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**SOCIO-MORPHOLOGICAL TRANSFORMATIONS
OF URBAN SPACE AFTER THE 1980s:
A STUDY OF İSTANBUL CITY CORE
IN A COMPARATIVE PERSPECTIVE**

**A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF NATURAL AND APPLIED SCIENCES
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THE MIDDLE EAST TECHNICAL UNIVERSITY**

BY

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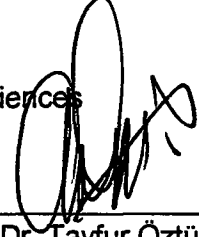
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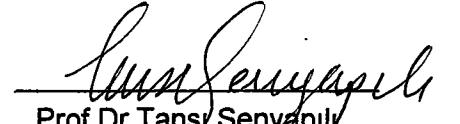
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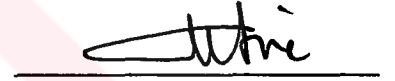
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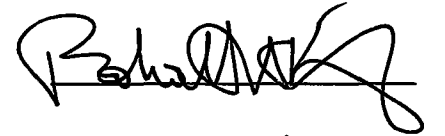
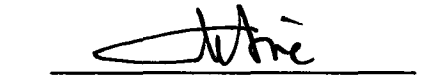
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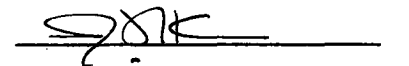
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ABSTRACT

SOCIO-MORPHOLOGICAL TRANSFORMATIONS OF URBAN SPACE AFTER THE 1980s: A STUDY OF İSTANBUL CITY CORE IN A COMPARATIVE PERSPECTIVE

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In order to identify the transformations behind the urban development various theories have been developed by scholars. The "Growth Machine Theory" entered into the field by Harvey Molotch's essay titled as "The City as a Growth Machine: toward a Political Economy of Place", in 1976. In the following two decades, various works have been conducted by scholars to testify the growth machine theory and its versions in the European context. In the majority of these studies, it has commonly been agreed that the European examples of public-private sector partnerships are different from the growth machine coalitions in the United States. So, instead of dealing with "machine politics" in the American context, it is more appropriate to suggest Keating's (1993) concept of

"development coalitions" that has operated through collaborations established between various subnational administrative organizations, local government and private sector.

Since the 1980s, the impacts of the new dynamics of globalization have started to be experienced at both national and local levels. The reflections of these dynamics have appeared in neoliberal economic policies of the nation-states in order to adapt themselves to these trends. After the 1980s, nation-states' restructuring strategies were mainly focused on new regulations in planning legislation and mayors were provided with new powers to make them cope with the problems of growth.

In this context, a comparative analysis will be made between France, the United Kingdom, and Turkey by looking at the restructuring of central-local government relations, planning practices, and the characteristics of development coalitions which have been established in the articulation of global dynamics. However, the primary aim of this work is to identify the nature of development coalitions established in Istanbul after the 1980s by analysing the central government's economic policies and their outcomes, and the restructuring of central-local government relations and its impacts on the metropolitan government in Istanbul. In this context, the role of development coalitions in the transformation of the city core will also be analysed.

Keywords: growth machine theory, development coalitions, globalisation, financial deregulation, foreign direct investments, restructuring of central-local government relations, urban development corporations, local government-private sector partnerships.

