



Integration of a Local Economy to the Global and European Markets through Export–Led Growth and Specialized Textile Products Export: Home Textile Production in Denizli – Turkey

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1. Introduction

Denizli is an inland province of the Aegean region, one of the most developed regions in the country. Although textile production for local and internal markets in different small settlements of Denizli Province goes back till ancient times, export of various textile products to European and World markets is a relatively recent phenomenon. With the exception of one state-owned large textile factory, called Denizli Sümerbank, textile production in Denizli for a long-time was basically artisanal, until the late 1970s. With the major shift of orientation of Turkish economy from import-substitution model to export-led model/policy in the early 1980s, Denizli has been one of few export-led growth centres in inner Anatolia (mainland of Turkey). In Turkey, out of 81 provinces, only less than 10 of them are able to export more than 1 billion dollars each year. Majority of these successful provinces are either itself metropolitan areas or their neighbouring provinces. The second ones are developed and transformed through dominance and influence of metropolitan centres of their region. During 1980s, Turkey also strengthened communication and transportation infrastructure. It seems that these policy shifts and infrastructure investments have contributed to many local economies, including Denizli's fast-growing, export-oriented, home-textile based economy. Exports from Denizli Province have risen from 10 million dollars in the early 1980s to over 1.5 billion dollars in the year 2004. Home textile, and within that, especially towels and bathrobes are main export products of Denizli urbanized area. Unlike, most of the other new industrial districts in Turkey, Denizli's export products basically go to European and North American markets. This is another sign for the success of Denizli economy.

Paper starts with summarizing few of the theories and debates on the successful middle sized cities and/or NIDs of developing countries. Then, a brief summary of the economic transformation of Turkey is provided, since this transformation has major influence in Denizli's initial economic development as an export-oriented home textile production centre after 1980. Linkages between Turkey's economic transformation and Denizli's integration to European and World markets are also examined. Paper continues with surveying and comparing findings of previous studies on Denizli economy in general and her home textile sector in particular. In this part of the paper, the dynamics of Denizli economy is also explained. The paper briefly describes past progress of industrial growth and development both in Denizli Province and Denizli urbanized area. By doing so, it is also touched to Turkish urbanisation and economic policies of last three decades since Denizli's economic growth and integration to global markets juxtaposes with economic and urbanisation policies and trends in Turkey. In doing so, it is also discussed how Denizli's economy has been affected from the changes in Turkish economy toward export-led growth in 1980s. The role of entrepreneurship and possible implications of specialisation in home textile products and the support of historical accumulation of local craftsmanship are also examined. In short, the paper reviews some major factors which have been crucial in shaping the economic development in Denizli during 1980s and 1990s. The paper also identifies and analyses most significant challenges and difficulties Denizli is currently facing in terms of its competitiveness and integration to global markets. Finally, at the end of paper, after describing the current challenges and assessing problems that the region/urbanized area and home textile industry are facing, the study briefly reviews the prospects for overcoming them and for restructuring policies and practices to reposition the region's economy in an increasingly competitive national, European and global markets.

A secondary and indirect objective of this paper, similar to Kundu and Bhatia (2001), is to argue, to document and to take into consideration experiences of a large number of small and medium sized urban regions' growth potentials and their successful integration to international markets. Especially within the industrial district literature, several success stories are documented in leading journal of the interdisciplinary field of local and regional economic development. As Kundu and Bhatia (2001) emphasized that, "it is important to identify the



socio-cultural factors that characterise the growth process of these towns and design a support system to take full advantage of these factors or strengthen them". Another secondary and indirect objective of this paper, as Ozgur and Acar (2003) strongly emphasized throughout their paper, is to show an example to complementary nature of many LED and urban economy theories in explaining growth or transformation of many cities and regions, like Denizli urbanized area, in Turkey. Instead of considering all or most theories competing with each other, seeing and as complimentary in different stages and/or parts of development of localities or regions may help us to uncover and explain why and how they are growing, stagnating or declining. Therefore, in this paper, a couple of different theories of LED are used and somehow intermingled to explain why and how Denizli is well-integrated to European and World markets through her high-quality home textile sector products.

2. Export-Led Growth Centres and Clusters of Developing Countries

There are several related theories which can be utilized in explaining why and how some of the cities or regions in developed and developing countries are successful in exporting their products. Among these, new endogenous growth theory, industrial districts and clusters are most suitable for self-reliant regions of developing countries.

A partial departure from previous studies is the focus of paper. This paper is focused on taking a picture of past and current situation in an export-led growth centre, Denizli. A balanced view between external and internal factors on the one hand economic and sociological factors on the other hand has been considered. In terms of external factors, which seem important in the emergence of export-oriented NIDs in Turkey, sector specific, accidental, national and international factors are examined all together. This paper suggests that much can be learned to improve the economy of middle-sized urbanized areas in studying new industrial districts in developing countries. Intermingling traditional and newer theories, external and internal factors and sociological and economic models can provide a better explanation for the export-led growth centres in developing countries.

The recent economic success of industrial districts (including clusters and NIDs) has given rise to a set of new theories and models as well as to scrutinize (to look over) existed (traditional) theories of regional growth and competitiveness. Many studies on IDs or clusters suffer from lack of proper theory, unclear and confusing definitions of the main terms, improper or totally lack of methodologies. Recent models of industrial districts are highly confusing and complex. While sociologists emphasized the importance of sociological factors, economists have firmly discussed the importance of transaction-cost savings in IDs. Therefore, two different models of approaches have dominated the ID literature, although neither of them is satisfactory as a paradigm or model to be used without serious discussion on the weaknesses and issues.

