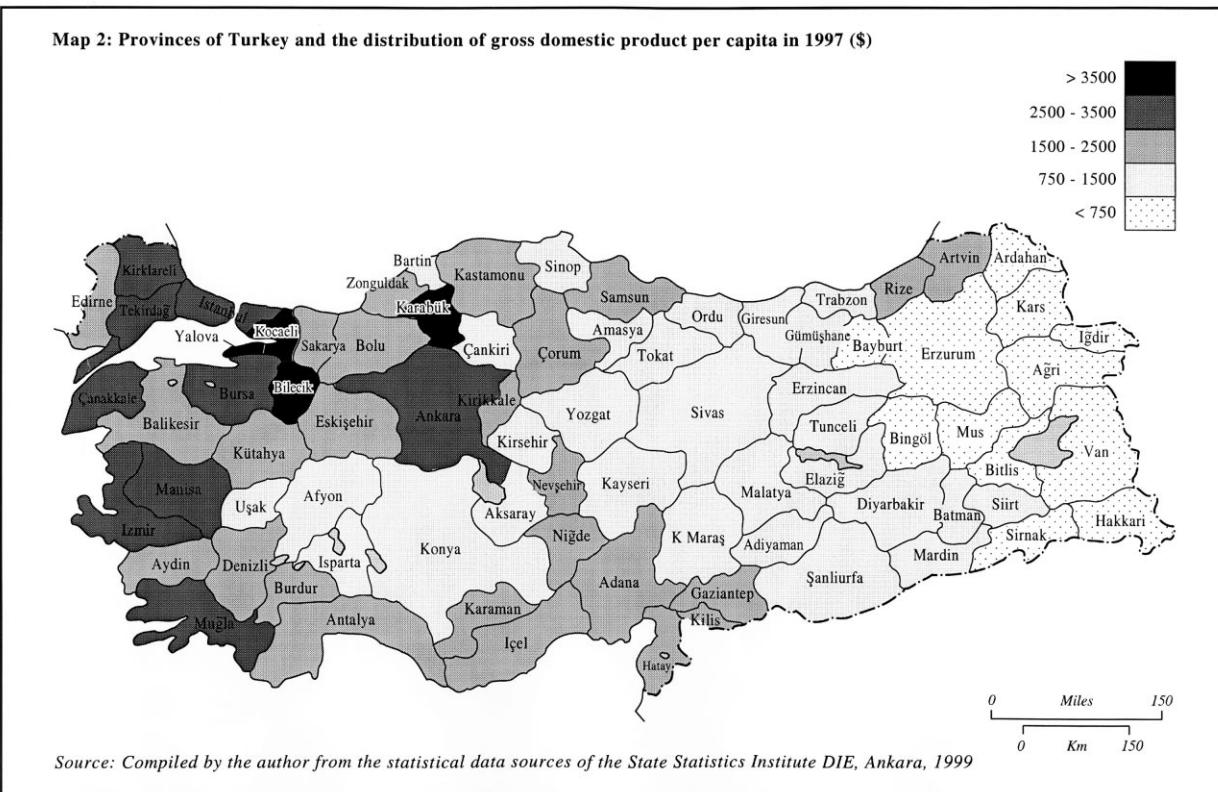
Denizli. The city and its surrounding towns have been an important trade and agricultural centre since the nineteenth century. Clothing and weaving are the oldest manufacturing activities and they still dominate the city economy. The Sümerbank Clothing Factory opened in 1953 and played an important role in introducing modern textiles and in upgrading skills in the town. State incentives given to large investors in priority development areas helped Denizli to acquire some big investments in the early 1970s. The companies in metal and iron work have been quite successful as well. Some textile firms including, *Ozanteks*, *Tümteks*, and *Dirlik Textile*, are now among the largest companies of Turkey.

The rich agricultural hinterland and commercial agriculture has had a strong and positive impact on the city economy. Most of the cultivated land is owned by the farmers themselves. The average income per farm and the average productivity in farming generally are higher than in other provinces. The export oriented textile economy of Denizli followed a pattern alongside the less desirable and uncompetitive products that were abandoned by İstanbul and Bursa producers. In the 1990s the single most exported item has become bath towels, whose production expanded into every quarter of the city.

Textile production activities covers Denizli like a net. Small and large businesses as well as households are involved in this industry. The complex sub-contracting and putting-out systems are linked to national and international markets through merchants

²⁸Velzen (1977) provides a fascinating and detailed analysis of the small craftsmen in Kayseri and analyses the early initiatives for industrial production in consumer durables.

²⁹See Penninx and Renselaar (1977). Kayseri missed an important chance to utilise European capital and technology for industrial growth. In the 1970s, international programmes encouraged and assisted joint stock investments by Turkish workers abroad and the Dutch government. In total, 38 companies were established in Kayseri with this initiative. However, due to poor managerial abilities, lack of business understanding, financial problems and abuses, only two survived and these subsequently changed hands. While many critics concluded that a multi-ownership structure cannot work in Turkey, in Kayseri's neighbouring town, Konya, Kombassan succeeded 15 years later under a private initiative with the help of Islamic charities and organisations.



Map 2.

and multinationals. Families are often parts of the flexible textile production process through their community bonds and social networks. Economic growth in Denizli, in textiles in particular, is based on incremental change and modernisation rather than on dramatic shift. Denizli's global competitive power in textiles remains fragile as a semi-peripheral cheap labour market. Indeed, the changing international dynamics in textile production with cheaper labour products from other markets and the economic crises of the late 1990s brought the city economy to a halt in 1999. I will analyse this crisis later in this text.

3.1.2. Economic growth, regional disparities and central planning

Turkey has made a considerable improvement in transforming its economy from a poor rural base in the 1920s to a largely industrialised country at the end of the 1990s. This transformation has not been without its perils. The inequality between regions and social groups in urban areas is especially striking. As seen in Map 2, the eastern and southern provinces of the country have significantly smaller gross domestic product figures. The medium-income urban areas patch the gap between the east and west in the country (see Table 2). If the current industrialisation through indigenous SMEs continues alongside the diffusion of large capital investments in smaller towns, there is hope for a better distribution of economic assets and income generating activities. Until very recently, however, capital accumulation had been from small to large towns. Growing successful businesses preferred to relocate themselves in large metropolitan cities.³⁰ This trend still continues but there is also a new phenomenon. Medium-sized Anatolian towns have had a new set of large companies that grew in the economic and social networks of their host towns and are not interested or willing to move away even if they have a diversified business.³¹ A new sense of business localism is emerging along with indigenous growth. This trend offers Turkey the opportunity to enjoy more balanced growth than might have been anticipated. But the geography of the national economy is changing together with the international trends and there are harsh and disturbing realities as well. The recent economic crisis of the textile industry in Denizli points out many dimensions, from the lack of professional management to ill-defined state incentives (see Case 1 below).

What is missing in this account is that businesses, chambers of commerce and industry, and the local authority did not take seriously internal competition in the city, competition from other towns and global competition, and did not act upon it. The global business atmosphere that Denizli businessmen had only a patchy understanding of through personal ties and subcontracting agreements has been changing dramatically. There is still no consensus in Denizli in understanding its position in the world. This confusion is intensified by the Asian and subsequently Russian economic crises. Here, my observations

³⁰ My earlier research indicates that there is very little cross-regional capital movement in Turkey. Many private investments in medium-sized towns have been realised by indigenous entrepreneurs. There is, however, a strong rural link within the capital transfer and accumulation process. The provincial cities are the epicentres of capital and skill transfers from their rural hinterlands. See Özcan (1995a,b).

³¹ In the survey cities, there are many successful local companies that are among the 500 largest companies in Turkey. For example, Karsu, Istikbal, in Kayseri, the Sanko Group and Naksan in Gaziantep and Troya Textile in Denizli are a few among many large companies that chose to remain and flourish in their home towns. There are many similar examples from other Anatolian towns such as Kombassan in Konya.

indicate that the simplistic and passive explanations are easy to make, such as the one I often heard: “the international capitalist powers/system does not allow us to be a major player”. But given the weaknesses of the local economy this is hardly surprising. There is an appropriate Turkish proverb for this attitude [*oynayamayan gelin yerim dar dermis*] ‘The bride who doesn’t know how to dance excuses herself by saying that she does not have enough room to move’.³²

Case 1 — Denizli’s experience from national hero to slump. In 1998, the Denizli textile sector went into its biggest ever crisis with many business closures and bankruptcies. This brought a halt to the city economy which for some time was dependent to the textile industry alone. The reasons behind this are many. The short-sighted vision and lavish expenditure on machinery created problems with credit institutions and the banks. Mr Zekai Zetinci of DEGIAD explained this in the following way: “The State Planning Organisation’s incentive scheme encouraged every opportunist to enter into the textile business and many firms were established in the local market. Ankara should have been more careful in giving these incentives. The banks worked hard to offer more and more credits. Denizli businessmen harboured hopes of good business prospects and spent a lot on Italian made modern machinery...Then when they had financial difficulties, banks and other lenders began attacking.”

Another explanation comes from Mr Zeki Metin, the Assistant General Secretary of the Denizli Textile and Apparel Exporters: “There were false expectations in the early 1990s. The businessmen expected to have a sharp increase in their exports to Europe with the customs union agreement between the EU and Turkey. Renewing machinery began and this initiated a competitive and dangerous cycle. The money gained from exports went back to Europe for new machinery. We should be able to have the technology to produce this machinery. There was and still is a sense of chaos. There is almost no emphasis on bench marking and brand name development in our textile sector here in Denizli. There are severe managerial problems. There are very few professional managers and technical personnel in Denizli. The family and/or individual control over business management damages the creative and professional vision. However, there is a new and better educated generation coming and I am hopeful that they will make a difference.”

Balanced growth was emphasised in the state policies and institutions until the liberalisation of the economy in the 1980s. The success of the pre-1980 policies in reducing the inequalities among regions and urban and rural areas has been limited (see Table 2). The Five-year Development Plans and the State Planning Organisation set up in the 1960s did not dramatically influence economic development in Anatolian towns. But it did contribute to the success of local economies by allocating incentives and transferring central government resources through development projects, infrastructure and other investments. The state also remained the only big entrepreneur in generating employment and production until the 1980s. The post-1980 politics focused on a few large regional development

³²My earlier research points out these weaknesses in a detailed manner ranging from imitation to lack of professional managers in these survey areas. See Özcan (1995a,b).

Table 3

Public investment, investment incentives and local government funds transferred to the metropolitan provinces in Turkey (source: Compiled by the author from the statistical data sources of the State Statistics Institute (DYE), Ankara, 1999; the Ministry of Finance 1998 data, and The State Planning Organisation, Ankara, 1999; Under-secretariat of Treasury, Ankara, 1999.)

Provinces with greater city municipalities according size	Population 1997	Public investment expenditures (1990–1998 total in \$) ^a	%	Private sector investment incentives in 1997 (\$) ^b	%	Local government funds transferred to metropolitan municipalities in 1998 (\$) ^c	%
İstanbul	9,198,809	2,313,905,400	3.6	4,497,247,300	18.9	665,000	53.3
Ankara	3,693,390	2,597,640,900	4.1	1,301,295,300	5.5	260,000	20.9
İzmir	3,114,859	1,732,815,100	2.7	1,762,495,400	7.4	97,291	7.8
Adana	1,682,483	354,704,970	0.6	1,175,445,900	4.9	27,241	2.2
Bursa	1,958,529	902,823,420	1.4	2,394,237,100	1.0	38,916	3.1
<i>Gaziantep</i>	<i>1,127,686</i>	<i>212,764,300</i>	0.3	<i>660,694,850</i>	2.8	<i>7783</i>	0.6
Konya	1,931,773	386,739,780	0.6	408,200,300	1.7	11,674	1
<i>Kayseri</i>	<i>974,035</i>	<i>136,489,530</i>	0.2	<i>461,977,130</i>	1.9	<i>11,674</i>	1
Antalya	1,509,616	463,501,800	0.7	744,578,800	3.1	15,566	1.2
Diyarbakır	1,282,678	526,695,110	0.8	274,185,560	1.1	3432	0.3
Erzurum	873,289	215,428,320	0.3	90,307,686	0.4	3144	0.2
Eskişehir	660,843	312,173,030	0.5	252,171,820	1.1	11,674	1
Mersin (İcel)	1,508,232	607,761,390	0.9	284,609,100	1.2	19,458	1.6
Samsun	1,153,763	462,040,940	0.7	68,033,481	0.3	7783	0.6
Kocaeli (Sakarya)	1,177,379	925,252,260	1.4	387,712,860	1.6	62,266	-5.0
<i>Denizli</i>	<i>816,250</i>	<i>174,938,410</i>	0.3	<i>407,176,150</i>	1.7	<i>0</i>	na
Multi provincial ^d		41,403,930,000	65	514,795,840	2.2	Na	na
Turkey general total ^e	62,865,574	63,677,120,000	100	23,737,669,840	100	1,242,902	100

^a This figure is given in the American dollar value of the 1998 TL prices. In calculating the 1998 dollar value May 1998 currency rate was used (US\$1 = TL256,950).

^b In calculating the 1997 dollar value, February 1997 currency rate was used (US\$1 = 139,720). The case study areas are given as italics in the table. Denizli is not a greater city municipality.

^c Source: Under-secretariat of Treasury. In calculating the 1998 dollar value May 1998 currency rate was used (US\$1 = TL256,950).

^d Investments which cannot be shared among provinces and involve more than one province are shown in multi-provincial entry.