ÖZ

KENTSEL MEKANIN 1980'LERDEN SONRAKİ SOSYO-MORFOLOJİK DÖNÜŞÜMLERİ: İSTANBUL MERKEZİ İŞ ALANI ÜZERİNE KARŞILAŞTIRMALI BİR ÇALIŞMA

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Kentsel gelişmenin dönüşümlerini tanımlamak için bilim adamları tarafından çeşitli teoriler ortaya atılmıştır. "Büyüme motoru teorisi", 1976 yılında Harvey Molotch'un "Büyüme motoru olarak Kent: Yerin Ekonomi Politikğine Doğru" isimli çalışması ile literatüre girmiştir. Aradan geçen 20 yıllık süre içinde, büyüme motoru teorisini ve Avrupa'daki örneklerini incelemek için bir çok çalışma yapılmıştır. Bu çalışmaların büyük çoğunluğunda, Avrupa'da görülen kamu sektörü-özel sektör işbirliklerinin Amerika'daki büyüme motoru koalisyonlarından farklı olduğuna değinilmiştir. Dolayısı ile, Amerika bağlamında bir büyüme motoru teorisinden bahsetmek yerine 1993 yılında Keating tarafından ortaya atılan yerel yönetim özel sektör ve çeşitli alt ölçekli idari kuruluşların işbirliğinden oluşan "gelişme koalisyonları"ndan söz etmek daha uygundur.

1980'lerden sonra küreselleşmenin yeni dinamikleri ulusal ve yerel düzeylerde etkilerini göstermeye başlamışlardır. Ulus-devletlerin bu dinamiklere uyum sağlama çabaları neoliberal ekonomik politikalarda kendini göstermiştir.

Diğer yandan, 1980'lerden sonra ulus-devletlerin yeniden-yapılanma politikaları planlama hukukunda yeni düzenlemeler yaparak, yerel yöneticilere yeni yetkiler vererek onları büyümeden kaynaklanan sorunlarla başa çıkabilir hale getirmeyi hedeflemiştir.

Bu bağlamda, Fransa, İngiltere ve Türkiye arasında, küresel ilişkilere eklenirken etkin olmuş gelişme koalisyonları, yeniden yapılanma politikaları ve planlama pratiği çerçevesinde karşılaştırmalı olarak incelenecektir. Ancak bu çalışmanın ana amacı, İstanbul'da merkezi yönetimin 1980'lerden sonraki ekonomik politikaları; merkezi yönetim-yerel yönetim yeniden yapılanması çerçevesinde oluşan gelişme koalisyonlarını irdelemektir. Bu bağlamda İstanbul'un MİA'sındaki gelişmelerde bu koalisyonların rolü de incelenecektir.

Anahtar kelimeler: büyüme motoru teorisi, gelişme koalisyonları, küreselleşme, finansal deregülasyon, yabancı sermaye yatırımları, merkezi yönetim-yerel yönetimin yeniden yapılanması, kentsel gelişme kuruluşları, yerel yönetim-özel sektör işbirlikleri.

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CHAPTER 1

1. INTRODUCTION

Since the 1980s, the economic and political conjuncture of the world has changed to a great extent leading to profound transformations in cities and metropolitan areas. Economic restructuring, globalization process, and re-organization of central-local government relations are basic reasons behind these transformations (Harding, 1994).

Restructuring refers to socio-economic transformations mainly resulted from *industrial reorganization*. In this context, the followings can be mentioned:

"the relocation of industrial investments, the internationalization of markets, the transnationalization of corporate competition, the removal of capital from manufacture in favour of diversified investment, the continuous movement in manufacturing industries to capital-intensive production, the shift of the labour force from industrial to service employment, and the active competition among agents of local economic growth for mobile investment capital" (Flanagan, 1993, p.75) .

Although globalization is not a new phenomenon, the developments in production, transportation and telecommunication technologies have resulted in emergence of new dynamics of globalization.

While the improvements in transportation and production technologies were opening up new sites of production; changes in communication technologies also made possible excessive amount of knowledge to be accessed and transferred from any part of the world without being constrained by time/space barriers. This also gave way to development of new financial instruments and increased weight of *financial services* all over the world. Banking, insurance, advertising, management consultancies, legal and auditory services, other services were

looking for new sites and new labour force for themselves. Therefore, these service activities located in cities and metropolitan areas providing appropriate *hosting environments*.