The theoretical conception of industrial district posits the competitive advantages of small-scale production, with an emphasis on vertically tight network of firms. "Though rooted in empirical findings from industrialized countries, there has been a quickly expanding literature on the analysis of small firm clusters in the developing world as well" (Gerhardt and Stokke 2001, 175). Success stories of industrial districts have been observed in many parts of the world, such as Third Italy, Baden-Württemberg-Germany, and Silicon Valley-California. Besides these success stories and IDs in developed countries, there are many NIDs in developing countries. For example, Pietrobelli and Barrera (2002: 544-546) summarized studies on SME clusters in Latin America. Even English-written research alone conducted in Latin American clusters (industrial districts) is immense. For example, Sinos Valley cluster of shoe-makers in Brazil, Mexico's footwear industry clusters in Leon and Guadalajara, Lima's Complejo Gamarra garment industry cluster in Peru, a furniture cluster in Sao Bento do Sul, Santa Catarina, Brazil.

The recent literature on clusters argues that new types of industrial districts have emerged. Theorizing about new industrial districts (NID) of flexibly specialized firms, including prototypical forms such as the Emilia-Romagna region of Italy or Silicon Valley in the US symbolizes this move beyond neoclassical agglomeration theory to explain the dynamics of industrial districts (Kuncoro, 2002: 2). There is a recent interest also in NIDs in developing countries, these NIDs goes beyond prototypical forms/characteristics of IDs and NIDs in developed countries. Although some see developing country NIDs as similar to earlier stages of Italian or German IDs, there are differences as well as similarities.

As briefly summarized above, there are competing theories on industrial districts. Although these theories are not very satisfactory and basically have some gaps, especially in explaining development and dynamics of IDs in developing countries, still there is a definite need to choose one of them and explain why that specific theory has chosen. Since main theories used in ID literature are claimed as ideal-types and immature, several theories



should be considered at the same time. There are various different definitions of IDs and many different ID types have been identified in the extended literature.

Markusen, based on a survey of US metropolitan growth during 1970-1990, introduced at least three types of additional industrial districts, namely the hub-and-spoke districts, satellite industrial platform districts, and state-centred districts (Markusen, 1996) In the recent literature, it is also argued that the Marshallian external economies alone are insufficient to explain cluster development. Theories of industrial district neglect the conscious pursuit of joint action, which is a significant situation in Denizli textile sector, overrate the success of small enterprise clusters and underrate the strength of large corporation, and fail to distinguish between incipient and more advanced stages of industrialization (Schmitz and Nadvi, 1999: 1504-1507 in Kuncoro, 2002: 2).

According to Kuncoro, the key hypothesized factors of “New Economic Geography” (NEG) are unable to explain the uneven distribution of SME manufacturing activities (Kuncoro, 2002: 1). NEG factors (economics of scale, increasing returns, and imperfect competition) are assumed the key factors in explaining spatial concentration of “large and medium establishments” (LMEs) in and around urban regions (Fujita, Krugman, and Venables, 1999: 345-346; Krugman, 1996). Yet, the explanatory power of these factors is questioned when one attempts to illuminate SME clustering. This suggests that NEG virtually ignores the role and presence of SCE in the regional clusters” (Kuncoro, 2002: 1). “Product specialization stimulates the division of labour, enhances product differentiation to obtain competitive advantages, and increases the flexibility of the productive process, in consequence of its decentralization in smaller production units, and of the product, to respond to variable market conditions” (Pietrobelli and Barrera, 2002: 542).

4. Transformation of Turkish Economy and Spatial Shifts of Manufacturing Industries

While it is very difficult, if possible at all, to untangle precisely the role of national versus local actors and factors contributing to the emergence of NIDs in any country, it is still important to maintain a distinction between the two and there is a definite to consider and analyse both local/regional and national factors for better understanding NIDs development. Global / international dynamics and factors are also play major roles in the rise and fall of IDs in any given country. Therefore, studies solely or heavily focusing on one of these three level factors will not be complete.

4.1. International Level Factors, Actors, Dynamics, and Policies

Urban regions face the challenge or take advantage of increasing global, national and local change. “Most of what has been said about cities in a globalized world has been concerned with large metropolitan cities” (Löfgren, 2000: 501). According to Wolfson (2000) “globalization poses paradoxical challenges for cities. While some of the impacts of recent economic trends have made cities vulnerable to fiscal decline, others have presented them with new opportunities. On the downside, economic globalization has resulted in shifts in production patterns that have hurt some cities while benefiting others” (Wolfson, 2000). Denizli, basically, among those cities, which benefit from globalization in last two decades; however, globalization sometimes hurt Denizli economy greatly.

The fall of international trade barriers and the reduction of international transportation costs, many other developments allowed capital to take advantage of global differentials in labour costs (Friedmann and Wolf, 1982). As a result, there has been a shift of some types of manufacturing firms have been moving away from not only more developed to less developed countries (Wolfson, 2000) but also from central and/or oldest industrial urban regions to NIDs and other peripheral locations to satisfy space, labour cost, environmental sanctions and transportation requirements. It should be noted, on the one hand, countries like Turkey, China, Pakistan are successfully cover the increasing demand in home textile, within these countries few cities or urbanized areas are leading in this or other subsectors of textile. During 1970s and 1980s, entrepreneurs in Denizli bought second-hand textile machines from Bursa, which is always a major textile sector of Turkey. By selling some of their textile machines to Denizli, Bursa has shifted from towel and bathrobe production to other subsectors of textile like apparel, garment and linen, Denizli become a leading towel and bathrobe producer not only in Turkey but also in the world. It is interesting that, although Denizli has long-run experiences in many types of textile production, they almost suddenly become world capital of middle-to-high quality towel and bathrobe production.

“Industrialization is an end goal for most developing countries. The path to achieving it, however, has proven to be long and difficult” (Gerhardt and Stokke, 2001: 175). The debate on the industrialization strategy in developing countries has recently focused on the possible lessons to learn from the success of SMEs-based industrial districts (Pietrobelli and Barrera, 2002: 542).