^e The general total includes public investment expenditures and private sector investment incentives given to other provinces and multi-provincial projects.

projects. Among several regional planning attempts, the Southern Anatolian project is the most ambitious and comprehensive (see Map 1). This project is not only crucial for Gaziantep and its region but also the national economy (for further detail on GAP see Appendix F).³³

3.1.3. Local government funds and issue of fiscal decentralisation

Starting from the 1980s, there has been a major transformation in municipal governments with a new fiscal regime. The İller Bankası (Bank of the Provinces) and provincial administrations were the two major funding institutions for urban development projects. For a long time the İller Bankası had been the key institution in acquiring urban plans and infrastructure development projects for every city in Turkey. With the devolution of urban planning to municipalities in the mid-1980s, and the collection of the local property tax, the share of the bank and its regional directorates in local municipal expenditures began to shrink proportionally and a new form of municipal finance emerged with the increasing use of foreign credits and participation in international businesses and organisations.³⁴

This change mainly occurred due to a new form of decentralisation and localisation of service provision at the municipal level. The decentralised individual municipal procurement procedures expanded the opportunities for local businesses. On the one hand, this created new opportunities for the local SMEs and enhanced the power of municipal governments in the city and local party politics. On the other hand, it challenged the central power of İller Bankası and the political influence of large businesses in obtaining public procurements. The increasing velocity of small municipalities expanded local opportunities for local party members and small interest groups. This marked a localisation in the provision of services at the municipal level. The expansion of municipal activities nation wide and de facto decentralisation of public procurement at the hand of local governments also enhanced the integration of small and large firms around local projects with increasing opportunities for all. The rise of Islamist politics has coincided with the successful penetration of local interest groups into the urban politics and municipal administrations. The biggest asset for creating *new wealth* has been land speculation and construction. These activities not only created new local giant businesses but also yielded quick returns.

Another important change has been in the increasing use and influence of foreign credits and international institutions in local infrastructure project development and funding (see Güler, 1992; ADA debate, 1996). There has been a significant expansion in foreign credits for urban projects starting from 1985. This new model has three characteristics. First, its source is based on private national or international capital. This marked a total shift in centre–periphery relations by allowing municipalities to bypass the centre through their direct links with international organisations and banks. Second, the performance, provision and construction of local services are given to the private national or international companies. Finally, this model is implicitly based on the principle of charging the costs of

³³Another recent regional development project, DAP [Doğu Anadolu Projesi] was launched for the eastern provinces by the State Planning Organisation in 1999.

³⁴For example, the share of the municipalities in the total local public expenditure increased from 29.8% in 1980 to 74.3% in 1989. See Güler (1992) and Falay (1997).

construction and maintenance, company profits, plus interest and inflation charges, to the local people.

Some researchers argued against the use of international organisations such as the World Bank by local governments and privatisation in municipal services (see Güler, 1992, 1996). Some even argue that the World Bank and other international institutions have been trying to weaken and undermine central power by their preference to allocate resources directly to local authorities.³⁵ These arguments also reveal a mistrust of locally elected bodies and municipalities vis-a-vis central organisations in Turkey. These sceptical opinions presume that public interest can only be defended with national interests which can only be maintained with national independence.

But the most important point in this debate is the significance of municipalities in providing public services and forsaking the benefit of the local people. The post-1980 period seems to have lost the ideal of social democrat municipal principles (see the ADA debate, 1996). Another area of concern is that the tendency to go global even before being fully national and local is a potentially very damaging process for a developing country. For example, Kulaksizoğlu (1996) argues that there is an urgent need to reform and regulate financial institutions concerning local governments and national bodies like the İller Bankası. Shah (1998a,b) rightly brings the issue of modernising national institutions before localising and decentralising in his discussion on fiscal policies and democracy. But he also argues that decentralised fiscal systems offer a greater potential for improved macroeconomic governance than centralised fiscal systems.

This argument has proved its validity in the light of the recent financial insolvency of municipalities in Turkey. This development indicates some disastrous effects in municipal fiscal regimes as municipalities lacked careful planning, managerial expertise, and a workable credit payment model. Recently many municipal governments went into fiscal crises because there has been no transparent accounting or any fiscal analysis of foreign and internal debts of municipalities over the years. De facto decentralisation in fiscal regimes proved to be a total disaster for municipal governments as the unpaid debts of municipalities reached record levels in the late 1990s.

One recent article in the Turkish daily *Sabah* gives an alarming signal of debt and financial insolvency in many large municipalities of Turkey.³⁶ This media interest in municipal finances is also linked to the outcry of newly elected mayors following the April 1999 general elections as many newly elected mayors have recently began to realise the severe financial burden on their shoulders. The issue is even more complicated by the role of central government and legal action from the trade unions of municipal workers, who have not been paid their full salaries, against the municipal authorities. Many municipalities have begun laying off their workers and selling their assets to overcome the cash-run problems.

It is impossible to have an access to the municipal finances in Denizli, Gaziantep and Kayseri. But the general trend in municipal fiscal regimes and public procurement has

³⁵A conference on the urban infrastructure and financing municipalities was held in 1996. For a wider set of issues see Kentsel Altyapı Finansmanı ve Örgütlenme Sempozyumu, İller Bankası, Ankara, March 1996.

³⁶Only Samsun does not have any debt among metropolitan cities. See *Sabah*, Turkish Daily, 6 July 1999, "Crisis on the pavement".

been along the above-described path. For example, the Gaziantep greater city municipality has \$300 million debt to international creditors. The total credit was used for the sewage, water treatment and urban development projects. The municipality also has \$20 million tax debts to the central government while the central government institutions in the city owe \$22 million water consumption bill to the municipality. The mayor Celal Doğan suggests having a reciprocal moratorium with the central government. The Yamaña Dam case in Kayseri, presented in Section 3.3, is also a typical example of the foreign credit use by the local authorities under severe financial restrictions for large development projects. The real problem with this present model is that while local businesses benefit from the project finance through the increasing business opportunities and public procurement locally, the financial burden and debt under careless fiscal regimes of municipal governments leave the whole financial burden on the local taxpayers, who hardly have any control over the municipal finances or even affairs. There appear again the issues of participation, representation and accountability in governance.

Redistribution is another issue in the fiscal regime. According to the Ministry of Finance 1998 data based on the ratio of local revenues to local expenditures, 16 provinces in Turkey are sources of net income transferring areas. This shows the dependence of the remaining 64 provinces to the redistribute powers of the central government. Denizli (97) and Gaziantep (88) are almost self-sufficient while Kayseri (63) appears to be a net income-receiving town. As far as the tax revenues are concerned, the majority of the central government tax revenues come from three prosperous industrial centres of İstanbul (41.56%), Kocaeli (14.24%), Ankara (13.85%).³⁷ These figures prove the well-known fact that the tax evasions are widespread across the country, especially by the SMEs and the sectors out of the registered economy. This is an important handicap for both local and central governments in realising redistribution, allocation and infrastructure projects. Similarly, the small share of the local governments' fund is another limitation for local governments (4.2% of the total GDP in 1998). As seen in Table 3 the central government has been trying to meet the needs of local governments through various schemes of public investment, investment incentives and local government funds.

Although advocates of the decentralisation in Denizli, Gaziantep, and Kayseri and local business leaders argue that revenues and local taxes will dramatically increase if the local people were really in charge of their city, there remains two major problems. One is that there ought to be a reallocation model due to needs of large rural and undeveloped regions and infrastructure investments like the Southeastern Anatolia Development project (GAP). This requires a central government fund to be fed by the local revenues of wealthy provinces and a fair re-allocation model. The second issue is that municipalities and the central government ought to move to a more transparent, accountable and decentralised fiscal regime and control. This is a subject for another study and it is not our intention to discuss the fiscal decentralisation here.³⁸ But, as recent economic and fiscal crises in the municipalities indicate, there is an urgent need for fiscal reform within the decentralisation process.

³⁷For further detail see the web page of the ministry statistics on local governments at www.muhasebet.gov.tr.

³⁸For further discussion see the three excellent papers on fiscal decentralisation by Shah (1997, 1998a,b).

3.2. Local initiatives and consensus building

This section is devoted to the issues and cases related to the local initiatives with a special emphasis on consensus building at the local level. The cases presented here indicate the diversity of issues ranging from the influence of Islam in local matters, the weak position of women, and the importance of individual charisma. This section also indicates different strengths and weaknesses of the three survey cities. Denizli is the city with the most active and well-organised women's groups in local politics whereas Gaziantep appears to have one of the few examples of a local consensus platform among different groups as well as between its municipality and governorate for economic development projects.

3.2.1. Social solidarity, Islamic values and business

Local business families have been traditionally active in solving the problems of their city and helping the poor. One relatively recent development since the 1980s, however, is a widespread application of Islamic charity and solidarity concepts in Turkish society with a rise of political Islam. This is filling the vacuum left by the inefficient social security infrastructure and state protection extended to the urban unemployed and poor. The liberal development strategy has helped private enterprise rapidly flourish in Turkey but also created an unproductive rentier class with a widening gap between social groups. As a result, the income distribution in Turkey has worsened during the last two decades (Boratav, 1994).

The gap between rich and poor abandoned by the never-strong-state social security or local government institutions have been filled by various charities. The state and presidents have also endorsed these types of charity investments. Donors were portrayed as honourable citizens whose example ought to be followed. However, the most influential and better-organised of them all are various Islamic groups (*tarikat*).³⁹ In addition to that, local businessmen have been building schools, making donations and giving scholarships through their family or/and business associations. For example, the Nakipoğlu family engages in their own version of Islamic charity:

Case 2 — The Nakipoğlu family in Gaziantep. Osman Nakipoğlu and his family own one of the 500 largest companies in Turkey. Mr Nakipoğlu is also the head of MÜSİAD. The Nakipoğlu family is close to Islamic business associations and also the Fetullah Gülen group. The family built a boarding school for the poor and also a primary school in Gaziantep. In 1998, there were 153 students financially supported by the family. However, the family initiative of social charity is closely linked to its *tarikat* ties and is part of a distribution of roles within its Islamic network of businessmen.

However, the rise of Islam in Turkish politics and culture as well as in medium-sized cities like Denizli, Kayseri and Gaziantep cannot only be explained by the liberal policies, charity tradition, and the widening gap in Turkish society. It is more a part of a much larger

³⁹This later created a dilemma in public education with increasing number of Islamic religious schools. In 1998 the 8 year compulsory education programme aimed to bring a regulation to the education system away from the Islamic pressure groups and tarikats.

debate on identity, past, and present.⁴⁰ The increasing role and intensity of religiously motivated groups in all survey areas is an important indicator of a new dynamism of change. This, nevertheless, brings various methodological problems about how to explore these organisations and their role in local economic development within the process of democratic participation.⁴¹ My interviews indicated that these groups and associations often extend far beyond their registered official façade. In terms of the business exchanges and local initiatives, there is very little known about the depth and structure among Islamist businessmen and local politicians (see the case studies of Kayseri).

This is partly due to harassment of radical Islamist politics by state prosecutors. Another important reason is that these groups do not subscribe to the general concept of democratic participation.⁴² Therefore, they are not necessarily open to everybody and the respect for the leader or religious Hoja is a totally different form of authority from the elected members of chambers of commerce or associations. This, however, does not necessarily prevent them from being fair, just and participatory. Indeed, the advising and counselling are two important elements of debate in traditional Islamic practice. Similarly, business groups within various forms of Islamic networks have also been very successful.

Kombassan of Konya, a neighbouring town of Kayseri, is an interesting case to demonstrate the different but successful Islamic business ethics and the tensions it creates within the Turkish business establishment.⁴³ Kombassan is a conglomerate which had sales of DM1bn in 1998 and it has 40,000 shareholders, most of them Turks in Germany. It employs 25,000 people. The company does not use banks, not only because of extremely high interest rates, but also because it is held to be against Islamic principles. In the Islamic style, it simply offers investors a share of the group's profits or losses. Mr Hasim Bayram, the chairman of the conglomerate, initiated the business venture by collecting shares from Turkish workers in Germany in the late 1980s and since then Kombassan grew very fast and diversified its companies in order to participate in almost all sectors of the economy. It acquired Petlas tyres and made it more profitable, it successfully initiated a Turkish retail chain, Afra, and recently acquired 'Hit or Miss', a US retail chain. The company has plans to acquire another retail chain in Germany and to open a factory in the Netherlands. Kombassan is becoming a global business with the recent acquisition of a small Chinese retail chain.

⁴⁰See Shankland (2000) for a wider debate on Islam in Turkish society and politics.

⁴¹I had various accounts with different Islamic groupings and associations in three towns. I was kindly invited to attend one of the MÜSİAD social meetings attended only by men in Kayseri. I also had many interesting talks with leading Islamists in Kayseri and Gaziantep.

⁴²The term 'radical Islam' itself is unclear. The Islamic party (the Welfare Party) came into power first in 1994 elections with 21% of vote and was closed down in 1998 following the radicalisation of the party during the short Welfare-led coalition government. The party leader, Necmettin Erbakan, was given a 5-year ban from any political activity. There were also allegations of corruption and nepotism around various Islamic business networks. The Welfare Party reformed itself under the name Virtue Party and became only the third party in the 1999 general elections. In the 1990s, Turkey has experienced an increasing tension between the secular minded army, politicians and civic associations and the Islamists. Recently, this tension expressed itself over the issue of wearing a head scarf by a Virtue Party MP in the Turkish parliament. Turkey's secular establishment see the rise of political Islam as a clear violation of the secular constitution.

⁴³This analysis of Kombassan is based on an interview with Mr Adnan Şahin, the managing director of Petlas, a very successful Kombassan tyre factory, on 6 June 1999 and an article by Leyla Boulton on Kombassan in the *Financial Times, Turkey Survey*, 15 June 1999.