Simultaneously, national governments' efforts to decentralize their powers in favour of local governments and to restructure central-local government relations indicated the signs of the opening of a new era. After the 1980s, nation states have implemented free market-oriented neoliberal policies, and the matters related with *growth* have got the first place in local governments' agenda. While spending efforts to attract investments; the *entrepreneurial capacity* of local governments, ability of getting funds from national governments, creating partnerships with private sector agencies, availability of material resources, the role of sedimented social and historical dynamics, level of technical development, infrastructure and other facilities, have all become important parameters in attracting investments (Fainstein, 1996).

In sum, the conjuncture of the 1980s and the 1990s has increased the importance of *politics of urban development*. While global forces have imposed pressures on urban regions and metropolitan areas, the responses of localities to these forces have produced different outcomes.

1.1. IMPACTS OF ECONOMIC RESTRUCTURING AND GLOBALIZATION

In the 1960s, the industrialized countries of Western Europe and the United States experienced high level of socio-economic welfare. This was not only an outcome of powerful economies; but, since World War II,

"they had augmented economic management with political and cultural accommodations to development. Both the emergence of the modern welfare state and the rise of a mass consumer culture contributed to in their own ways to complementing basic productivity gains in national economies" (Gottdiener and Komninos, 1989, p.1).

In the 1970s and 1980s, significant changes in capitalism have appeared. These have had their roots in the economic boom period of the late 1960s and early 1970s. In the mid-1960s, the success of the boom turned out to be an obstacle for further advance. Markets were saturated and industrial overcapacity was omnipresent (Storper and Scott, 1986). As a result of the improvements in transportation and communication technologies, a wider geographic market for industrial plants was opened. Industrialization and economic development of peripheral areas have contributed to worldwide expansion of markets. Consequently advanced capitalist countries created new investment opportunities in the newly industrializing countries, such as Brazil, Mexico, Taiwan, Singapore, Hong Kong and Korea (Storper and Scott, 1986; Cooke, 1990; Harvey, 1989).

The re-industrialization of Japan gave rise to the industrial overcapacity problem in the United States and Europe. First in Britain and then in the United States, the effects of the crisis became apparent. France and Italy were followed by Germany; and the newly industrializing began to experience economic stress between 1974 and 1978; finally Japan's economy started to fluctuate in the early 1980s (Storper and Scott, 1986).

Various explanations were put forward to identify the main causes of the crisis. These were mainly the oil shocks in the 1970s, slowdown of industrial and economic growth rates, decreasing rates of profit, problem of inflation causing decreases in purchasing power (Gottdiener and Komninos, 1989; Yıldızoğlu, 1996).

As a result, economic crisis in the Fordist system gave way to the *flexible accumulation* which can be defined as:

"... flexibility with regard to labour processes, labour markets, products and patterns of consumption. It is characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets and greatly intensified rates of commercial, technological, and organizational innovation" (Harvey, 1989, p.147).

As it was put forward by various authors (Smith and Tardanico, 1987; Harvey, 1989), as a result of the developments in production technologies and dispersion of production sites across the globe, changes in labour markets were observed towards de-skilled, part-time, and subcontracted jobs.

As industrial corporations have expanded their operations across the globe, non-industrial corporations, banks and producer services firms have followed them. Firms specializing in banking, finance, insurance, management consulting, engineering, advertising services, etc. have dispersed their production units to meet the needs of their customers. The increasing mobility of capital across the globe has also been encouraged by mergers, joint ventures, acquisitions and foreign direct investments between large companies and multinationals (Sassen, 1991). The location decisions of multinationals, have affected cities' current and future positions within the newly established hierarchy. As Giddens (1990) asserted:

"the biggest transnational companies today have budgets larger than those of all but a few nations... If nation-states are the principle 'actors' within the global political order, corporations are the dominant agents within the world economy" (Giddens, 1990, pp.70-71).

In this context, while firms have been acting on worldwide, their control and command functions have been centralized in core areas of cities and metropolitan regions (Sassen, 1995).