4.2. National Level Factors, Actors, Dynamics, and Policies

Before 1980, it was believed that import substitution economic policies, which resulted in concentration of factories in or close to major consumption centres, is the best for Turkey. Due to extensive economic problems of this policy, in 1980, Turkish government decided to shift from import substitution and self-reliance economic model to export-oriented and competitive economic policy. A process of structural transformation has been occurring in the Turkish economy since 1980. In parallel to this transformation, Turkish economy has shifted from import substitution economic model to export-led/oriented growth model. During first model, employment of Turkish economy was heavily agricultural sector-based and increasing manufacturing sector employment. The objectives of Turkey's major economic reform of 1980s are to correct the severe inward orientation of the previous era and to create a competitive economy with the world market. Despite some problems, the recent export-led growth model/policy of Turkey has created a significant number of new centres of industrial growth or new industrial districts in other words. These new industrial districts have challenged the dominance of the Marmara Region where Istanbul, as the major industrial centre, is located. This paper is basically about this challenge and *how* and *why* these new industrial districts are emerged despite long and strong dominance of Marmara Region in the Turkish economy.

“Turkey operated with a closed economy for 60 years. From this experience, a particular country wide spatial pattern and national economic network with a strict hierarchy of settlements was generated. Istanbul, with the largest concentration of economic, commercial and financial activities stood at the top. The state was in a safe position to control this hierarchy via direct investments in a locality, or the allocation of subsidies to the private sector. Under these circumstances, all the particular towns and localities could do was to simply fill the pre-defined vacant positions; with no real competition among them ... The most striking feature of this new economic map of Turkey has been the emergence of towns and localities that escaped the state's control. Entrepreneurs in a number of towns managed to seize the opportunities to get directly integrated into the global network of production and, by-passing Istanbul, started to produce directly for the global market. Of these so-called ‘Anatolian tigers’, Denizli, Çorum, Kahramanmaraş and Gaziantep are the ones that have registered the most striking rates of growth. Denizli, especially, is the one that seems to have attained the most stable position in the global network. Today, the town appears more as a part of the global textile network than a part of the national economy” (Işık, 1997).

Export-led growth policy of Turkey with somehow proper mechanisms and funds made localization economies as important as urbanization economies. Structural transformation of Turkish economy resulted with spatial transformation and dispersion of manufacturing industries in Turkey. Economic transformation policies and practices combined with entrepreneurship and indigenous capital in some Turkish cities/provinces created new industrial districts. Before 1980, major industrial districts were Istanbul (in the North, Marmara Region), Izmir (in the western coast, Aegean Region) and Adana-Iskenderun (South, Mediterranean Region). Some other smaller cities/provinces beyond these main industrial districts had also significant manufacturing industries; however, with the exception of Eskisehir near Ankara, all these were extension of the above-mentioned three main industrial districts. After 1980, and especially during 1990s, many new industrial districts have appeared all around Turkey, mostly independent of main (old) industrial districts with help of new export oriented economic policy and other reasons. Some of these NIDs in Turkey either start and/or dramatically increase their exports of manufacturing products.

While not without problems, the globalisation process and the relatively higher rate of economic growth in Turkey have created a significant group of winners which have not been limited to big cities or neighbouring cities of metropolitan areas (major consumption centres). A number of new centres of industrial districts have emerged in inner Anatolia, challenging the industrial dominance of Marmara region and few other metropolitan areas. The emergence of these new centres has been strongly associated with successful small firm development and heavily oriented toward production of domestic and international markets. Kayseri, Kahramanmaraş, Konya, Çorum, Karaman, Gaziantep, Denizli are the leading and successful NIDs of Turkey.

Most of these new industrial districts are specialized in textile sector; others are specialized in various sub-sectors like food processing, machinery, auto parts and stone based industry. Some new industrial districts have a diversified economy in terms of markets (regional, domestic, European, other countries), products (i.e. food processing, textiles), and technology. Few districts are highly specialized in a single sector (i.e. textile in Denizli, stone-based in Afyon) and even in a single product or subsector (i.e. bath towels in Denizli, marble in Afyon). However, others are highly diversified economies, like Gaziantep, Mersin, and Eskisehir. SMEs play highly important roles in these districts. Some districts heavily utilize indigenous capital and local entrepreneurship,



like in Denizli and Gaziantep. Unlike others, the share of manufacturing exports in Denizli is highly significant, and roughly half of export products go to Europe. Although the share of European markets within Denizli's export value is changing from year to year, it generally exceeds 50 percent and even reaches up to 71 percent.

A research by Filiztekin, using a panel data on Turkish private manufacturing industry from 1980 to 1995, indicates that “backward and forward linkages seem to be a strong determinant of the industrial growth in Turkey. Highly dense areas attract firms at the beginning, but over time congestion drives firms out of such centers” (Filiztekin, 2002: 2). Therefore, major firms in metropolitan production/consumption centers either open their new/additional production units (factories) in the periphery or totally close the main factories and move to somewhere in Anatolia. Major companies or holdings in Turkey, to open their new or moved factories, sometimes prefer to be very close to major cities where their head offices and/or old factories are located. But in some cases, they move far away from major consumption centers, keep their head offices and support services (such as financial, marketing) within metropolitan areas, however, move production units to inner Anatolia.

During 1990s, the high growth rates in employment and export in Turkey have realized especially in flexibly organized and labour-intensive sectors. With the effects of neo-liberal policies during 1980s and 1990s in Turkey, the role of labour unions and the real wages index has reduced dramatically (Armatlı-Köroğlu, 2004: 87). “Under these circumstances, labour intensive sectors gain cost advantages in the global markets (Pınarcıoğlu, 2000; Erendil, 1998; Armatlı-Köroğlu, 2004: 87-88).

4.3. Regional/Local Level Factors, Actors, Dynamics, and Policies

“Industrialisation in the Anatolian towns is in a way a continuation of traditional production in a more efficient and systematised manner” (Özcan 2000). “Despite the continuity, however, the scale and the character of the industrial diffusion are no longer confined to traditions and to a few original industries. We see an increasing pace of diversification in city economies” (Özcan, 2000).