However, alongside this business success, the company is in trouble with the legal authorities and the Capital Markets Board (SPK — *Sermaye Piyasası Kurulu*). The Capital Markets Board suspects that Kombassan, a closed, joint stock company, which claims that it has raised its capital from 40,000 shareholders and from Konya-based investment groups, is wooing investors by promising high fixed returns without demonstrating how these will be achieved. As in the case of Islamic associations and groups, the real question here is the issue of being 'unknown and closed'. The SPK inspectors argue that they have the right to inspect a publicly listed company on behalf of the investors, but the books of Kombassan remain closed and they are not transparent. These serious concerns were brushed aside by Kombassan as political propaganda fuelled by longer-established conglomerates based in Istanbul which resent the competition from provincial towns. Mr Şahin, the managing director of *Petlas*, a Kombassan subsidiary, complained that due to continuing legal harassment in Turkey, the company had to choose to expand abroad. He also argues that the allegations about Kombassan offering financial support to the Islamist Virtue Party are just untrue. The Kombassan case, however, symbolises the immediate need for integrated business policies which will bring Islamic businessmen towards the establishment within a new consensus on transparency and accountability by all business and social organisations.

There are business associations formed around Islamic ideology in Denizli, Gaziantep and Kayseri. Since these are not always clearly registered as associations or institutions it is often very hard to pin down their organisational structure and local activities. Such groupings are quite common among local businessmen but also very active among women. There are numerous businessmen's associations under various names with different tones of Islam involved in their business practice (MÜSİAD, HÜRSİAD).⁴⁴ But perhaps the most significant of their characteristics is that they represent the Anatolian indigenous capital vis-a-vis large and cosmopolitan capitalists in Istanbul and their organisation (TÜSİAD).

There are territorial, cultural and a competitive gaps between many local SMEs and large cosmopolitan businesses. Indeed, Islamic party propaganda has continually used the division between Anatolian small businessmen and cosmopolitan westernised businessmen. They characterise the first as being comprised of hard working, religious people who rely on indigenous capital and traditional values. Cosmopolitan businessmen are considered to be under the influence of western oriented capital, to have lost their traditional identity, and to have prospered by exploiting local sources of capital. In summary the Islamist regard themselves as defending local businesses against a vacuous, immoral, and exploitative economic force. This stereotyping may be true to a certain extent but with the successful growth of Islamic businesses at home and abroad, this ideological rhetoric lost its initial appeal. After the unsuccessful engagement of MÜSİAD into Islamist politics in Turkey, it lost supporters and a splinter group, HÜRSİAD,⁴⁵ emerged in Gaziantep and other provincial towns. Meanwhile MÜSİAD, also lost its popularity in Denizli and Kayseri.

⁴⁴The Independent Businessmen's Association (MÜSİAD) is the first association set up nationally with an Islamic ideology as its core business principle. Its close association with the Islamist Party (formerly The Welfare Party) damaged its reputation and caused an internal split during the mid-1990s.

⁴⁵The Free Businessmen's Association (HÜRSİAD) is believed to be a moderate Islamic organisation following the Fetullah Gülen Group.

We nevertheless need to explain what the contributions of Islamic business associations and groups are to local economic development and consensus building in the three towns. My evidence shows that these groupings represent to a certain extent a pluralistic society and have large numbers of people involved in them. Therefore, they are important and they ought to be taken seriously. There are many different interpretations of Islam and Islamic morals, often more actively shaped by individual leaders than by Islamic doctrine. One of my female informants claimed that there were around 30 different *tarikat*, Islamic brotherhoods, in Denizli. I observed a similar variety in Kayseri and Gaziantep, ranging from those with truly modern and pragmatic values to recidivist and rigid ones. One of the moderate and opportunistic sect is the Fetullah Gülen group, which is among the most influential. It runs over 500 schools worldwide and builds up international links for many small town businessmen. The chairman of MÜSİAD in Gaziantep,⁴⁶ Osman Nakipoğlu, explains the divisions among different Islamic businessmen.

Case 2 (cont.) — The Nakipoğlu family in Gaziantep. MÜSİAD emerged as a response by Anatolian businessmen to İstanbul oriented TÜSİAD which is dominated by certain groups and families. There are 3000 members of MÜSİAD across the country in 25 local branches. The association not only includes SMEs, but also big ones like Yimpas and Kombassan, (both have their base in middle Anatolia and a large number of shareholders among Turks in Germany). During the Welfare Party led coalition, Erol Yarar, the president of MÜSİAD, allowed the organisation to appear too close to the Welfare Party. This was criticised by different groups and also some of the members of MÜSİAD. Indeed, Fetullah Gülen said that the Welfare party came into power too early and it was a strategic mistake for MÜSİAD to appear to be close to Welfare Party politics. These resulted in a break within MÜSİAD and a new more pragmatic association appeared under the leadership of Fetullah Gülen, HÜRSİAD.⁴⁷ Then, MÜSİAD and Necmettin Erbakan, the leader of Welfare Party, broke and Erbakan, along with Toprak Holding, sought to set up *Anadolu Aslanları* (Anatolian Lions). Another development has been a recent initiative by TÜSİAD to incorporate the Anatolian business capital through young businessmen's associations in various medium-sized towns.

This variety and diversity of Islam in Turkey is important for decentralisation and consensus building at the local as well as national level. But there is a set of theoretical and methodological questions in analysing Islamic group representation in a democracy. The main problem is that these organisations cannot be considered participatory, democratic and open institutions. They are, however, not necessarily anti-establishment and anti-democratic. They also have strong links with the party politics. The rise of Islam in Turkish society has not been against the will of the Turkish state but was rather assisted by state policies in the process of

⁴⁶Mr Nakipoglu is the owner of NAKSAN, a very successful plastic and packaging factory. MÜSİAD has 97 members in Gaziantep. He explained that the allegations and inquiries about the link between Welfare Party and MÜSİAD during the Welfare led coalition caused an erosion in the number of members.

⁴⁷The public prosecutors have recently opened an inquiry concerning the illegal activities of Fetullah Gülen and his followers. Several closed meetings of the Fetullah Gülen group unraveled a strategic intention towards setting up an Islamic State and order in Turkey. Mr Gülen refused these claims and currently resides in the States.

countering leftist and communist threats in the 1980s.^{47a} The integration of Islam in Turkish politics and business will also show new ways of representation and local consensus building. The local economic development in these three cities will certainly benefit from a more open and free dialogue among groups. A portrayal of a secularist and Islamist dichotomy in business is simplistic and untrue. The empirical evidence shows that there is a rich diversity within each local group. However, the secular-Islamist polarisation is also a possible danger for democracy as well as the local economy.

3.2.2. *The role of women in social and economic development*

Local women have a crucial role to play in both local economic development and decentralisation processes. However, the involvement of women in non-governmental and business associations as well as in local politics, is quite low in all cities but remarkably so in Gaziantep, a city of very open minded entrepreneurs, and in Kayseri.⁴⁸ Together with conservative small town traditions, the male domination of the market has developed its own value system and morals that often excluded female participation (Özcan, 1995a,b). However, this does not mean that women do not play any role. There are many female professional lawyers, engineers, school teachers and young university graduates in these towns. But in many cases their collective efforts are segmented and domesticated.

Denizli presents a contrasting case. These women are very active and well organised. One of my respondents stated proudly “we, Denizli women, are very active in every field of life and cannot stay at home as some others do”. Most of these women’s groups are linked to social democrat party politics in the city. However, there are other political groups actively supported by women in the city. In 1998, the 33 women’s associations in Denizli formed an action committee under the name, Women’s Platform, and agreed to meet once every month to discuss local issues and to speak with a collective voice.⁴⁹ Each association has a woman representative listed and these women regularly keep in touch.

The main ideals expressed by my respondents demonstrate a strong desire to live in a better physical and social environment. These women are very self-conscious about their responsibility for their children, relatives and overall community. From consumer

^{47a}Following the 1980 coup, the military rulers and their successors, a liberal conservative alliance, used and assisted Islam as a balancing power against left and communism in Turkey. Turgut Özal was the first president who used his religious affiliations and devotions as media shows in Turkey. For an analysis of the accommodation of Islam in Turkish society and politics see also Toprak (1995) and Shankland (2000).

⁴⁸This is similar to my earlier research findings on small and medium-sized enterprises in these towns. This earlier study emphasised the low rate of female business partners and professionals.

⁴⁹The Denizli women’s platform includes the following prominent associations: the Turkish Women’s Association, the Arts Association, the Foundation for Culture and Education, the Human Rights Association, the Environmental Protection Association, the Association for the Protection of the Consumer, The Republican People’s Party Women’s Commission, The True Path Party Women’s Commission, the Chamber of Dentists, the Chamber of Civil Engineers, the Chamber of Chemical Engineers, the Association of Retired School Teachers and the Turkish Education Foundation.

protection to human rights, a group of active women is fighting to establish certain new concepts in their society. Ms Kavak put it elegantly:⁵⁰

Case 3 — Ms Kavak on the role of women in civic associations. If we become a strong and a conscious society we will be successful also in economic affairs. Our goals are not just related or limited to consumers. We see issues in a larger and more universal perspective for the well being of our people and we defend their right to live in a healthy environment. Our fellow citizens (in Denizli) are not entirely conscious about these issues and we would like to awaken them. Local democracy will get stronger as long as civic associations remain active and effective in local matters, and that is what we are trying to do.

Apart from local awareness campaigns, another interesting local development initiative by active women's groups is the Turkish Education Foundation in Denizli. These women, who are very active in various civic associations and local politics, were rightly very proud of rising half a million dollars to open one of the most prestigious secondary schools in the town. Another example is the Contemporary Life Society (*Çagdas Yaşamı Destekleme Derneği*) which has 230 members who are very active in organising courses and training for local women, giving scholarships to poor students and arranging popular events for women. One memorable event was the Republican People's Party⁵¹ press conference during which the local female party members were presented. The focus of the meeting was to protest the government's low prices for the cotton crop, an important issue for Denizli's farmers. Apart from the villagers and farmers who travelled to the city for this occasion, women's groups attended the meeting in large numbers to demonstrate their solidarity with farmers. Although this was a political show, it was nevertheless a rare occasion in Turkish local politics.

These women do not represent the whole city, in fact they form only a small proportion of it, but their presence signals a very positive local initiative for consensus building through civic associations. The problems faced by many local civic associations in Turkey limit their success and diffusion further into the society. These problems are stated as follows: lack of finance and organisational skills; lack of international support; lack of information technology support; and limited local help and active participation.

There are also other groups that have expressed themselves differently. I was able to have access to one in Kayseri.⁵² The energetic leader of the Virtue Party in Kayseri, Ms Nevin Akyurt, is also the founder of MÜSİAD women's branch in Kayseri. She managed to organise women through her party office and with TV programmes on one of the local stations (*Elif Televizyon*). Ms Akyurt points out that the number of female party members

⁵⁰Ms Sefa Kavak is a retired civil servant and the head of the Association for the Protection of Consumers, that has 148 members including men, and also among the active members of the Turkish Education Foundation (TEV).

⁵¹The Republican Party had over 2000 female party members in Denizli.

⁵²There are many interesting practices of social solidarity and network formation among women in Turkey. I have known small women's groups gathering at homes making rotating 'gold days' during which they collect money from a fix rate per person to buy a gold medal for the host. This is seen as a form of solidarity and saving in a high inflation environment but also a form of entertainment. There are also other groups that form a charity or Islamic prayer groups.

rose from 25,000 to 90,000 with a very active campaign and social and health programmes.⁵³ Also a large variety of courses is offered ranging from aerobic classes to language lessons. Ms Akyurt explains her strong opinions about women.

Case 4 — Ms Akyurt on women, traditions and Islam. It is difficult to be a woman in a traditional society like Kayseri's. Most of the women feel very reluctant to express themselves in the presence of men...In recent years, though, many things have changed. Before it was difficult to bring women to meetings. When I began making [television] programmes with my headscarf, everybody, including religious people, criticised me. It was shameful for women to do this kind of thing. Now people accept it...When I go home late, I am not frightened anymore. I could not have done this 5 years ago. Our women should be productive as well as self confident...Sexuality and sexual differences are important. We should be aware of that. There are many women who are exploited and abused and our society does not have protective institutions. We help to protect them. We find them shelter and offer money. We, women, should also express ourselves in a dignified way without forgetting the rights of the individual, not just the rights of women.

Lawyer Handan Oral in Gaziantep has a different story. She is probably one of the most active and influential members of the local associations in Gaziantep but she is also a lonely soldier on an immense frontier. I first met her in 1990 when she was the only female lawyer working for the Chamber of Commerce and in 1999 she was again the only female member of the business delegation from Gaziantep to Russia and other foreign countries. She is unmarried and this makes her more mobile and free compared to her counterparts. There are only a handful of women's association in the town, most of which were set up and run by professional women. Gaziantep, like Kayseri, lacks active female participation in city affairs. The most common explanation is that the traditional role of women did not change for the majority of families in these cities. Ms Oral admits that professionally active women have failed to reach out and build a network among rural migrant women in the town. But through various associations there is now an effort to reach these groups as well. Ms Oral explains as follows.

Case 5 — Ms Oral on impediments to female participation in civic life. I have initiated many local projects and associations such as the Gaziantep Development Foundation, Gaziantep Women Graduates Association, Gaziantep Tourism Association but we are often the same active group of women and we hardly see new faces. I have many friends who are active in their professional lives and also manage to keep up with their family and children. Most of these women either do not have time for active involvement in local and professional affairs in civic associations or they do not see this as an important part of their lives. Close knit community and family ties often keep them busy and their roles as mothers and wives are far more important ...Islamic groups, however, work on different terms and they are better organised

⁵³The Islamist parties and groups have been very active and successful in getting female members into their organisations but the majority of these women remained inactive. In fact, the Welfare Party did not put any woman candidate's name forward during the previous elections. Its successor, the Virtue Party, tried to change this image by also including women candidates, some of them not in Islamic head gear.

among women. What they do is also simple though. Women gather at homes in small groups, eat, chat and exchange recipes and read the Koran or pray. This is not what we want to do, we desire to change things and influence local affairs.