The developments in communication technologies have led to the emergence of a "cyber-space" on which huge volume of information could be transferred across the globe. This has brought about the increasing range of short-term movements of capital on worldwide by leading to the emergence of a "virtual economy" (Yıldızoğlu, 1996).

1.2.GROWTH MACHINE: A US-BASED URBAN DEVELOPMENT THEORY AND ITS VERSIONS IN WESTERN EUROPEAN COUNTRIES IN THE 1980s

In order to identify the transformations behind the urban development various theories have been developed by the scholars. Among them, the growth machine is one of most influential one that has led various studies to be conducted. The "growth machine theory" was put forward by Harvey Molotch in 1976, in his essay titled as "The City as a Growth Machine: Toward a Political Economy of Place". Later in 1987, Harvey Molotch and John Logan's influential book, titled as "Urban Fortunes: the Political Economy of Place" made the theory well-known among scholars. Their work was basically focused on the urban development of American cities through the collaboration of land-based interests searching for increases in exchange values of land. As Logan and Molotch (1987) put forward:

"growth machine activists are largely free from concern for what goes on within production processes (for example occupational safety), for the actual use of the products made locally (for example cigarettes), or for spillover consequences in the lives of the residents (for example, pollution) they tend to oppose any intervention that might regulate development on behalf of use values. They may quarrel among themselves over exactly how rents will be distributed among parcels, over how, that is, they will share the *benefits of aggregate growth*. But virtually all place entrepreneurs and their growth machine associates easily agree on the issue of growth itself" (Logan and Molotch, 1987, p. 32, emphasis added).

Growth machine coalitions are led by various agents who expect rent from increase in exchange values of land. The major activists are *rentiers*, land owners, who directly benefit from growth. Rentiers are supported by other participants, such as developers, financiers, construction companies, real estate speculators, etc. Politicians are also actively engaged in growth machine politics, since they have close ties with the other land based interests, such as developers, real-estate speculators, who are potential supporters of election campaigns. The other growth machine players are local media, local utility

companies, etc. Supporting growth machine activists include universities, cultural institutions, professional sports clubs, labour unions, small retailers.

According to the theory, the decisions of local government are basic to development politics since future prospects are determined by local governments. Therefore, as Logan and Molotch asserted (1987) "growth" is not a natural outcome of economic activity, rather it is deliberately created by the political decisions.

In the following two decades, various works have been conducted by scholars to testify the growth machine theory and its versions in the European context. In a majority of studies, it has commonly been agreed that it has not been possible to consider the European examples of public-private sector partnerships similar to the growth machines in the United States, due to historical, economic, political and social contingencies. So, instead of recalling a "machine politics" in the European context, it has been more appropriate to suggest the concept of "development coalitions" (Keating, 1993) that operates through collaborations established between various subnational administrative organizations, local government and private sector. The term "development coalition" was used by Keating in 1993 in his comparative work on the politics of urban development in the United States, Britain and France.

"A *development coalition* here is defined as a place-based and interclass coalition devoted to economic growth in a specific location. It will include local political leadership, together with local business interests...It may include *national agencies and elements of the national bureaucracy* operating in defined territories. Certainly, *its relations with the central state will critically condition its potential and resources*" (Keating, 1993, p.387, emphasis added).

As Keating (1993) asserted, development coalitions are different than the growth machine coalitions, since their context change with regard to different national dynamics. Therefore, a "growth machine coalition" should be considered as *one form* of development coalition, since it only focuses on increase in exchange