5. Denizli Economy in a Nutshell and Denizli as an Example of Export-Oriented Province in Turkey

To tell a comprehensive story of the rise of any given region or locality over time, we need to take into account both the evolution of certain industries as well as policy changes occurred during the same period at global, national and regional levels. In the Denizli Province case, by reviewing critical global and national changes in the textile sector production and trade trends over time, the study claim a better understanding and analysis of Denizli textile sector dynamics. It is assumed that the emergence of Denizli as a NID is highly related with development and changes in the national and global textile sector.

Denizli, appearing on the top of the list of Turkey's new industrial districts, has become a textile pole specialized in towel and bathrobe production”. Denizli is the fourth largest textile producer in Turkey, following İstanbul, İzmir and Bursa. However, it is called the world capital of linen, towels and bathrobes. Textile sector in Denizli is highly specialized and successful in producing and export in these subsectors. Although Denizli don't host largest groups of textile producer firms, it has one of the largest exporters of textile products.

During Turkey's state-centric Keynesian economic policy period (1930-1939), one of the 20 new factories under control and management of SEEs had been established in Nazilli, near Denizli Province. The printing and dyeing factory founded in Nazilli (a district of Aydın) was an important state establishment for the region. The producers in Denizli took their fabric to this factory to be dyed or printed and with this connection, communication with tradesmen were also possible in the district (Özelçi, 2002: 149).

“Apart from textiles, the main crafts are iron and metal work, food processing, plastics, wooden furniture and tanning workshops. A new business site has been established recently for tanning, one the oldest crafts in the city. The iron rolling mills are not only crucial for manufacturing industry in Denizli but they have also made a market niche in Izmir and other cities in the Aegean region” (Özcan, 1997: 71).

Denizli Province is not, or actually was not, only famous with its various types of textile products; it is, or was, also famous with hand-made knife production (Yatagan town of Serinhisar county), stout and shoe production (Yeşilyuva town of Acıpayam county). Yeşilyuva town of Denizli Province was famous with stout leather during late Ottoman and early Republic periods; this town itself/alone, for a while, was controlling 90 percent of stout production in Turkey.

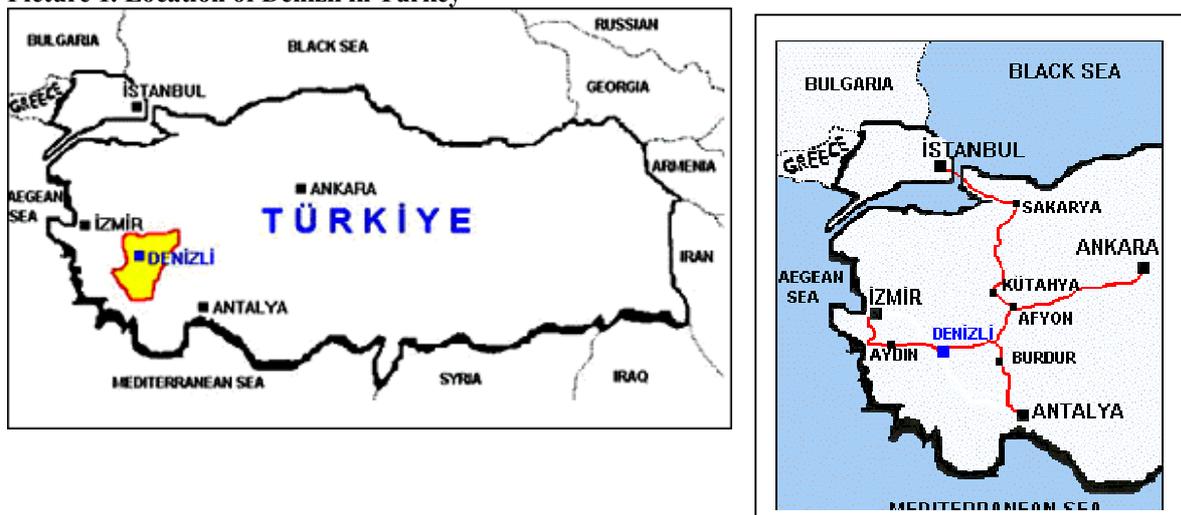


“Despite and presence of large firms, the city economy is still dominated by small businesses in the manufacturing, commerce and service sectors. ... However, the largest share of local exports belongs to a small group of large firms. ... International tourism has been developing fast in recent year and the city is visited by more than one million tourists every year. Its location along the popular tourist routes of Izmir, Antalya and Cappadocia increases Denizli’s potential to attract a larger number of tourists. This potential encourages service investments in the town, as well as creating business opportunities for other sectors such as construction” (Özcan, 1997: 71).

The export numbers of textile from Denizli (over 1.5 billion dollars) is now (2004) exceeds to what Turkey in 1980 exported (700 million dollars). Total export of Denizli, including all types of textile and other non-textile products such as travertines exceeds now 1.5 billion dollars, a dramatic jump from the 1980 numbers, which were under 10 million dollars at that time. Denizli’s share in Turkish export value of 60 billion dollars is significant since there are 81 provinces in Turkey and population of Denizli Province is little bit over 1 percent within population of Turkey.

Theoretically speaking, as summarized by Filiztekin (2002, 4-5), Combes shows that when firms produce homogenous goods and face imperfect competition, specialization enhances employment growth. In a different setting, when production contains several intermediate each of which is characterized by increasing returns to scale, is in Krugman and Venables, firms prefer locations where they can have a large number of upstream and/or downstream firms. In that case firms prefer diversity.

Picture 1. Location of Denizli in Turkey



6. Development and Dynamics of Home Textile Industry/Production in Turkey and in Denizli

“Blankets, bed sheets, table cloths, bathroom and kitchen linen, curtains, tulles, bed spreads, wall coverings, sleeping bags, mattresses, quilts, pillows and decorative-use woven fabric are included in the home textile product group. In the Turkish home textile sector, production comprises cotton products to a great extent. The need of raw materials and intermediary goods is satisfied mostly domestically. Cities in which the production of the sector concentrates are Bursa (towels, sheets, and tulles), Denizli (towels, sheets), Istanbul (sheets, tulles), İzmir, Gaziantep, Kayseri and Uşak (blankets). The organized industrial zones in Gaziantep and Eastern Thrace (Çorlu, Çerkezköy) are the recent favourites of the sector by their large, integrated plants. Although these integrated plants doing large-scale production have been around since the 1990s, the majority of producers in the sector are owners of small and medium scale enterprises. Having been driven towards exports, in the sector, some famous, foreign brands are produced under licenses while companies also export with their own brands, nowadays” (İşgören and İşgören, 2004).