For successful young women there are also other concerns as explained by Ebru Hanım and Figen Öğüt, who are the chief executives of the European Union Information offices in Kayseri and Gaziantep, respectively. The militant atmosphere in the late 1970s politicised many civic and professional associations and trade unions. This period ended with street clashes and violence which only stopped after the 1980s military coup. This scene created fear among many people but especially women and their families. The state policies after the military coup put legal and practical barriers in front of the political involvement of civic and professional organisations and, to a certain extent any organised behaviour.

As a result of these pressures, many young people did not have any experience in civic associations. They have also developed apathy towards the concept of an organised civic society. Ebru says, for example, that she was still under the influence of the brutal image of political antagonism of the pre-1980 period civic associations and trade unions in Turkey. Therefore, although she believes in the importance of being active in local affairs through civic associations, she hesitates to play an active role and she dislikes the conflicts and arguments. There are many examples of consensus seeking at the local level. Perhaps, as Göle (1994) argues, Turkish society has become more consensus seeking since the 1980s. I believe this has been a modest achievement in view of the 15 years of war in the southeast and the continuing tension between secularists and Islamists in Turkey.

The dilemma facing women in these cities are that they are often segregated from the male dominated business and local affairs. Their roles as mothers and wives are exaggerated to exclude them. However, there are no formal barriers to entry to local affairs for women. Successful women are praised and appreciated by the locals. The difficulties, which remain, are partly related to Islamic beliefs and local traditions. There is also peer pressure on women by other women. This peer pressure as well as male control play a very important role in confining women primarily to their domestic duties.

3.2.3. Management, participation and democracy in local governments

Personalities and charismatic leadership are very important in local affairs, but there are many differences between Denizli and Gaziantep. Entrepreneurial Gaziantep and demoralised, complacent Denizli are exemplified by the character differences between Mayor Doğan Celal of Gaziantep versus Mayor Ali Marim of Denizli.

Mayors of Denizli, Gaziantep and Kayseri⁵⁴ have different priorities and political views on the decentralisation of central government power to local authorities. But they all agree that local governments should have more power. Mr Celal Doğan, a social democrat politician, is the most articulate and enthusiastic of all. He has written on the subject and has clear proposals. Mr Doğan proposes that municipal government should be transformed into elected city parliaments based on wider participation of individual and group interests; jurisdiction of local authorities should be expanded to include financial

⁵⁴In April 1999 local elections, the Mayor of Denizli changed, but Mehmet Özhaseki, from the Virtue Party and Celal Doğan, from the Republican People's Party, were re-elected for Kayseri and Gaziantep, respectively.

independence and the provision of local services like education. He also believes that municipal enterprises should be privatised. He sees the current system of governance in Turkey as the major handicap for social and economic progress. In this model, it would be possible to create and activate more local capital if local people would be in charge. Local governments through this model can even reach a point of transferring resources to the central government. He is not alone in this view; there are other local businessmen and politicians who share this opinion.

Case 6 — The mayor of Gaziantep, an energetic advocate of city parliaments.

Municipalities should be transformed into local governments with full political, financial and administrative autonomy. By local governments, I mean any locality from a village to a metropolitan town...It is a shame that Turkey transfers only 6% of its gross domestic product to cities under such circumstances of fast urban growth. Under the present conditions of limited resources, municipalities are under a huge burden of borrowing and rising interest rates. All but major tasks and projects like foreign and internal security, airports, ports, roads and railroads should be under the jurisdiction of local authorities. The divisions of central government should be working under the control of the municipality. Education should also be under the jurisdiction of local authorities.

The village and district administrations should be transformed into municipalities. Local parliaments should include representatives of civic associations and other groups as well as elected members. Civil servants should be able to enter politics. This will rise the quality of these parliaments. Within this system, mayors would go to electorates with clear projects and financial packages. This will make cities exercise their own interest and priorities. Local parliaments should also have the right to introduce and collect local taxes according to project needs. The local citizen will follow how his/her taxes are being spent and transparency will be possible with a participatory public scrutiny.

All municipal enterprises should be abolished and all municipal services, from public transport to street cleaning, should be privatised. To establish large projects the mayor should be able to hold referendums. All foundation and treasury assets in a city should be transferred to the local authorities. This model will not create a divisive society. Some are worried about this due to southeastern Anatolia and the Kurdish issue, which might lead to autonomy. On the contrary, this won't happen and it will improve life in these cities.

The Mayor of Kayseri, Mehmet Özhaseki, is the former mayor of Melikgazi Municipality in Kayseri and the successor of Mr Karatepe after he was expelled from office. First of all, he complains about the pressure on Islamist politics. In his opinion the duality of mayor and governor is neither useful nor appropriate. The governorate should be abolished and a new regional province administration should be introduced. The municipal councils should also be straightened with wider public participation. He also stresses that the Ottoman foundation system based on voluntary and religious groups had worked well. People are able to realise local projects. In Kayseri, 80% of mosques, 80% of hospitals and 50% of schools are built through donations of local people and businessmen. Mr Özhaseki

points out the much repeated argument that there should be a war against the mafia and fraud.

The former Mayor of Kayseri, Şükrü Karatepe, was removed from his office due to a public speech he made. The court found him guilty of 'inciting hatred among people' and he was imprisoned for five months. Mr Karatepe is a scholar of constitutional law and an Islamist ideologue who was a legal advisor to MÜSİAD and HAK-İŞ.⁵⁵ He wrote two books during his imprisonment,⁵⁶ one on democracy in which he challenges the general view that Islam and democracy are incompatible. Mr Karatepe's main argument about decentralisation is naturally linked to political rights in Turkey. He argues that the Kemalist establishment and the military are blocking the democratic and religious rights of individuals and communities in Turkey as well as local governments. But he also points out that Ottoman and modern Turkish cities had no traditions of autonomous city communes and the differentiated social strata of merchants and entrepreneurs emerged very recently. He criticises the patron-client relationship in politics, including in his own party, and the increasing fraud and corruption in the society.

Case 7 — The exhausted mayor of Denizli, Ali Marım. Ali Marım from the Republican People's Party, had completed two terms in Denizli. Compared to my first visit to the city in 1992, I found him virtually exhausted by fighting for urban development with the limited resources of the city. He explained his feelings: "Denizli had an incredibly fast growth during past two decades. Yet, we do not have adequate resources to serve the needs of the ever-increasing urban population. Local governments in Turkey have been under the patronage of the central government. This is old fashioned and does not serve the needs of local people. We are even late to modernise our governance system. It is not the state but the local people who can solve local problems. The current parliamentary bill on decentralisation is far beyond what should have been done many years ago. Local authorities ought to be reorganised based on principals of local democracy."

The Republican People's Party members adamantly shared Mr Marım's opinion in a party meeting I attended. The mayor of Irlıganlı, a small town in Denizli province, and a

⁵⁵Like MÜSİAD, HAK-İŞ is a pro Islamic trade union organisation which has had close ties with the Welfare Party and its successor the Virtue Party.

⁵⁶See, Karatepe (1998, 1999). Karatepe's book on defending democracy is devoted to a debate on democracy and Islam and politics in Turkey. Although the book offers a positive perspective on the compatibility of Islam and democracy, it does not explain how a state and society based on a religion, a theocratic perspective, can tolerate other secular or different religious groups. The best model often comes to mind in the discussion is not a new but an old one. That is the model of the Ottoman Empire. In my opinion, the modern Turkish Islamist ideologues fail to recognise the fact that the Ottoman millet system which gave each community a sort of self-autonomy in communal matters within the definitions of an Islamic theocracy, was a successful multi-ethnic empire and it did not claim to be a democracy despite the late modernisation period of the governance in the eighteenth and nineteenth centuries. Moreover, the social strata and economic structure of that empire was not a capitalist society unlike modern Turkey. There is yet a new synthesis between democracy and Islam to come in the Islamic world. This will not be without its pains given the political and socio-economic problems of largely poor Islamic countries. But the transformation is gradually happening as Labor (1998) shows in studying the diversity and modernity in Islam. Turkey is probably the only place where the Islam and democracy synthesis is emerging.

member of the municipal council in Denizli, Zafer Kolçak, have argued that Ankara should no longer be the decision maker on local matters. Mr Kolçak said that local revenues should remain and be shared locally. Local governments should also be accountable to local tax payers. They also dismissed the concerns over mafia, corruption and ethnic or religious separatism in the process of decentralisation; ‘fear cannot thwart destiny’ [*korkunun ecele bir faydası yok*]. They also emphasised the importance of monitoring and limiting the powers of the mayor.⁵⁷

3.2.4. Concerns for local governments and decentralisation

There are many who are concerned about decentralisation due to chronic weaknesses of party politics and local democracy in Turkey. The municipal councils in these three cities consist of local businessmen, small merchants, retired civil servants and land developers. The current system does not have an open system to represent interest groups. Civic associations have been largely ineffective in influencing local government projects and programmes. As many emphasised, within the current system the municipal offices are closed to public scrutiny and mayors have often the total control over final decisions and local projects.⁵⁸ Therefore, unlike the enthusiasm of mayors for decentralisation, there are different groups and opinion makers who argue against decentralisation in Turkey. Their arguments come from their own experiences and disappointments.

In Gaziantep, Mr Beyhan Ölçer, the chairman of the Civil Engineers Association, and Ender Özdiç, the chairman of the Environmental Association, expressed their disappointment in their weak influence on municipal projects. Therefore, these opinions also deserve special attention. The Head of the City Planning and Development at the Gaziantep Metropolitan Municipality, Mr Yavuz Selim Ay, has no enthusiasm for decentralisation before a wide range of reforms in Turkish politics are made. Mr Ay, who has been working for the Gaziantep municipality for more than 10 years and is also an active member of several civic associations, argues that civic associations and professional chambers do not fully represent the public interest and in many cases work for small group interests in urban development. He is cynical about decentralisation in Turkey and believes that the social infrastructure and civic consciousness have serious faults in Gaziantep. Mr Ay thinks that those who defend decentralisation or localisation either do not know anything

⁵⁷ Supporters of reducing the importance and power of the state in Turkey also wish to see stronger individuals and society. One eminent economists, Akat (1994) gives the example of the lavish but unproductive Ankara and urges that unless Ankara relinquishes its irresponsible powers to a better and just politics, there is not much hope to solve the economic problems of the country. Those who oppose these claims argue that it was Ankara that initiated industrialisation and development in Anatolian towns and it is unjust and inappropriate to blame everything on the capital city. Implicitly, these opposing claims are also based on the antagonism between İstanbul and Ankara oriented businesses and intellectual philosophies. This is also a debate between the Ottoman past and Republican present. For many, Ankara is the symbol of a proud and independent nation (see Günay, 1996).

⁵⁸ A discussion by experts and politicians demonstrates the current bottlenecks in a fair public participation to local governance. These pundits emphasise a wide range of sometimes contradictory processes in Turkish society such as limits to free expression, weaknesses of the democratic culture, the lack of organised civic consciousness, the lack of political influence and the lack of political participation, alienation of politics from the local needs. There are also some successful cases of municipal governance and participation portrayed. The Muğla democracy platform is one of them. For more information see the ADA Debate (1996).

about the shortcomings of participation and democracy at the local level or they just ignore it.

Case 8 — Mr Ay on ineffective civic organisations in Gaziantep. There are many problems in Gaziantep but civic associations, professional organisations and chambers of commerce do not sincerely act upon these issues. For example, there are various public health issues that the chamber of physicians could and should be active in solving. They seem to show no interest, any action remains at the individual level. Even working for one day free of charge would be a meaningful gesture to demonstrate a sincere concern for the society in which there are those who are deprived of good health services. Similarly, the chambers of architects and civil engineers fail to regulate business practices even among their members and they also fail to address ethical problems such as illegal constructions, those developed by their members without the permission of the municipality. Instead they choose to follow small interest group politics at the municipal level. This attitude in return gives the mayor complete control over local affairs since interest group representation and civic participation have weak voices. They prefer to nourish their own interests.

In Kayseri, Mr Ali Bekarlar, the head of the Kayseri Bar,⁵⁹ and Mr Celal Karavelioğlu, Chairman of the Regional Administrative Court, both have long term knowledge and experience in various legal and judicial issues concerning urban development legislation and local authorities. For Ali Bekarlar, who was a municipal lawyer for many years, the local governments do not have competent staff and administrative structures. Those who run local governments have almost no understanding of their legal responsibilities and powers. He argues that municipalities are places where party politics distorts fiscal policies and revenue allocation. They argue that under present circumstances a decentralised governance system in Turkey would result in a wide spread loss and partition of cultural, environmental and historical assets of the country through corrupt members of the party elite and opportunists:

Case 9 — The municipal lawyer on lack of democracy at local governments. Currently, there are very many wrongdoings in urban planning and development issues in Turkey. Municipalities use urban land to create enormous profits for a small group of people. Therefore, decentralisation, without a democratic representation reform, would result a widespread loss of seaside beaches and other natural sites in our cities...There is an urgent need to secure the fairness and justice of the local government system...Local antagonisms and jealousies prevent co-operation for local projects. Our people have a weak tradition of democracy. Urban civic culture has just begun to flourish. Women do not fully participate in social and intellectual activities. Hence, where women stay backward, men can not move forward much.

⁵⁹The Kayseri Bar with its 421 members is acting as a strong pressure group in municipal affairs. The Bar recently requested the municipal minutes and financial reports to review.