values. There are other types of development coalitions flourished in different national contexts and in different local, historical, social and political dynamics. In the Western Europe, since the 1980s, various development coalitions have been established between public and private sector agents. The natures of these coalitions have been tied to a variety of contingent factors, ranging from central-local government relations to planning legislation. To illustrate, both in England and in France, due to welfare state policies and high level of state subsidies, the need for local governments to establish partnerships with the private sector has been weak as compared to their American counterparts. Moreover, in the United Kingdom, political parties have been the prime decision makers in local politics; and in France, local governments and subnational administrative-political elites have been influential in local economic development politics. Whereas, in the United States, local politics has been led by interest groups. At the local level, the agents who are key players in getting the inward investments from central government vary according to the nature of organizations and institutions. To illustrate, in the United States, chambers of commerce and private utilities are major actors in attracting inward investments; and the local governments are weak in dealing with private sector agents. On the other hand, in the United Kingdom chambers of commerce have traditionally been weak, but powerful state agencies exist to coordinate the distribution of investments (Wood, 1996; Keating, 1993; Levine, 1994). Therefore, decentralization of central-local government relations, existence of subnational institutions, organization of local government, etc. are all influential factors in determining the development coalitions established between public and private sector. But, in spite of the differences between American and European development politics, the implementation of neo-liberal policies has led the development politics of European countries to to display similarities with that of the US-style machine

politics since the 1980s. The implementation of revenue cut-backs in the budgets of local authorities, the privatization of publicly-owned utilities, the increasing range of competition between cities, the neoliberal policies of the central governments encouraging private sector involvement in urban development politics have resulted in establishment of public-private sector coalitions, to some extent, similar to that of the US-style growth machine politics (Wood, 1996; Keating, 1993; Barlow, 1996).

1.3.THE AIM AND SCOPE OF THE STUDY

Since the 1980s, the impacts of the new dynamics of globalization have started to be experienced at both national and local levels. *The reflections to these dynamics have appeared in neoliberal economic policies of the nation-states in order to adapt themselves to these new trends of globalization.* The neoliberal policies of nation-states were also accompanied by the restructuring of central-local government relations. In this respect, ***the new trends of globalization, and deregulation policies of nation-states together with the restructuring in central-local government relations have constituted the basis for the emergence of development coalitions through which the articulation to the global dynamics has been realized since the 1980s.***

For this reason, the works on globalization, and the studies on development politics and growth machine theory were evaluated together in order to develop a frame of reference for the study.

As it was previously mentioned, various works were conducted to analyze the politics of urban development by looking at the public-private collaborations which have been in the agenda of central and local governments in Europe since the 1980s. The development coalitions which have been established in Europe

since the 1980s, have differed from those of the *US-based growth machine coalitions*, and have varied from one another.

The impacts of new trends and dynamics of globalization have been experienced in cities and metropolitan areas since the 1980s. Therefore, analysing these new tendencies is of great importance in identifying the influences coming from a global level. Whereas, the comparative analysis between the *United Kingdom, France and Turkey* enables us to draw conclusions upon differences resulting from the nation-states' dynamics; and, investigating the *CBD transformations of London, Paris and Istanbul* makes possible to evaluate variances resulted from the metropolitan city dynamics.

Since from the start, the main focus is on the *flow of financial capital* and increasing dominance of *service sector activities* in central areas of cities, the term "*urban space*" is used to refer the spaces mainly dominated by these uses.

Since the 1980s, articulation to the global dynamics has been realized via development coalitions that have been emerged through the collaboration between various subnational administrative institutions, local governments, private sector agents and interest groups. ***Deregulation in economic policies of nation-states in order to integrate to the global economy; and, restructuring in central-local government relations were basic to the emergence of development coalitions.***

However, the nature of the development coalitions varies with a number of factors ranging from impacts of global dynamics to nation-state and metropolitan city dynamics.

More specifically, ***nation-state dynamics*** cover neoliberal policies adapted by nation-states in articulating to the global dynamics; existing central-local government relations historically sedimented by the interactions of administrative, economic, social, and political dynamics; decentralization policies with regard to

central-local government relations; the changes in existence of institutionalized sub-national agents; planning practice and legislation.