The leading textile cities in Turkey have traditionally been Istanbul, Bursa, Adana and Izmir; however, during export-oriented economic policy of 1980s and afterwards, they have been challenged by Denizli, Gaziantep, Kahramanmaraş, Tekirdag and Corum. The leading centers of towel and bathrobe production are Denizli and Bursa Provinces (Öz, 2004: 84-85). Turkey is in the top three in the world in towel production. Employment in Denizli accounts for more than 50 percent of the Turkey’s total production of towels and bathrobes (Öz, 2004: 85).



“Especially with the supreme quality and wide product spectrum in production of curtains, embroidery, guipure, towels and quilt covers, the Turkish home textile industry proceeds on the way to becoming one of the world leaders. Between 1997-2003, Turkey stepped in among the top 5 exporters in the world home textile sector which saw a worldwide elevation of 21% in exports from \$14 billion to \$17 billion. The sector’s imports illustrate the US having a 30% share, Japan and Germany with shares of 10%, UK and France with shares of 6%. In exports, China takes first place with a 22% share. Behind China are Pakistan (9%), India and Turkey (7 % each) and Portugal (5%). Raising our home textile exports, which are now one quarter of Chinese exports of home textile products, especially in the US market --a substantial buyer with its 30% share in home textile-- is considered to be an essential goal for the future ... The sector’s share in Turkey’s total exports was 4% in 2003 and 40 % in textile exports. In the same year, Turkish home textile exports grew by 25% and became \$ 1,992,736,937. The bulk of Turkey’s home textile exports have been going to Germany for long years. In recent years, our exports to the US have come close to our exports to Germany. However, despite the growing exports to Germany, the US and the UK, there was a fall in market shares. Strikingly, although Turkey should have sought for ways to enlarge its market shares in home textile exports to these countries, other countries were allowed to sneak in” (İşgören and İşgören, 2004).

The share of towels and bathrobes production within Denizli’s textile production is 60 percent. 664 companies are direct exporters in all branches of textile. 25 companies are active in upholstery fabrics, 49 in drapes and sheers, 137 in bed sheets and other home textiles, 103 in kitchen textiles and table covers, 96 in bed covers, and 93 companies in blanket and similar products. 230 companies produce bathrobes and towels. This volume draws attention even when compared to the economic size of İstanbul. Denizli’s export capacity has been growing continuously since 1996, increasing two and a half-fold in 7 years. Denizli’s exports to Germany were \$204 million, \$165 million to the U.S., and to England, \$142 million; they exported to 95 different countries in 2003. According to the 2003 records of Denizli Textile and Apparel Exporters Union, 71% of the city’s total exports are made to the E.U. countries; this ratio shows an increase of 30% compared to last year.

7. How and Why Denizli Has Been Successfully Integrated into European and Global Markets

7.1. Wages, Labor Force

Labour wages can exhibit the comparative advantage of the region from one side but also the way of growth, such as low road to growth or high road to growth. Although low wages can be interpreted as part of comparative advantage, this may indicate the existence of many under qualified employees, so that long-term economic development, which depend on qualified and skilled labor force, may be (halted) negatively affected (Özelçi, 2002: 140) .

Briefly to say, multiple earning strategy of family members is relevant in Denizli. “The multiple earning strategy in Denizli causes a total decrease in the labour costs. The young girls are ready to work for lower wages than others in the labour market because they are not obligated to maintain the whole family but support their own expenses by their wages. Similarly, every member of family, as well as fathers, works for the same target that nobody aims to meet whole family budget, but partial expenses of it. The result is a combined shrinkage in the labour costs in Denizli” (Dikmen, 2001b). Therefore, Denizli has less than half of the Turkish wage average. “Participation of women into the labour force causes the decrease of labour costs like Denizli. The multiple earning strategy prepares the conditions for the workers to consent wages not to meet family expenses wholly but partially” (Dikmen, 2001a)

“A comparison of international labor costs in the textile industry reveals that the wage rate in Turkey, at about \$2 per hour, is much lower than in developed countries (for example about \$17 in Italy and \$22 in Germany) but higher than in some other developing countries. For instance in China, India, Pakistan and Indonesia, the rate can be as low as \$0.5-0.6 per hour (SPP, 2001; Öz, 2004: 90-91).

7.2. Location, Natural Resources, Infrastructure

“Although Turkey is amongst the world’s top ten producers of cotton and the best quality of cotton in Turkey is grown in the Aegean region, where Denizli is located, Denizli has to import around 30 per cent of its cotton yarn requirement as cotton production falls short of the domestic demand. However, the local availability of high-quality cotton was of great advantage to the cluster in the early years of its development, and more recently it has enabled the firms to build up a reputation for quality” (Öz, 2004: 88, 90).



Denizli is lucky to have a diverse economy. Apart from industrial and service firms, some part of it also has a fertile agricultural hinterland, and rich historical and natural resources. The character of farming and rural prosperity has a strong effect on the economy of the Denizli Province. ... Mechanization in agriculture began earlier in some part of Denizli than other provinces. Therefore, the average productivity in farming generally is higher than the national average. Farmers are, in general, prosperous and consequently social and physical services are good in rural areas (Özcan, 1997: 71).

7.3. Specialization, Production Types, Technology Usage

Denizli has faced significant challenges and difficulties in terms of its competitiveness during last three decades. For example, major part of the export-oriented textile economy of Denizli followed a pattern alongside the less desirable and or competitive products that were abandoned by major manufactories previously located in such cities/provinces as Istanbul and Bursa (Pınarcıoğlu, 2000; Özgür and Acar, 2003).