Mr Celal Karavelioğlu, Chairman of the Regional Administrative Court, has written books and articles on urban development law and practice in Turkey.⁶⁰

Case 10 — Chairman of the regional administrative court. Within the current system, mayors have far too much power in municipal governance. In municipalities, mayors decide everything and there is no opposition to the mayor's authority. The members of the municipal councils are not effective and most of the issues discussed within the municipal councils are related to amendments to land use and planning decisions. The municipal councils have no vision and understanding of their city. In my opinion, the real need is to reform the current municipal administrative structure rather than to get into the debate of decentralisation.

Similarly, as the local evidence indicates there is very little co-ordination between the province administration and municipal councils.

3.2.5. Participation, pluralism and democracy

Organised business groups, trade unions and chambers of commerce have a relatively long tradition in Turkey.⁶¹ Among them, chambers of commerce have more than one-hundred years of experience. The 1970s witnessed an increasing number of professional associations and trade unions in Turkey. However, the 1970s also witnessed increased tension and confrontation, accompanied by violent street clashes among different organised groups of the left and right. Göle (1994) points out that this greatly hindered the flourishing of civil society in Turkey for a long time. Göle also argues that authoritarian tendencies embedded in these social struggles can be traced in the 'single-actor syndrome'. The 1980 military coup abolished almost all-civic organisations and established legal barriers to pacify civic associations. There are still some restrictions from this period over the political involvement of civil servants and professional associations and trade unions. Following the re-establishment of multi-party democracy, the gradual social harmony and liberalisation policies of the ANAP Government paved the way towards diversified interest groups and topics in the political agenda ranging from environmental issues to religious freedom.

Civic associations in Turkey gained a special momentum after the 1990s and especially with the United Nations meeting, Habitat II.⁶² Currently, there are many groups organised not only locally but also nation-wide and even globally.⁶³ Another contribution of Habitat II was that it helped, in a limited way, to diffuse new concepts into the Turkish public arena. The concept of governance, decentralisation, civic participation and democracy,

⁶⁰See Karavelioğlu (1997).

⁶¹For example, the first trade union, in modern sense, was set up after the Second World War. For more detail on the history of trade union developments in Turkey and their political involvement see Shabon and Zeytinoğlu (1985) and Mumcuoglu (1980).

⁶²The National Action Plan gave a platform for different professional, business and civic associations to interact with each other. Despite its limitations and the exclusion of some provincial elements, this was the first nation-wide dialogue among different civic groups. See Habitat II (1996).

⁶³Following the HABITAT II, various experiments began to flourish such as these: 21 municipalities organised themselves around a project of 'decentralised co-operation'. Similarly, the Koza (cocoon) model in İstanbul emerged as a flexible form of interest group representation.

quality management in municipalities, citizen and citizen models as well as public space and private space concepts have been discussed by scholars, opinion makers and civic groups since 1996 with more rigour and enthusiasm.⁶⁴

The influence of civic associations in national politics and local matters has been limited by practical, financial and cultural problems. Nevertheless, the increasing awareness of the public is a significant sign of an emerging diversity of opinion and collective concern for the society and environment. These are often stronger nationally than locally. TEMA (National Foundation for the Prevention of Erosion in Turkey) is one the most successful examples of this. TEMA was founded in 1994 in order to prevent soil erosion in Turkey and has been campaigning since then for the protection of meadows, grazing lands and forests. TEMA has also dealt with wider issues such as: the rehabilitation of forests, reform for villages in forest areas, legal changes for the protection of natural sites, etc.⁶⁵ Its most ambitious project is the forestation scheme which covers various towns from all regions of Turkey and is funded by public and private organisations in addition to the individual membership donations. The foundation is currently the most popular environmental front with over a million members in Turkey.

Case 11 — Dr İsmail Gökşen on volunteering for the future. Dr Gökşen, a psychiatrist, is an active member of four civic associations apart from the Kayseri branch of TEMA. He describes himself as someone who likes group work and respects human rights and law and order.

“Our struggle is soil and leaf politics. We are above the day-to-day political quarrels in the country and this makes us different. People respect us for that reason. Voluntary principles are important. We don’t elect but assign the executive council through a consensus mechanism here. People are ready for these kinds of projects, we only need to build trust. We have been collaborating with municipalities and getting sponsorship from businessmen and individuals. TEMA is also organised in the eight districts of Kayseri and we are rapidly extending our organisation to the levels of townships and villages. We have many active female members and have recently set up a women’s branch of TEMA in Kayseri. Our current forestation projects include Alidağ, Evliyalar Vadisi and many small village projects in Dilci, Han, Elçi.”

Apart from the increasing diversity of organised groups, political themes and the number of associations, there are also problems in reaching a fully pluralistic society. Most of the organisations have problems with membership and management structures. They are typically flawed in three ways: there are only a few active participants; they all have very small budgets and poor facilities; and most seriously, they usually lack vision and strategy as well as a good public image. These organisations often come under local political and party pressure. The politicisation along national issues sometimes prevents civic organisations from seeking local responses to local needs. The successes of TEMA

⁶⁴Tekeli (1996) provides an excellent summary of these debates in Turkey.

⁶⁵The web site of TEMA provides a detailed account of projects and concerns of the foundation. See www.tema.org.tr.

and similar groups are also establishing a future model of civic consciousness, representation, and participation. It seems though that this notion will be diffusing to the local from national and global experiences. The empirical evidence shows that the lack of participation and interest representation at the local level is also a problem in other countries. For example, in the case of Portugal, Syrett (1994) argues that interest groups representation at the local level lacks a broad base.

The corruption of politics in Turkey also prevents an active participation and representation as well. Mr Ahmet Sezal Özbek entered parliament after being a mayor in a small town. He was elected twice to the parliament from one of the centre parties (DYP) but he finally felt fed up with the politics and political parties. I found his resignation statement very interesting in demonstrating the current shortcomings of political party management and politics in Turkey. It also revealed the frustration of a veteran and respected politician:⁶⁶

Case 12 — Mr Özbek on corruption of politics. There is no way to be productive in this system [politics]. I have been in politics for 18 years but it seems to be getting worse, not better. The work of the National Assembly meets only 10% of what Turkey needs and expects. The whole system is in gridlock. Five leaders (of political parties) control everything. People lost their respect for politicians. You come to Ankara with expectations and excitement as a newly elected MP but there is no chance to do anything within the current mechanism of the parliament. MPs of the ruling party largely spend their time following the businesses of their interest groups. They are plundering just like bandits.

There is a general agreement that Turkey needs major political reform within which there should be new power sharing arrangements between local authorities and the central government. However, there appeared to be significant differences between those who supported the idea of very strong local authorities, and even autonomous elected city councils, and those who argued that some bureaucratic reform and the decentralisation of central government tasks would have been sufficient. Supporters of the first opinion argue that many things have changed since the establishment of the Turkish Republic seventy five years ago and it is now time to trust people and their elected local government bodies. They also argued that local economies would perform better and local people would invest more if there were a powerful local governance structure in Turkey.

Supporters of more incremental change argue that the culture of democratic participation in cities such as Gaziantep and Denizli is not yet mature, as is the case in many other Turkish towns. Semi-feudal characteristics such as kinship, ethnic and religious ties are still strong and play an important part in voting patterns as well as in the workings of political parties. Furthermore, both inter-party democratic practices and election laws are flawed. Political leaders have complete control over the list of candidates in local and general elections and they are influenced by small interest groups within their parties. There are still restrictions on the active political participation of civil servants and other groups, leaving small groups of investors to dominate. For the supporters of incremental change, decentralisation should follow the upgrading of legal structures and the

⁶⁶Interview by Yalçın Bayer (1999) *Hürriyet*, Turkish Daily Newspaper, 16 January.

strengthening of democratic traditions. In this context, the twin divisive threats from the separatist Kurdish insurgency led by the PKK guerrillas and fundamentalist Islam themselves deter people from supporting rapid decentralisation. The fear is that any move towards decentralisation would benefit these groups by strengthening their positions relative to weak democratic and civic traditions.

3.2.6. *The importance of leadership for local initiatives*

Leadership, family name and personal respect are often crucial for forming alliances and businesses in the small and medium-sized cities of Turkey. Personalities and especially charismatic individuals play a crucial role in initiating and driving local projects.

The Molu family in Kayseri is an interesting example which demonstrates the significance of leadership and family in developing projects for local economic development. The Molu family has become a symbol of economic development in Kayseri. At the beginning of this century, Arif and Emin Molu were respected bohers in the town. Behcet Molu, the only son of Emin Molu, became a barrister. Arif Molu was a merchant businessman who made large investments in the textile industry in Kayseri. He had four sons, Sait, Faruk, Metin and Mustafa, and he sent them all on to higher education rather than following the local family business tradition. In earlier times, and still to a certain extent in Kayseri, those who were successful in business and trade did not continue on to higher education.

The Molu bohers set up Karsu, a textile factory, first in Germany in 1974. They moved it to Kayseri and it became one of the largest companies in the textile sector of the city. The company was first quoted on the Istanbul Stock Exchange (IMKB) in 1995 and in 1998 it employed 850 people. In 1999, their export rate is estimated to be over 20% of the total sales. The company is the only 'modal thread' producer in Turkey with a licence from an Austrian company, Modal Lenzig.

The importance of the Molu family for local economic development is related to their civic consciousness and initiatives. They are proud of their patriotism, environmental and artistic concerns as well as their humanism.⁶⁷ Faruk Molu also worked as a senior civil servant in the national State Planning Organisation, travelled abroad extensively, and had developed many ideas and initiated many local projects for Kayseri's development.

From building a high school in the name of his father (The Arif Molu High School) to donating medical equipment to the local hospitals, Faruk Molu is everywhere in town. He is also active in grand national projects, including TEMA, and has good links with politicians. He is a keen farmer, a horse breeder, and an environmentalist who raised 150,000 pine trees in his modest forest. As a result of his character, in addition to his respected family name in Kayseri, Faruk Molu has been the key person in the three most ambitious local development projects in Kayseri. These cases demonstrate the shortcomings of local initiatives and difficulties of institutionalising local projects

⁶⁷Local newspapers often report about the family initiatives and donations of the Molu family and in particular Faruk Molu. A recent family history in one of the Kayseri newspapers praises the family. See article by Hasan Safak, Anadolu Haber, 14 September 1998.

away from the conflicts of interests, local party politics and personality clashes (see Section 3.3).

3.2.7. *The Gaziantep economic development foundation*

In 1996, a group of local associations under the leadership of the governor set up a local development foundation, the Gaziantep economic development foundation (GAGEV), in Gaziantep. This is the first successful local initiative which provides a common platform for the municipality and the governorate within a defined perspective of the local economic development and consensus. Apart from the governorate, the Greater City Municipality, the Chambers of Industry and Commerce, the local stock exchange, Directory of the Industrial Zone and some other non-governmental organisations initiated this project.⁶⁸ This is an interesting initiative which has three important policy dimensions in it. First, the founding members recognise the importance of local initiatives towards opening up new markets in a globalising world trade and they state clearly that this process is a major challenge to the city economy. But they also put their vision into a regional development context beyond the limits of Gaziantep province. Second, the initiative gives a special emphasis to policy at the local and national level. The policy dimension is recognised as a crucial tool for local economic development and industrialisation in the province. Finally, this initiative has a broad and positive understanding of local economic development. It is a unifying force under the leadership of a respected charismatic leader, the province governor, but it also has representatives from different local organisations. The inclusion of GAP and the rural settlements of Gaziantep gives it a unique character among similar initiatives in Turkey.

The foundation has identified three strategic projects for promoting local economic development in Gaziantep. First, the foundation wants to promote Gaziantep as the engine of the eastern Anatolian development and the leading town of southeastern region.⁶⁹ To achieve this aim, the foundation has been lobbying to set up some regional offices of state institutions in Gaziantep. The most important of these are the regional office of the European Union Information Office (there are eight in the country) and the regional office of the State Statistics Institute. Collaboration with educational institutions and upgrading local skills is also emphasised as a main policy objective.

Another purpose is to promote Gaziantep's industry and to diversify its base in order to maintain the current contacts and to get new ones. One of these new industrial bases is the defence industry. As response to efforts to overcome the dependency on external sources of supply for the Turkish Army, some industrial towns like Gaziantep and Kayseri have

⁶⁸The GAGEV members are as follows: The Gaziantep Governorate; The Gaziantep Greater City Municipality; The Gaziantep Chamber of Commerce (GTO); The Gaziantep Chamber of Industry (GSO); The Gaziantep Stock Exchange; The Gaziantep Union of Exporters (GAIB); The Gaziantep Young Businessmen's Association (GAGIAD); The Gaziantep Free Businessmen's Association (HÜRSİAD); The Gaziantep Union of Artisan and Craftsmen's Association (TESK); The Gaziantep Directorate of Industrial Zone (OSB); The Gaziantep Businessmen's Association of the Industrial Zone The Gaziantep Independent Businessmen's Association (MÜSİAD); The Gaziantep Club; The Gaziantep Businessmen's Association of Textile and Industry; The Gaziantep University (GAZÜ); The Gaziantep Association of the Örnek Industrial Zone; The Gaziantep Chamber of Agriculture.

⁶⁹The GAP is the biggest development project in the history of modern Turkey (see Appendix F).

been trying to develop a core defence industry. This is a relatively new development and there is not yet a successful example apart from small contracts.

Thirdly, there seems to be a consensus among local business and community leaders about important role Gaziantep could play in the Middle East where it has had historically strong cultural and economic ties as an Ottoman province of Aleppo. Indeed, trade with its neighbouring countries, mainly Syria and Iraq, has always been important for Gaziantep's businesses. Therefore, the GAGEV sees Gaziantep as a regional industrial centre within the global context and wishes to promote its ties further with Syria and Northern Iraq despite the up-and-downs of national politics.⁷⁰ There is also a growing business and trade link with Israel and local businessmen are very optimistic about the benefits of their link with this country. The GAGEV wants to promote Gaziantep, as a power base of south-eastern Turkey with strong ties to Middle Eastern markets. But there are also opportunities elsewhere and the businessmen's vision extends also to Russia and the Balkans.⁷¹ This is also expressed in the trade statistics.