Metropolitan city dynamics cover the place of city/metropolitan area within the new hierarchy of cities; the political, social, economic conditions, natural resources, and organization of production in city; existing administrative structure of local government; the entrepreneurial ability of administrative agents/elected officials in getting resources from central government; the ability of local governments' officials to utilize existing local, natural, economic and human resources of city; dependence of private sector in development politics; level of public participation and interest groups, and existence of anti-growth coalitions.

Since the 1980s, nation-states have adapted liberal policies providing favourable environments to private sector investments and free movement of capital. The abandoning of welfare policies of nation-states; and decentralization of central-local government relations have resulted in more freedom to private sector interests to interplay in cities and metropolitan areas. *Although the decentralization policies of central governments have varied with the political party systems and existing traditions of central-local government relations, since the 1980s, the dominance of private sector capital has emerged as an important determinant in shaping the morphology of central areas in cities.*

Changes in the existing legislation neoliberal economic policies are very important in the sense that they determine the articulation types that are likely to occur. One of the main trends in this era is the increasing range of short term capital movements in global economy. In order to articulate to global dynamics nation-states have deregulated their financial markets. The **mobility of capital** have increased through mergers, joint ventures, acquisitions and foreign direct investments. The volume of foreign direct investments inflows, especially from developed countries to the developing countries has risen since the 1990s.

This trend has also led to the increasing range of operations of large companies, and multinationals/ transnationals within the boundaries of other countries (Sassen, 1991). ***The increasing share of "service sector activities" in total foreign direct investments has resulted in deepening penetration of foreign capital into the central areas of other cities. The more cities get articulated into global relations, the wider the spatial impacts of foreign capital in business district are observed.***

After the 1980s, nation-states applied restructuring strategies in order to decentralize central-local government relations. Restructuring policies were mainly focused on new regulations in planning legislation and new powers provided to mayors to make them enable in handling with the problems of growth. In this way, central governments were moved away from welfare policies in favour of neo-liberal strategies targeting to liberate free market forces in cities. The conditions for the emergence of development coalitions are tied to the decentralization policies of central governments (Harding, 1994; Keating, 1993). ***The decentralization strategies providing legislative autonomy to local governments are more likely to end up with development coalitions among private sector agencies, local government and other interest groups.*** The emergence of development coalitions in the Western European context appeared after the restructuring of central-local government relations to lessen welfare burdens of the nation-states, in the 1980s. The restructuring of central-local government relations in this neoliberal atmosphere led to *increasing dominancy of private sector* in cities and metropolitan areas acting within the new hierarchy of global dynamics. ***The decentralization efforts of central governments through the legislative relaxations have resulted in powerful metropolitan municipalities or local authorities that are able to decide the future prospects of the city.***

The flagship projects of central governments may lack social inclusiveness or bypass local authorities' planning decisions in favour of "national interests"; however, these projects are the most well-organized ones in terms of mobilization of agents and organization scheme. In London, Paris and Istanbul, the central government-led projects are the most developed examples of development coalitions in terms of mobilization of agents. Whereas in the United States, growth machine coalitions are rather led by the various interest groups and local government without any involvement of central government. Financial resources provided by central governments have influenced local governments' partnerships with private sector. As more resources were transferred by central governments, less involvement of local governments in establishing collaborations with private sector has come into reality.

In summary, by depending on the above mentioned assumptions, the transformations in France, the United Kingdom, and Turkey are analysed in terms of both nation-states dynamics and metropolitan city dynamics in the context of new trends in globalization. The nature of development coalitions and the CBD transformations in Paris, London, and Istanbul have displayed similarities and differences from each other and from the US-style growth machine coalitions.