Most of the manufacturing firms in Denizli are either traditional industries or they are largely dependent upon imported and expensive foreign technology. (Turkey is one of the leading textile machines importers in the world) (Özgür and Acar, 2003). "The majority of SMEs are technology consumers rather than producers" (Özcan, 1995). "At the beginning of the 1970s, Denizli was a backward region of Turkey with little expectation for any success. The unprecedented economic growth of Denizli, which is called as the textile miracle of Turkey, depends on the integration to the global production networks after the 1980s." (Armatlı-Köroğlu, 2004: 105)

According to Dikmen (2001b) "industrialisation gained momentous in the periphery, or at least in certain parts of it. On that account, the production overflow created a new hierarchy in the world where peripheral producers are in more need and dependence to the core countries' directives and orders". What is striking in the economic development of Denizli is that at the beginning of the 1970s it was a backward region of Turkey with little expectation for its recent success. It is for this reason that Denizli deserves the tag of being an Anatolian Tiger. Unprecedented economic development of Denizli also owes much to its specialisation in the textile production through which it has been articulated into the global production networks and markets since the early 1980s" (Beyhan and Armatlı Köroğlu, 2002: 2).

7.4 The Direct/Indirect Roles/Contribution of Government and Turkish/Denizlian Migrant Workers Abroad

Almost all textiles were produced by hand until the 1950s in Denizli and its townships. In 1953, the Sümerbank Clothing Factory was established with new technology and became an immediate stimulant to the local industry. By the 1960s, the textile sector of Denizli had reached the point where growth continued without almost any state investment. State incentives, which have given to large investors in priority development areas, gave to Denizli only for a short-time during early 1970s. It is claimed that this incentives helped Denizli to acquire some big investments in the early 1970s (Özcan, 1997: 72).

In "1964, the Sümerbank factory began to produce fabric and initiated printing and dyeing operations (Erendil, 1998). "As a result of this new policy/operation of state owned factory, Sümerbank, small textile producers were no longer able to get cotton-yarn as cheaply and easily as before and had relatively lost their importance in the Denizli economy" (Armatlı-Köroğlu, 2004: 108). Although the operations of many small textile producers had slowed down in the end of 1960s (Eraydın, 2002), in the 1970s, with the establishment of few private cotton-yarn factories, small firms again gained importance in Denizli (Pınarcıoğlu, 2000; Armatlı-Köroğlu, 2004: 108).

During the 1970s, two important factors were experienced for the development of Denizli (Armatlı-Köroğlu, 2004: 108). Firstly, in 1973, Denizli was designated as a province having priority for development (Mutluer, 1995). The second important factor in the economic development of Denizli in the 1970s was the investments realized by the Turkish immigrants working abroad, especially in Germany (Armatlı-Köroğlu, 2004: 108). It is influenced Denizli economy positively in the long-term, however, most of the Turkish immigrants lost their savings in the companies established in Denizli. "As with Kayseri and some other medium-sized cities, many joint venture investments were made in manufacturing by Turkish migrants abroad. Only a few of these survived" (Özcan, 1997: 72).

During the Second World War, the number of SME textile cooperatives in Denizli increased, because Sümerbank, a large state owned cotton yarn factory, employed the cooperatives for the distribution of cotton yarn (Erendil, 1998; Armatlı, 2004: 107). With the help of cooperatives, small textile producers began to learn



the collective responsibility and develop a tradition of mutual trust-support, which have played important roles in the growth process of Denizli (Eraydın, 2002; Armatlı, 2004: 107).

7.5. Entrepreneurship, Accidental Happenings, and Historical Experiences

Weaving artisanship had been important in Denizli province since the antique period. Ancient Denizli (Laodikeia and Hierapolis antique cities) had been an important textile centre of Anatolia and had been famous for its textile products (Gökçe, 2000). Its historical background has played significant roles in the emergence of Denizli as one of the leading new industrial districts in Turkey. For example, the 1891 census shows that there were 190 looms at the centre of Denizli, 185 looms in Tavas, 784 looms in Sarayköy and 640 looms in Buldan, all of which are counties of Denizli Province. These traditional artisanal works and crafts has transformed during 20th century with many important stages. For example, according to the industry census of 1927, textile production in Denizli Province was abundant. Backward and forward linkages in Denizli are also strong. Different sizes of Denizli firms have entered global production and marketing networks, whereas there are still heavily of totally national market-oriented firms.

The establishment of Denizli Chamber of Industry and Commerce dated 1926. At the end of 1940s, small producers in Denizli, especially in Babadağ County, have established successful yarn cooperatives. Besides setting up yarn cooperatives, the first initiations to collaborate for production appeared in the Province especially among the producers of Babadağ. In 1948, nearly 50 producers came together for a collective production. This nucleus group would then settle to the centre of the province and develop their partnerships either by cooperating or by diverging during the different phases of industrialization in the region and would become leader actors in the economic development of Denizli (Özelçi, 2002: 79).

For the easy provision of yarn and to eliminate the merchants who were engaged in selling yarns and subcontracting, a cooperative had been established in Kale, the first one in the Province, in 1935. Then in the same year in Buldan, and in 1936 in the centre of Denizli and in Kızılcabölük, cooperatives had been established. (Özelçi, 2002: 149). In the 1940s, production was organized in various districts, such as Babadağ, Buldan and Kızılcabölük and to a lesser extent in the province centre. In the beginning of 1940s, there were around 10.000 looms in the province and 90 percent of them were in these three districts (Yurt Ansiklopedisi, in Özelçi, 2002: 150). During Ottoman period, city/municipality of Denizli and especially surrounding towns were also important places in artisanal weaving of various types of cotton-made and wool-made textile production (Mutluer, 1995). “Besides, the related activities such as dyeing, felt making and manufacturing of carpets had been important in the region. In its weaving history, the region transformed from woollen weaving to cotton weaving due to the cotton production that had become widespread in the region” (Özelçi, 2002: 146). The region of Denizli experienced the semi-colonial period which opened the agricultural sector to the outside market (Özcan, 1995: 83). In the very fertile land of Menderes Valley, which is basically shared by Denizli and Aydın Provinces of Aegean Region, high-quality cotton is grown for more than a century long.