The Gaziantep people are identified as entrepreneurial and proud with a sense of strong local identity: the city famously defended itself for 11 months against French occupation after the First World War. Gaziantep has a special tradition and culture of consensus. My observations indicate that many people like Handan Oral (see Case 5) and Mr Mesut Ölçal,⁷² the General Secretary of the Gaziantep Chamber of Commerce, have been acting as network builders between politicians, mayors, businessmen and civic associations.

Case 13 — Network builder Mr Ölçal of the Gaziantep Chamber of Commerce.

Personal divisions and political struggles damaged the city economy in the past and all institutions and groups in Gaziantep now recognise the importance of acting together for the city. The success of the Free Trade Zone and the Industrial Zone shows this sense of cooperation and consensus. While the Kayseri and Denizli Industrial Zones were delayed due to lack of co-ordinated support, Gaziantep not only built but also expanded its industrial site with local initiatives. Now it has one of the biggest industrial zones in the country. The Gaziantep Chamber of Commerce

⁷⁰A bilateral agreement signed in 1998 to improve the Turco–Syrian relations followed the expulsion of the PKK leader Abdullah Öcalan from his base in Damascus. However, there are various problems between the two countries. The major issue is the Syrian opposition to the GAP project based on its claims that Turkey monopolises the waters of the Tigris and Euphrates against the law of international waters. Turkey argues that it does obey international law and gives sufficient water to Syria. Until very recently Syria, alongside Greece, had been giving logistical support to the terrorist activities of the PKK in the southeastern Turkey.

⁷¹The future projects of the GAGEV includes: (i) Urban public transportation projects. (ii) Exhibition and promotion activities for Gaziantep's industry. (iii) To initiate cotton and Antep pistachio stock markets. (iv) To encourage automobile and machinery industries in the city. (v) To attract financial and industrial businesses within the South-eastern Anatolian Development Project (GAP). (vi) Following the example of the Aegean Chamber of Industry to promote Gaziantep Chamber of Industry a regional institution. (vii) To develop economic relations and trade with neighbouring provinces. (viii) To develop current links with the Kurdish autonomous region in Northern Iraq and Syria and open liaison offices in Aleppo and elsewhere in the region. (ix) To develop education project for training workforce in textile and clothing.

⁷²Mesut Ölçal has been the general secretary of the Chamber of Commerce for over 10 years. He is a member and founder of many local associations in Gaziantep and among those who first initiated the tourism and cultural heritage foundation in the city.

plays an active role in building networks and this cuts across the Islamist, right and left wing politics in the city. The success of Gaziantep has also positively affected the economies of the neighbouring provinces of Adiyaman, Şanlıurfa, and Kahramanmaraş in the poor southeastern region.

Another character of the development initiatives in the city is the ability of collaboration and co-operation between the municipality and governorate for local projects. The Gaziantep municipality has actively assisted business development in town through the construction of organised sites around the city.⁷³ The Gaziantep commercial and industrial centre (GATEM), initiated by the municipality, includes 18 built sites and eight working ones for small businesses, professionals, artisans and crafts workshops. These include buildings and facilities for carpet traders, physicians and jewellers. By building sites and offering infrastructure, the municipality is attracting investors from outside the town. One of the big retail investors in Turkey, Beğendik, of Kayseri, has just opened a large hypermarket and shopping mall in the city. This is one of the biggest investment of its kind in provincial towns and perhaps also beginning of an inter-city/region capital movement in Turkey.⁷⁴

3.3. Political struggle and the lack of consensus: three case studies

Three local initiatives in Kayseri exemplify a new approach to local economic development, an emerging relationship between the centre and periphery, and also the dangers and challenges of consensus building and decentralisation in Turkey. Kayseri provides an ideal setting of interrelationships among politics, business and religion at the local level. I have chosen these case studies not only because of the quality of information, but also because they complement each other. The experience of Kayseri in local economic development through local initiatives demonstrates the current battles among different civic groups, political powers and economic interests, and the crucial role that individuals play in local initiatives. Kayseri is not a microcosm of Turkish cities or of Turkey, but the basic elements of each case exemplify the current trends. These include the increasing voice and varying influence of Islamist politics and business; centre–periphery relationships within which the state is a powerful but easily manipulated institution; and the importance of charismatic individuals who have helped to build local consensus. These cases also demonstrate the lack of know-how and the lack of appreciation for expertise.⁷⁵ All three local projects were initiated by Mr Molu and all ran into trouble due to similar political forces.

The power struggle between Islamists and non-Islamists is at the heart of a long and

⁷³The Gaziantep Municipality has been playing an active and positive role in building the physical infrastructure for economic development. The Municipal Magazine (Gaziantep Kültür Dergisi, June 1997) and Ay (1997) give a detailed account of municipal involvement in these local projects.

⁷⁴My earlier studies indicate that there is very little capital/investment movement among the provinces of Anatolia (Özcan, 1995a,b).

⁷⁵These three case studies are largely based on my interviews with Mr Mustafa Demir and Mr Fafuk Molu. I have also studied 1997 and 1998 issues of local newspapers of Kayseri. Kayseri Star Haber, Büyük Kayseri Gazetesi, Kayseri Anadolu Haber, Kayseri Akin Günlük, Kayseri Gündem Gazetesi. I am grateful to Mr Demir who allowed me to use his personal archive. See also Zorlu (1998) Büyük Kayseri Newspaper, 14 November.

divisive battle for economic prosperity in Kayseri. Since the success of the Welfare Party in the 1994 local elections nationally as well as in Kayseri, the town has experienced an increasingly important role played by political Islamists and various groups attached to different Islamic networks. This success has helped to develop a new brand of Islamists businessmen with close-knit networks and business practices that many envied. The success of MÜSİAD during the short national coalition government led by the Welfare Party, demonstrated that the Islamist party in power favoured Islamist businessmen in government contracts and delivered many benefits to its followers. The Islamist mayors of the city and its districts in Kayseri Province followed the same path and opened new opportunities for their political supporters. This is not an uncommon practice in Turkish politics since all parties favour their own supporters in allocating resources and services in municipal governments.

3.3.1. Case study A: the Kayseri free trade zone saga

In 1995, the then Kayseri governor, Saffet Arıkan Bedük, and a respected local businessmen, Faruk Molu, initiated the idea for a free zone in Kayseri. The then Mayor, Şükrü Karatepe (from the Welfare Party), found the project interesting and the initiative was launched through a company, Kayseri Plc, known as KAYSER. Local businessmen, the municipality and business associations become partners in this project which Mr Molu led as chairman. It was agreed that the project would be non-partisan to prevent a possible power struggle among political parties.

The first step was to find an available site for the project. After initial investigations of free trade zones in Turkey and elsewhere, the decision was made in favour of an Asian style zone designated solely for trade. The Free Trade Zone Directorate in Ankara gave its official approval and the company began to finalise its site selection. The major problem was the limited and very expansive land around Kayseri. Eventually, the governing body decided to buy a Treasury plot of 7 million square meters next to the organised industrial zone in Kayseri. The main intention was to have a cheap deal with the Treasury. Since the land speculators, among them a speculators' mafia, controlled a significant part of the land market, it was crucial to get this site. While negotiations continued with the Treasury, the speculators started to press ahead and various groups accused Kayseri Plc of itself being a land speculator. At the same time political instability continued in Turkey. Three governments changed in Ankara during this period and this made it very hard to proceed with the necessary bureaucratic process for the purchase of the land.

The pressure on the project intensified when various Islamists groups began a negative campaign and criticised the Mayor Karatepe for his backing. At the same time, with the hope of high returns, the number of shareholders reached 300 and there were around 1000 requests to join. The national and local press coverage aggravated the confusion around the project. Controversial statements by the mayor on other issues draw public anger and the press began attacking him on various grounds. Kayseri Plc was wrongly portrayed as an evil project by another radical Islamist mayor in the national press. Although the municipality was among the shareholders, Mayor Karatepe personally had no investment in the project.

While the witch-hunting continued, Mr Molu chased ministers and other officials to

finalise the transfer of the Treasury land to Kayseri Plc. At the last stage, after the approval of the minister, the Treasury file on Kayseri Plc suspiciously disappeared, allegedly taken by a Kayseri land speculator group collaborating with other southeastern speculators from Diyarbakir. The speculators were interested either to purchase the land themselves or to blackmail Kayseri Plc. After a long battle, Mr Molu succeeded to transfer the land from the Treasury to Kayseri Melikgazi Municipality, as a direct purchase of the Treasury land could only legally be made to institutions.

The opening ceremony of the Free Trade Zone witnessed another battle over who would be seen as the patron of this project. The Islamists wanted to portray it as their own project, excluding others. The Prime Minister, Mesut Yilmaz from liberal right wing ANAP, came to open the zone, but the political struggle did not end. With increasing pressure from the Islamist group of businessmen, Mr Molu and his supporters left the governing body of Kayseri Plc. The project was then hijacked by the Islamists party to be another mechanism to deliver new favours to followers. The mayor of Melikgazi, Mehmet Özhaseki, became chairman of the governing body in September 1998 and the first section within the zone opened to investors. Mr Molu did not leave the partnership and plans to resettle his company, Karsu, there.

This project is interesting in many ways as it shows the challenges facing local initiatives in Kayseri as well as elsewhere in Turkey. There are other broader concerns highlighted by this experience. Local projects are owned by individuals and political parties based on sectarian affiliations. But the weaknesses of central government politics have strong influence on the local affairs as well. As one key informant, Mr Demir puts it:

People are not ready for large projects. They just look at who does it and who is leading it, under who's name...There is very little local co-operation and consensus...The chambers of commerce and industry have fights...The governors do not play an influential role but large projects do not go far without the support of the central government...For this project most difficulties came from small businessmen and industrialists within Kayseri.

3.3.2. Case study B: the Yamula (Yemliha) dam

The Yamula dam was initiated at around the same time as the free trade zone. The technical aspects of this project are important not only for the economic development of Kayseri and its nearby towns, but also for a set of larger issues ranging from energy production to environmental impacts into the regional development agenda. The Chairman of the Kayseri Electricity Company, *Kayseri Elektrik Üretim Sirketi*, signed the agreement for the Yamula dam project in November 1997. The Kayseri Electricity Company also signed an agreement with the Energy Ministry in the same year. The Company initially took the build-own-transfer right of the Yamula Dam for 20 years.

Kayseri and its neighbouring Yozgat and Nevşehir provinces are included in the project. The proposal claimed that the construction of the dam and its irrigation network would be the GAP of the inner Anatolian region. The planned scale is huge: a hydro-electricity dam will produce 420 million kW h of electricity per annum. An irrigation canal will irrigate 114,000 ha of land. The lake will be 65 km long and will soften the harsh climate of the

region by increasing the humidity. This will help to cultivate new agricultural areas. It is estimated that the dam will cost \$183 million and it will be completed in 5 years. To start the projects, \$110 million in foreign credit borrowing is planned, since there is no local capital available for such a project. A build-own-transfer model has been accepted. Much lobbying and paper work had to be done in Ankara in order to get the necessary permissions and to guaranty the collaboration of state institutions. The State Hydraulic Affairs Directorate finally agreed to take over the management of irrigation project, however, finding a foreign investor and partner to run the project, has been a struggle.⁷⁶

The first report on the Özhaseki-Molu struggle appeared in the local newspapers on 29 September 1998. There is an open dispute about the shareholder structure between a municipal company, Kayseri and its Vicinity Electricity Company (*Kayseri ve Civari Elektrik Şirketi*) and the Kayseri Electricity Company. The Islamist controlled municipality did not want to give away its shares. However, it was previously agreed to reduce it down to 20%. The municipal company had a 50% share, Faruk Molu 20%, the Cingilli Group 10%, The Erbosan Group 10% and the remaining 10% was owned by various local businessmen and the Province Administration. Due to legal and practical reasons, the 50% share of the municipality is kept within the company and was to be sold to a foreign partner after the bidding process.

The bidding for the construction of derivation tunnels for the dam was decided among five offers. In September 1998, the consortium run by Pustiler-Sargin won the bid to build two tunnels. The new consortium with a foreign partner wanted to own at least 40% of the Kayseri Electricity Company. But the municipal enterprise refused to hand over its shares. According to a local newspaper, one of the partners, the Cingillioglu Group, are negotiating with its Canadian partner and an American company together with Süzer, a large construction company (*Kayseri Akm Günlik*, 29 Eylül 1998). This report presented a negative image about the initiative claiming it was heading towards 'short-sighted bickering'.⁷⁷

Tension continues to increase while there is pressure to change the governing body of the project alongside the de facto change in ownership which eliminated Mr Molu and other small shareholders. Mr Haseki wants to include Bekir Yıldız, another FP (Virtue Party) mayor in the Greater Kayseri Metropolitan Area. The largest share holder, the municipal enterprise, calls for an annual general meeting and subsequently, Bekir Yıldız would become the chairman of the governing board of Kayseri Electricity Company. Mr Özhaseki, the successor of Karatepe as mayor of Kayseri, takes over the control of the free trade zone and the Yamula projects. Bekir Yıldız claims that municipal enterprises are successful and are run well. He also claims that the holdings of Kayseri and its Vicinity Electricity Company reached 93% the total shares and that the company is re-negotiating with seven or eight foreign companies. There are reports about the suddenly increased power of the

⁷⁶The company had a preliminary protocol with a Canadian and USA consortium to form two partnerships. These partnerships were intended to bring \$128 million external credits into the project.

⁷⁷Although some concern over the evacuating villages expressed in the local press. I did not come across any political or environmental opposition voiced by local groups or civic associations.