“It is also important to point out the significance of indigenous capital and successful local entrepreneurship in utilizing the opportunities and resources of Denizli” (Özcan, 1997: 70). The Denizli populace is eager to move together. As a result of their collective efforts, province is highly industrialized and become a success story. Definitely, there are other factors influencing the success of Denizli.

7.6. Intermingle of Experiences of Various People and Counties

“During the Ottoman rule Denizli and its townships (Sarayköy, Buldan) were important cloth weaving centres” (Özcan, 1995). The government’s control on the distribution of cotton yarns in the country, negatively affected the textile producers especially those of Buldan and Babadağ. The lack of enough cotton yards brought about the first migration tendencies for the producers particularly from Buldan and to a lesser extent from Babadağ. Buldan producers who largely worked for Istanbul and created a close relationship with merchants there started to migrate where they would gradually build a substantial place for themselves in textile trade and production later on. For Babadağ, producers who basically worked for Anatolian merchants, this migration was less dominant. Only a small number of producers preferred to migrate, mostly to Denizli (Pınarcıoğlu, 2000; Özelçi, 2002: 150-151). The success of Turkey in textile is based on our inheritance of the genes of people who created textile and this rich cultural geography (Tuna, 2004).

It can be argued that artisanship of various cotton-made textile products in towns of Denizli Province, such as Babadağ, Buldan and Kızılcabölük, have contributed to the development and specialization in the textile sector industrialization in Denizli. Migration of both skilled workers (artisans) and entrepreneurs specialized in



different textile products from towns like Babadağ, Tavas, Sarayköy, Kızılcabölük, Buldan (today, all are located in Denizli province) to the city of Denizli --or in fact central county of Denizli (Denizli urbanized area)-- resulted with exchange of information and intermingling of their experience and knowledge. Therefore, a sharp increase in tacit and other forms of knowledge had been observed in few decades starting with 1960s. All these towns were highly specialized and have still some unique characteristics in terms of textile production and trade. Although it needs to conduct several interdisciplinary detailed researches and be a subject of other papers why entrepreneurs and workers migrated from surrounding towns to central county of Denizli Province. It can be speculated/hypothesized that the development of both railway and highway transportation in central county versus continuous isolation of surroundings --above mentioned towns-- even astonishingly today, played a major role. The rapid development of supporting industries, trade and services in the central county both as an optimal central place and as a district/province centre also contributed to internal migration.

7.7. Existence of Support/Related Services in both Denizli and Izmir

Denizli is relatively close to Turkey's third largest metropolitan area and second largest harbour, Izmir. The distance between two cities is less than 300 kilometres, 110 kilometres is three-lane tollway, the rest is four lane state highways. Province centre has highways to three main directions, and there are additional two highways diverted from these main directions. Out of three highways, two of them four-lane based.

Proximity¹ and reliable railway and highway connection to the Turkey's leading export harbour, Izmir is highly important for the export capacity of Denizli. "The city has a well-developed ... transportation system, enough to connect the city to the other centers of country and the global economy with sea links. The global connection of the city is usually through İzmir, a metropolitan city and the second biggest harbour in Turkey" (Dikmen, 2001b).

Besides relatively close harbour in Izmir and reliable and well-maintained road network, Denizli also take advantages from support services for businesses and industry in both Izmir and Denizli.

7.8. Sophisticated Practices, Technology and Subcontracting

"... in Denizli where the whole economy was, for a while, dependent on textiles, clothing and weaving, the diversity of production techniques and work practices is remarkable. Sophisticated practices diffused into neighbourhoods and nearby rural towns are also observed" (Özcan, 2000). In Denizli, in addition to the existence of well respected large textile firms, there are also technologically competitive textile machinery producers such as Küçükler Makina Sanayi (Özcan, 1997: 71). Despite lack of or limited foreign capital investment in Denizli, there is a strong subcontracting relation of firms in Denizli with world's giant brand textile firms.

No major direct foreign capital investment in Denizli province has existed in her textile or other sectors. Even investment by entrepreneurs of metropolitan areas and major cities of Turkey is not significant in Denizli. There is only few takeovers and openings in the service sector, basically there are few retailing supermarkets either taken and converted as in the case of EGS to KİPA (KİPA with 5 stores, 4 in İzmir, is now a joint venture with British TESCO) and a major retail store opening by Konya-based ADESE.

8. Conclusion

It can be concluded that there can be successful examples of NIDs in developing countries specialized in traditional sectors such as textile, footwear, clothing and despite crises their success seems to be sustainable by adopting themselves to changing external conditions especially through collaborative efforts, more skilled generations of entrepreneurs, expertise.

"Seen in this light, these economic developments signify a marginal shift for Turkey from a peripheral to a semi-peripheral economy. Nevertheless, this is a significant given its historical and regional context. Turkey is the 17th largest economy in the world according to its gross domestic product" (Özcan, 2000).

¹ Proximity to leading seaports for exporting NIDs and transportation infrastructure and proximity to major consumption centers for focused on domestic markets seems important. For example, Denizli and Afyon (to Izmir), Çorum (to Samsun), Karaman (to Mersin), Kahramanmaraş and Gaziantep (to Mersin and Iskenderun) have closer major seaports. On the other hand, other NIDs like Kayseri, Gaziantep, Konya and IDs like Manisa, Bursa, Kocaeli, Bursa, Eskişehir are excellent locations for domestic markets and again these IDs and NIDs are not too far from major seaports. These last ones takes advantage of urbanization economics, since they are either very close to some of the major consumption centers or in the middle of major metropolitan areas. Manisa, Bursa, Kocaeli, Bursa and Eskişehir are located within/inside the triangle of Turkey's the three most important metropolitan areas, named İstanbul, Ankara and Izmir.