Cingillioglu Group in the project.⁷⁸ There are also reports that the Anavatan party wants to gain influence in the project.

Mr Molu gave two press conferences on 5 November 1998 and publicly announced his resignation:

I am saddened and disappointed with the events surrounding the Kayseri Electricity Company. There has been a political struggle to own the project by Virtue Party mayors and businessmen. If these local projects get politicised like this, they cannot reach their targets. But I don't want this project to be damaged. I believed that they [the Virtue Party mayors, Messrs Karatepe and Özhaseki in particular] would hand over shares as they promised, they deceived me. The municipal enterprises (BIT) are sluggish and we should get rid of them. We should drop that parasite from our collar... This project cannot be run with the mentality of BIT or KIT⁷⁹...I am ashamed that all these things happened and that there have been all these unnecessary delays. It hurts me to see the Kızılırmak [river] running away... How can I work with these people anymore? We have nothing in common, our ideas, opinions, and perspectives are so different.⁸⁰

The fight between Molu and his supporters and the Virtue Party mayors has many dimensions. First, it is a political struggle to control large projects. This is most likely exploited by ANAP and FP party heads in Ankara.⁸¹ Secondly, it symbolises a fight for more business opportunities and profits to be allocated among a set of interest groups in Kayseri. Thirdly, this is a clash of personalities, ideologies and different perspectives of economic development.

3.3.3. Case study C: the defence industry

Many people in Kayseri felt that the city does not realise its potential in the national economy and that it is gradually been taken over by other rapidly growing medium-sized cities. The municipality, the chambers of commerce and industry and other local circles have been trying to set up collaborative projects with Kayseri Erciyes University to upgrade the city economy and to search for new opportunities. This search started in the early 1990s. Mr Molu was among a group of local entrepreneurs and administrators who wanted to divert the city economy and bring a new and dynamic perspective to it. These people, and Molu himself, wanted to create an Anatolian miracle in Kayseri. To initiate something new, something unimaginable, and something other towns and Ankara would envy.

⁷⁸ Ahmet Zorlu in *Büyük Kayseri Gazetesi* (14 November 1998) reports that one of the bidders is Cingillioglu Holding which is also a shareholder and he points out that the Cingillioglu Group might take over the project and questions whether the Virtue Party politicians are preparing the ground for this. He finally urges the Kayseri Electricity Company to go public and sell its shares.

⁷⁹ The acronym, BIT [Belediye İktisadi Tesevkülleri], also means lice, a blood sucking animal, in Turkish. KIT [Kamu İktisadi Tesevkülleri] is the term used for public enterprises. They are associated with inefficiency and corruption in municipal and state run affairs.

⁸⁰ Kayseri Akin Günlük, 5 November 1998; Kayseri Anadolu Haber, 5 November 1998.

⁸¹ In September 1998, Mr Molu thanks a group of MPs: Lütfullah Kayalar, ANAP Yozgat, and Ibrahim Yilmaz ANAP Kayseri, and Abdullah Gülp FP Kayseri.

In 1997 Erciyes University proposed a defence industry plan for Kayseri. This idea was not surprising given the fact that Kayseri has had three large under-utilised old state investments and some local skilled workers in the defence industry. The presence of *Anatamir*, *Taksan* and *Hava İkmal* are considered major assets for the city in their bid for Turkish Army contracts at a time when the Turkish Army began to seek opportunities to expand and diversify its domestic supply. A company called SAVAR [*Savunma Sanayi Şirketi*] was first established by the former governor of Kayseri, Saffet Arikán Bedük and others including Faruk Molu and Mustafa Çapar (Chairman of the Chambers of Industry). After various studies, the SAVAR group began lobbying in Ankara at ministerial level as well as among Turkish Army officials. The ministers expressed support but left the final judgement to the army chief generals.

The governor, Mustafa Yıldırım, the chairman of the Chamber of Commerce, Yılmaz Büyüknalbant, representatives from the Association of Artsians and Craftsmen, the trade Union Türk-iş and Faruk Molu went to Ankara to deliver a presentation to the chief army officials in Ankara in November 1997. They presented the reports and analyses prepared by Erciyes University. The proposal was to develop military tank production in Kayseri along with various other defence industry options. However, Kayseri was not alone in seeking a new business venture. There was a similar initiative by the Gaziantep governorate and business groups. An interesting situation of competing cities emerged. Other local business leaders and key people including some other governors launched these local initiatives but it was also supported and aided by their extended links in Ankara. Kayseri SAVAR had used these kinds of personal and official links with party officials, MPs and bureaucrats in obtaining information, securing appointments and learning about the procedures. Molu's previous experience in the State Planning Organisation has been very helpful in contact building and setting up stage.

However, those who do not have this know-how wanted to take part and benefit from the local economic development projects. As happened in two previous local initiatives, a power struggle seems to have emerged with the defence industry as well. Some local newspapers began to propose that the project should involve a larger group of people and businesses.⁸² The presentation at the Army Headquarters in Ankara was portrayed as an unsuccessful attempt. There was also a negative campaign against SAVAR. Some groups claimed that unless the project involved a larger group of interested people, it had no chance to succeed. It is hard to measure how genuine these requests were. But given the limited influence of locally organised professionals and other interest groups, it is likely that this project was subject to the similar antagonism that the Yamula and free trade zone initiatives suffered.

All these three cases illustrate efforts to promote economic development by means of alliances among local business interests, political parties, other civic bodies such as Erciyes University, and the municipal administration. We might interpret the poor results of these efforts as an inability of these groups to pull together.

⁸²Kayseri Star Haber, an article by Ali Ceran, 12 November 1997.

3.4. Conclusions and policy implications

For civic action to contribute to the local economic development, Turkey needs to restore the credibility of the state. Only then can it succeed in building the local democratic institutions which will be required for decentralisation. This study has assessed the decentralisation on governance and markets in Turkey. The focus has been on exploring capabilities and consensus building at the local level. There is no doubt that the increasing powers of medium-sized city economies as well as the political and legal shift in Turkey towards municipal governments have diminished central power and its influence on local matters. Turkey's position is different from the former communist regimes and Western Europe because of its peculiar characteristics of governance, 50 years of faulty democracy, and capitalist development. The impacts of Ottoman centralised government and Islam on modern Turkey are also two distinctive characteristics which separate Turkish society from Western Europe.

Therefore, Turkish governance and decentralisation issues cannot easily be explained by theories of post communist state building, nor is the welfare state argument of Western Europe appropriate for Turkey. The modern Turkish Republic inherited the legacy of the late Ottoman reforms. After the collapse of the Empire, the nation state was built on centralist-étatist development policies which were based on a social pact between different groups and the army, at least during the early years of the Republic. This model was only upgraded through brief military interventions in 1960, 1971 and 1980 when economic and political conflicts within the society reached a gridlock, often accompanied by street violence. The Turkish army has been a balancing power within Turkish politics and has acted as a last resort to restore state power and democracy during political crises. Since the 1980 coup d'état the central role of the army has remained on the agenda throughout the fight against PKK terrorism and more recently against 'fundamentalist Islam'. The fight against these two has chiefly been targeted to restore state prestige and power, and to maintain the status quo at the expense of democracy and human rights.

However, social change since 1980 has made Turkey a dramatically different country. The most significant impact of the rapid economic and urban growth has been the emergence of medium-sized industrial centres across Anatolia. This shift brought new urban social classes, a territorially diversified and powerful economy, as well as increasing the demand for infrastructure and services for growing urban and metropolitan areas. The decentralisation of markets started in the 1950s and took off in the 1980s. This prompted the need for the decentralisation of governance. Increasing pressure on Ankara for the management of the country was met by only weak bureaucratic reforms. The dominant tendency, instead, has been toward increasing the influence of ruling political party members, businessmen and other small groups within clientalist relations and closed organisations within the central bureaucracy. These mechanisms shortened the procedures for some and gave the appearance of a state bureaucracy that had become more efficient and open, at least for some groups. There has also been decay in bureaucratic and institutional culture that not only happened in the central government but also at the level of municipalities. The latter especially lacked skilled personnel and managerial capabilities to meet the growing local demand for services and to run its fiscal regimes. The widespread rumours and news of corruption and fraud in the national media have gradually become part of public life.

The decentralisation process, along with the ever-increasing number of cities, has gradually created a dual structure with locally elected municipalities and centrally assigned governors and local extensions of the ministries. In this duality, the province administrations are based upon a model of state controls and political appointments whereas the municipal governments are based on principles of local elections and party politics. The recent debate over decentralisation has also demonstrated the power struggle between the locally elected municipalities and the state controlled provincial administrative system.

However, decentralisation in governance and markets rests on implicit assumptions about a democratic multi-party system, a civic society, and responsible individual citizens. Our analysis has so far shown that Turkey has weaknesses in these three spheres. In the light of research findings, we can now address the eight points raised in Section 2.

1. Decentralisation in Turkey is influenced by trends in Europe and the academic literature, but the most significant drive towards decentralisation comes from the indigenous forces shaped by urban growth, industrial diffusion, and political change. However, there is no strong consensus about how to build an equitable and affordable balance between centre and periphery.
2. The state ought to restore and redefine itself. This means not an end to the importance of Atatürk's ideology and Republican principles but there is a need to redefine and ease the top-down notion of state ideology. This process has already begun with piecemeal developments.
3. It is quite likely that without sufficient build-up and help to strengthen local democracy with better forms of representation, differing opinions could increase the power of feudal chiefs, local elites and those who promote orthodox Islam, the emergence of national, local and ethnic chauvinism. However, there is no need to fear of Islam or ethnic expression if local democracy is restored on the principle of pluralism and openness.
4. There is a relatively well established democratic tradition and there are sufficient institutional frameworks for decentralisation, but there remains the need to build the legal and administrative base for efficient and accountable public service. The resources required for urban infrastructure and economic development are very limited. Urban areas cannot afford big infrastructure and development projects and they need the support of national and international creditors. There is no willingness to bear the costs of decentralisation at the local level.
5. Given the historical role of the Republic in creating an indigenous bourgeoisie and in sustaining local economies through infrastructure investments, the new allocation model for regions and interest groups in decentralised governance requires an active and regulatory state. Due to sharp inequalities in the country, the state will continue to play a central role in redistribution and reallocation schemes.
6. It is likely that decentralisation based on capabilities will result in competing cities. This will be influenced by the reputation of which city is more efficient and active in attracting investment or symbolic advantages, such as international

activities. This might work against the interests of the whole country and poor cities and regions.

7. Since there is not sufficient capital accumulation at the local level to sustain decentralisation across Turkey, the state has a central role to play in supporting regional projects like the Southeastern Anatolia Project (GAP).
8. There is no conclusive evidence to suggest that decentralisation will reduce the favouritism, corruption and fraud in Turkish politics. This is more related to the state of political transparency, accountability and fiscal reform at the local as well as national level. Currently, party politicians use favouritism and business people who have access to a mayor's party group to benefit from urban growth. They also shape it. In order to change this control by small groups, there ought to be wider participation and transparency together with a sense of collaboration and consensus at the local level. This requires a wider representation and active participation by civic and professional associations and disadvantaged groups (i.e. women, urban poor and workers).

3.4.1. Restoring the credibility of the state

In Turkey, decentralisation has to be considered together with enhancing participatory democracy in governance at the local and national level. This transformation can only be achieved with a strong and credible state. The importance of a strong and credible state is even greater in the absence of a supranational body like the European Union within which localities can co-operate. It is a mistake to take enthusiasm about the globalisation of the local and apply notions of global participation everywhere in the world. The outcome might lead to the detrimental effects for the local economies since the local does not have any control over global forces and the movement of the financial capital. Localities, especially those from the peripheral countries, cannot live on a false expectation of becoming a part of the global. Denizli's failure is an example of the weakness of localities in finding their ways and maintaining their market niche in the global economic environment. Similarly, the insolvency of many municipalities indicates the vulnerability of local authorities vis-a-vis international creditors and companies.

The long-term effect of a weak and decentralised state could also be disastrous for local economies where there are major gaps between the regions and social groups. The problems of economic development, redistribution of wealth and territorial integration as well as democracy building cannot be achieved by just decentralised local governments but a new form of decentralisation under the guiding power of a determined and credible state.

Why do we need a strong state for decentralisation? It sounds contradictory but in fact local/periphery within the globalisation perspective needs a strong and able state to sustain its wealth and existence. Decentralisation trends coincide with the need for rising local capabilities to cope with the global shift in the economy of production and services. This is an unavoidable process within which regions and localities would need to attract more investment and upgrade their local skills and infrastructure. However, within the current interpretations of local and global interaction, it is also dangerous to embark on the concept of competing cities and regions.

Krugman (1994) appropriately argues that we should consider the dangers and detrimental effects of the notion of the competitiveness of nations. There is a great danger in encouraging competing cities and regions to attract more investment, skills and credits on a global scale. Localities can only effectively interact globally through national bodies. Even supra-national institutions like the EU have strengthened the role of the nation state in playing a crucial intermediary role between the local and supranational decision making bodies and the allocation of resources. Therefore, the decentralisation of governance requires an able state to build local capacities and markets. The state's role is crucial in formulating policy measures to allow for the beneficiary interplay among national, local/regional and global.

The second reason to enhance the role of the state in Turkey is the urgent need to restore the state's credibility, the rule of law and justice, and fair economic policies and practices. These are crucial steps for democracy building, and hence decentralisation. This issue also relates to our previous three structures of democracy building: plural democracy, civic consciousness, and responsible individual. Without this, the decentralisation process cannot succeed to alter the political and economic shortcomings. Without a credible state, decentralisation processes could even worsen the political and economic life of localities. The programme to restore the credibility of the state and the rule of law and justice ought to coincide with a new national consensus which ought to include the unitary democratic state embraced by Islam, ethnic diversity and political consensus.