8.1. Prospects

In terms of development of its economic structure, Denizli is in the best position comparing other NIDs in Turkey (Özelçi, 2002: 145). Denizli has been developed under somehow different economic and social conditions than other industrial centers of Turkey. Some of the factors and conditions, that have influenced Denizli economy, is unique to Denizli case. Among these unique factors and conditions, are especially crucial. The historical background and geography of Denizli is also significantly different than other Turkish NIDs, so the outcomes and success of the province is also significantly differs than its competitors.

As an export-oriented and specialized success story, Denizli Province has able to overcome many crises and difficulties. Despite unsatisfactory economic performance of Turkey since 1990, Denizli's economy continues to grow and diversify. Total export numbers of Denizli and exports to European markets again increases sharply in recent two years, parallel to dynamics and trends in Turkish economy in general and Turkish export composition and numbers in particular. Definitely, Denizli is not free from positive or negative global economic conditions and Turkish economy.

Networks of production, social relations and institutions are highly important as sociologists believe however; they are not the unique sources of competitive advantage. As economic transaction model, innovative milieu model and other models remind us that there are other sources of competitive advantage. Neither social, nor economic factors, sources, and actors solely make a firm or region competitive. Depending on specific conditions, sector, trends and historical background, a combination of several factors and actors result with sustainable higher levels of competitiveness.

Located in the inner part of Southwest Turkey with above 400.000 population, Denizli urbanized area has a fast growing economy. Denizli urbanized area have attracted many social scientists due to its fast economic growth. Importance and success of local entrepreneurship in Denizli makes her interesting for social scientist from various disciplines. It should be noted that Denizli is one of the most extensively studied province in Turkey by utilizing various methodologies, mostly extensive field surveys with key stakeholders and entrepreneurs and secondary data analysis.

8.2. Threats and Problems

Economy and businesses in Denizli Province are facing significant challenges and difficulties such as production of the less desirable and/or competitive products, weakening collaboration among local firms, dependence upon imported and expensive foreign technology, ever-growing competition from domestic and foreign textile production centers, recent crises with many business closures and bankruptcies, heavy specialization in some sub-sectors of textile industry (e.g., linen and towel production), the short-sighted vision of business owners and managers, and insufficiency of professionalism, lack of emphasis on brand name development. Denizli faces increasing competition from other IDs and NIDs both in Turkey and abroad. Denizli is also suffering from senior/central government policies.

“The fact that the quantity restrictions in world textile trade will be removed from 2005 on, will probably create new opportunities alongside certain threats. Production in the apparel sector which requires less costly investments compared to textile, has been shifted to countries like China, Mexico, African countries and Far Eastern countries with cheap labor force. The high labor costs and energy costs in our country compared to these countries tightens competition. Subsidization by the state to equalize competitive conditions with other producers is quite important for strengthening our economy. It should not be forgotten that as much as the quality of investment by the sector's companies in machinery and equipment, taking into account the sensitivity around education will give us more chances in competition. Countries like China, India and Pakistan evoke the concept "low income, supplier of cheap products" whereas Italy and France are associated with quality and fashion. Bearing in mind the key role of country image in international trade, it should not be overlooked that keeping the vision of the company on par with expectations and fashion would bolster our country's image in the global market. Carrying out different types of production in enterprises depends on the power of research and development coordination” (İşgören and İşgören, 2004)

Limited institutional capacity for regional decision-making and increasing pressure of existed infrastructure significantly challenges Denizli's economy, since many industrial facilities built outside of Denizli's major and solely active organized industrial area. This industrial facilities and sites cause to worsen environmental and ecological quality, air quality. Although Denizli still able to provide positive externalities for many of her



industrial businesses, negative externalities in some part of city or in some local and public services are observed. This may cause businesses to fly another attractive settlement outside of Denizli Province.

Unsolved or worsening problems of Denizli Province in general and Denizli urbanized area in particular may create pressures for businesses and industries not to stay in Denizli or not to open any new division/branch in Denizli any more. Delaying to build loops and short-cut roads in the periphery of Denizli urbanized area, heavy traffic congestion in some of the major roads of Denizli municipality, unrenewal of Denizli intercity bus terminal, delays and lack of consensus on the improvement and settlement plan of Denizli urbanized area, crowded schools in the centre of city are among Denizli's major problems which is faced.

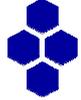
Landing problems of foreign aircrafts and pilots to Denizli's single national, military-owned, civilian airport, named Çardak, is also among her major problems, since tourism industry is growing fast and one of the Province's current and especially future leading sectors. Since there is no direct charter or scheduled direct flights from abroad to Denizli, European and Middle Eastern tourist can not land-in to Denizli with an easy and short flight. Most of the tourist stay only one night or not to stay at all in Denizli. They come to Denizli with tour buses from other major nearby touristic destinations of Turkey, like Kuşadası, Marmaris, İzmir and Antalya and visit Pamukkale (Cotton Castle) and the Holy City, Hierapolis. This does not contribute much to Denizli's economy, since it does not generate many local jobs and tourists spend only very little in Denizli with this daily incursions/tours.

One of the emerging challenge that Denizli textile industry faces is the believe that wages are among the most important factor to sustain competitiveness; however, wages are not the main factor determining competitiveness – there is room to upgrade skills and products, and to achieve economies through industrial clustering.

8.3. Last Words

The significance of this paper lies in the fact that understanding of reasons for nation-wide manufacturing industry dispersion and concentration of specific industries in particular cities/provinces could help to resolution of many controversial issues in Turkish economy in general and local economic development in some provinces in particular. It has become clear that to sustain interventionist state policies and import substitution economic policy does not help much to resolve economic crisis of countries or sub-regions.

The emergence and success of Denizli take attraction in academia. For a better understanding of Denizli economy, especially to offer solutions for a brighter future of Denizli economy, several questions, including the followings, should have been raised: What can/should be the roles of different actors (e.g., European Union, central government of Turkey, local authorities, business and trade associations, and individual companies) in designing and implementing strategies to transform a region with strong entrepreneurship and craftsmanship capabilities? At the end, lessons can be drawn from Denizli for local economic development policies and strategies are argued.



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