Why does the Turkish state need to restore its credibility? The war in the southeast since the mid-1985, the political pollution and the increasing influence of mafia-style white collar gangs coupled with the corruption scandals make reform of the state urgent. This is a two way relationship, on the one hand, the current divisive forces, like political Islam, Kurdish separatism and fierce liberalism ought to reconcile their ambitions with each other and accommodate the state and democracy. On the other hand, a new consensus should include respect for human rights, religious freedom and ethnic expression.

This argument means different things for those who are against any decentralisation to elected local authorities and those who blindly support the idea of decentralisation because of their frustration with central government procedures and the unproductive nature of national politics. Those who are against decentralisation ought to realise that this process is not a zero sum game. The state is not going to lose. Those who think that once decentralisation is in place they do not want to have anything to do with the central power ought to realise that there is no chance that decentralisation can function without a credible and strong state. Only then can a civil society build local democracy as an integral part of the national politics.

3.4.2. Building local democracy

A new trend towards the differentiation in local and national politics in Turkey is already visible. However, building local democracy requires legal, cultural and practical adjustments towards more active participation by individuals, groups and institutions to local and national matters. There is a need to build civic consciousness through non-governmental associations, professional and business organisations, and charities. Also there is a need to diversify local participation. Despite the presence of some civic associations that cut across different social groups (women, children, *gecekondu* residents etc.), workers and other disadvantaged interest groups do not have a broad political platform on

which to interact with other locals. There seems to be also a weak participation in the present associations, except a small number, including the TEMA environmental foundation. This is partly the result of the hierarchical and rigid political party structure and the presence of a weak civic culture in these towns. Therefore, civic associations of every form need to be supported and encouraged to improve their financial and administrative abilities as well as their active participation in local and national matters. The state, together with municipalities, has a crucial role in enhancing civic associations and opening channels to interact with each other as well as with foreign institutions.⁸³

The new parliamentary bill on local governments is only a first step towards solving the financial and political problems of municipalities in Turkey. First, a new definition of the relationship between the provincial governorate and the municipality is required. Some suggest the wholesale replacement of the provincial with a regional governorate system. Second, there is an urgent need for the legal reform of fiscal regimes and the role of key institutions such as İller Bankası and the municipal funds. Local development banks could be developed around regional industrial centres. Urgent legal changes are also needed in civil rights and laws concerning professional and civic associations. There are still some restrictions on active political participation of individuals and organisations. The political party laws also need to be amended in order to introduce transparency and increased participation. Democratic principles need to be introduced into political party mechanisms to dismantle the tutelage of the party leaders.

The establishment of new city councils, other local platforms and procedures where there is open participation and public scrutiny is also essential. Co-operation between the municipality and the governorate within city councils is one way to bridge the gap of antagonism between the two systems. Despite its shortcomings, the case of Gaziantep demonstrates that it has been possible to form a broader platform through co-operation between the governorate and municipality. Governors should be encouraged to take part in city affairs rather than symbolically representing the central power and carrying out ministerial tasks. The de-personalisation of local administrations would facilitate a move away from favouritism. This, as Baldersheim and Illner (1996a) explain, is a crucial step towards building the respect of local authorities and central government. In terms of the fair allocation of resources and distribution of costs, there appears an immediate need to balance the conflict of interest between small and medium businesses and large firms for the benefit of the local people. Transparency in municipal affairs along with wider participation will help to distribute the costs and benefits more fairly.

These proposals aim to build interaction among different ideas and values as well as different interest groups at the local and national level. Through democratic participation and negotiation there will emerge consensus and the capability to build local economies and democracies. Turkey has the capacity and democratic base to realise these changes if it maintains its economic growth and political stability. Economic growth and prosperity in Turkey has been the major transforming power towards democracy and modernisation.

All these can be achieved through the ability and awareness of citizens. Distrust is rife and it strongly affects local consensus building (Özcan 1996c). Civic consciousness

⁸³Similarly, the representation of the interests of disadvantaged groups is clearly an important issue. These topics will be dealt with individually in my forthcoming articles.

requires a change of culture and way of thinking. My evidence indicates that a synthesis among Islam, democracy and liberal economy is gradually emerging.

Therefore, it is quite unlikely to foresee a clash between Islam and secularism as well as a partition of semi-feudal Kurdish nationalism. The current credibility crisis of Turkish State does not mean alienation of the state from its citizens. On the contrary as the last election results indicate there is a rise in patriotism in Turkey. But the real issue is the inability of the state to change and act upon alongside with the growing demands of the economy and changing society. The shortcomings of the state impinge upon the local economies and societies as well. Therefore, decentralisation and consensus building at the local level first require a strong, able and credible state. Then, there are sets of urgent reforms to be realised within which the culture of local democracy and economic growth will flourish more effectively. To reach that Turkey also needs a more sympathetic and less alienating European Union as an anchor.

Web sites

National statistics: www.die.gov.tr/ieyd/indeks/distic.html

The GAP Project: www.gap.gov.tr

Local governments: www.mahalli-idareler.gov.tr; www.muhasebet.gov.tr

The Treasury Department: www.maliye.gov.tr

TEMA foundation: www.tema.org.tr

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APPENDIX A

The legal framework and the governing structure

A.1. Legal framework⁸⁴

- The 5442 Act of Province Authority (İl İdaresi Kanunu)
- The 442 Village Act (Köy Kanunu, 1924)
- The Municipalities Law of 1580 (Belediye Kanunu, 1930)
- The 3030 Act of Greater City Municipality (Büyük Şehir Belediye Yönetimi Yasası, 1984)
- The Province Act of 1913 (İdarei Ummumiye Vilayat Kanunu Muvakkati, 1913)
- The 3360 Act of Provincial Administration (İl Özel İdare Kanunu, 1987)
- The Act of 1972 (regulating the size of province council 1984)

The governing structure of the Turkish Republic is as shown in Fig. A1



Fig. A1. The governing structure of the Turkish Republic.

⁸⁴I am thankful to Tuba Kale Korkmaz of İstanbul Bilgi University for her contribution in preparing this section.

APPENDIX B

Interviews carried out in Ankara

Mr İsmail Aslan, Economist, The World Bank

Ms Pervin Bilgen, Senior Analyst, The National Institute for Housing

Mete Belovacikli, Economist, Milliyet

Ms Necla Haliloglu, Process Manager, KOSGEB

Prof. İlhan Tekeli, The Middle East Technical University

Local Governments Directorate, Ministry of Internal Affairs

APPENDIX C

Interviews carried out in Denizli

Mr Faruk Akyürek, General Secretary of the Young Businessmen's Association in Denizli (DEGIAD)

Mr Mehmet Aydin, Mayor of Irliganli town, Denizli province

Ms Şefika Çengel, Deputy President of TEV-Turkish Education Foundation

Mr Hakan Çokat, Party Chairman of DSP

Mr Nevzat Dalkiran, Deputy Governor of Denizli

Mr İsmail Hakkı Ekmekçioğlu, Journalist and commentator on local economy

Mr Süleyman İlgeri, Head of the Council of Denizli Chamber of Industry

Ms Sefa Kavak, Association for the Protection of Consumers

Mr Zafer Kolçak, Chamber of Architects and Engineers, and Member of Municipal Council of Denizli

Mr Ali Marim, Mayor of Denizli

Mr Zeki Metin, Assistant General Secretary of the Denizli Textile and Apparel Exporters

Mr Niyazi Oğuzlar, Lawyer, Party Chairman of CHP in Denizli

Ms İlkay Özsoy, TEV — Turkish Education Foundation

Mr Uğur Saraçoğlu, Lawyer, Party Chairman of DYP

Ms Hidayet Sarıkaya, TEV — Turkish Education Foundation

Mr Feridun Sözgen, General Secretary of Denizli Chamber of Commerce

Ms Binnur Tikiroğlu, TEV — Turkish Education Foundation

Ms Nilgün Ulubaşoğlu, TEV — Turkish Education Foundation

Mr Habib Yıldız, Head of the Council of the Young Traders and Businessmen's Association in Denizli (GETIAD)

Ms Gülçin Yürekli, Head of the Education Association of TÜKO-DER

Mr Zekai Zeytinci, Chairman of the Young Businessmen's Association in Denizli (DEGIAD)

APPENDIX D

Interviews carried out in Gaziantep

Ms Aynur Altay, Expert of the GAP (Southeastern Development Project)

Mr Mehmet Aslan, Head of the Council of Gaziantep Chamber of Commerce

Mr Yavuz Selim Ay, Head of the City Planning and Development Office, Gaziantep Municipality

Mr Kutlu Çakir, Expert of the GAP (Southeastern Development Project)

Mr Celal Doğan, Mayor of Gaziantep

Mr Mustafa Geylani, Chairman of HÜRSİAD

Mr Kürsat Göncü, General Secretary of the Gaziantep Chamber of Industry

Mr Muammer Güler, Governor of Gaziantep

Ms Handan Koral, Lawyer, Gaziantep Club, Association for the Protection of Consumers, the Association of Tourism, and the Association of Turkish Women Graduates of Gaziantep, and Founder Member of GAGEV

Mr Necat Koşar, Head of the Council of Gaziantep Chamber of Industry

Mr Osman Nakipoğlu, Chairman of MÜSİAD

Mr Mesut Ölçal, General Secretary of Gaziantep Chamber of Commerce

Mr Beyhan Ölçer, General Secretary of Gaziantep Chamber of Engineers and Architects

Ms Figen Öğüt, Head of the European Union Information Office

Mr Ender Özdiç, Association for the Protection of Environment

Mr Mustafa Topçuoğlu, Head of the Council of Gaziantep Young Businessmen's Association

APPENDIX E

Interviews carried out in Kayseri

Mr Mustafa Alan, Chairman of the Kayseri Union of Chambers of Artisans and Craftsmen

Ms Nevin Akyurt, Chairman of Women's Association of the Virtue Party

Mr Seyfi Baktur, Vice president of Turkish Wood Works Federation, Chairman of Association for Kayseri Furniture Workshops

Mr Ali Bekarlar, Lawyer, President of Bar Association in Kayseri

Mr Asaf Mehmet Beyoğlu, Member of the Governing Board of Kayseri Chamber of Commerce

Mr Mustafa Çapar, Chairman of the Governing Board of Kayseri Chamber of Industry

Mr Mustafa Demir, Trade Manager of Karsu, Former member of the Kayseri Plc

Mr Mehmet Durak, Secretary General, Kayseri Chamber of Industry

Mr Mustafa Elitaş, Chairman of the Virtue Party in Kayseri

Dr Ismail Göksen, President of Kayseri TEMA (The Turkish Foundation to Fight Against Soil Erosion)

Mr Şükrü Karatepe, Former Mayor of Kayseri Greater Municipality

Mr Celal Karavelioğlu, Judge, Head of the Regional Administrative Court, expert on legal framework of urban development planning

Mr Hasan Ali Kılçıcı, Chairman of the Governing Board of Kayseri Chamber of Commerce

Mr Faruk Molu, Manager of Karsu, Former chairman of the Kayseri Plc

MÜSİAD, A group discussion, Independent Businessmen's Association

Mr Nazim Öncel, Businessmen, Organised Industrial Site of Kayseri

Mr Ahmet Özdemir, Regional Director of Beğendik Plc

Mr Mehmet Özhaseki, Mayor of Melikgazi Municipality, Caretaker Mayor of Kayseri Greater Municipality

Mr Mustafa Yıldırım, Deputy Governor of Kayseri

Mr Murat Yerlikhan, General Secretary of Kayseri Chamber of Commerce

APPENDIX F

The South-eastern Anatolia Project (GAP)

Southeastern Anatolian Project (GAP — *Güneydoğu Anadolu Projesi*), with its Turkish initials, is the largest development project ever undertaken by Turkey, and one of the biggest of its kind in the world. The history of the project goes back to the Euphrates Planning Administration established in Diyarbakir in 1961. But the technical principles of the utilisation of lower Euphrates basin were clarified in 1977 and the State Planning Organisation united all projects under the name of 'Southeast Anatolian Project' in 1986. The integrated, multi-sectoral programme includes 13 major projects which are primarily for irrigation and hydropower generation, planned by the State Hydraulic Works (DSİ). The project envisages the construction of 22 dams and 19 hydroelectric power plants on the Euphrates and Tigris rivers and their tributaries. The project has plans to irrigate 1.7 million hectares of land when it is completed. The area to be irrigated accounts for 19% of the total irrigable land in Turkey. The annual electricity generation accounts for 22% of the country's economically viable hydropower potential.

GAP is also one of the most ambitious regional and social development projects in the world. It has a wide range of policy implications for economic development, telecommunications, transport, environmental protection and social change.⁸⁵ The Southeast Anatolia Project Regional Development Administration (GAPRDA) was established in 1989 to promote regional development and to co-ordinate efforts in infrastructure building, education and skill development, urban growth, and sectoral policies in the region. The project has been financed by the state and through taxes with almost no international technical or financial support. Administratively, the GAP Higher Authority is an inter-ministerial organisation responsible for all areas of the project with branch offices in the region.⁸⁶ The GAP region includes Batman, Diyarbakir, Gaziantep, Mardin, Siirt, Sanliurfa, Sırnak, and Kilis (see Map 1). This region is bounded by Syria in the south and Iraq in the Southeast and it constitutes 9.7% of Turkey's total area. This is also the least developed region in the country as the recent per capita income figures indicate (see GAP Final Master Plan Report, 1990).

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⁸⁵The GAP web page provides detailed information about the project: <http://www.turkey.org/groupc/gap.htm> and www.gap.org.tr.

⁸⁶The following ministers are involved: the Minister of State in charge of the GAP, the Minister of State responsible for the State Planning Organisation and the Minister of Public Works and Reconstruction.

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