1.3.1. THE AIM OF THE STUDY

As it was briefly summarized above, the impacts of globalization have been felt in cities/metropolitan areas since the 1980s. The reflections to these impacts have been observed in nation-states' economic policies and restructuring of central-local government relations that have given way to emergence of "development coalitions". In this context, a comparative analysis will be made between France, the United Kingdom, and Turkey by looking at the restructuring of central-local government relations, planning practices, and the characteristics of development

coalitions which have been established in the articulation to the global dynamics. In this respect, the CBD developments of Paris, London, and Istanbul will be comparatively studied by investigating the nation-state dynamics and metropolitan government dynamics.

However, the primary aim of this work is to identify the nature of development coalitions and established in Istanbul after the 1980s. As it was asserted previously, *new trends in globalization, and deregulation policies of nation-states together with the restructuring in central-local government relations have constituted the basis for the emergence of development coalitions.*

By depending on the above mentioned assumption, the central government's economic policies and their outcomes, and the role of Istanbul within this dynamics will be analysed in the context of the new trends in globalization. Moreover, restructuring of central-local government relations and its impacts on the metropolitan government in Istanbul will be scrutinized. In this context, the development coalitions established in Istanbul since the 1980s; and the role of these development coalitions during the transformation of the CBD will be identified by evaluating these outcomes.

1.4. CONTENT OF THE STUDY

In the following chapter, after analyzing the new dynamics and trends of globalization, the US-based "growth machine" theory and various works on growth machine theory in the American and European context are analysed.

In the first section of the third chapter, world cities and the recent changes in rank order of their fulfilling of world city functions will be detailed; the rest of the chapter is devoted to the analysis of the CBD transformations in Paris and London by considering the decentralization strategies on local-central government relations. The development coalitions established in La Défense and

Docklands will be evaluated as compared to those of the growth machine coalitions in the United States

The fourth chapter is mainly concentrated on three economical aspects of Turkish economy in since the 1980s: the impacts of neoliberal policies applied in Turkey in order to articulate the international markets; the growth of retailing industry in the 1990s; and the evaluation of foreign direct investment inflows in service sector activities into Turkey and İstanbul.

In the fifth chapter, after analysing the legislative changes in Turkey in the context of restructuring of central-local government relations, a typology of development coalitions in İstanbul will be presented.

In the sixth chapter, newly emerged business district areas; the distribution of foreign direct investments in service sector activities in districts, and current properties of office stock in İstanbul are analysed. Also, the high price real estate market in İstanbul will be examined in giving examples from residential areas, shopping centres and five star hotels. The final part of the chapter will focus on the proposed central business district development in the 1/50.000 master plan of the Greater İstanbul Municipality and the new project in the Anatolian side of the city.

In the conclusion chapter, the development coalitions taken place in İstanbul, Paris and London will be evaluated comparatively, together with the new trends in globalization and outcomes of restructuring in central-local government relations.

CHAPTER 2

2. NEW DYNAMICS OF GLOBALIZATION, GROWTH MACHINE THEORY AND THE EMERGENCE OF DEVELOPMENT COALITIONS IN WESTERN EUROPE

This chapter is mainly focused on the new dynamics of globalization, growth machine theory and its European versions. The developments in communication, production and transportation technologies have constituted the background for internationalization of firms and dispersion of production sites across the globe. As transnational companies started to operate worldwide, service sector firms specialized on financing, accounting, advertising, legal and management consulting firms, etc. followed them. Therefore, both control/command functions of multinational/transnational companies; and financial and producer services have been concentrated in major cities and metropolitan areas. Increasing mobility of capital together with its tendency towards profitable sites and suitable locations have been critical importance of cities and metropolitan areas providing appropriate hosting environments.

On the other hand, following the post-war boom period, starting from the 1980s, nation-states have abandoned their welfare state policies in favour of neoliberal approaches providing freedom to market forces in cities and central areas. The outcomes of these strategies were the restructuring in central-local government relations and deregulation policies nation-states leading to the increasing mobility of capital. All of these processes have been resulted in the emergence of

development coalitions between various subnational institutions, local government and private sector agents in order to realize development in cities and metropolitan areas.

2.1.ECONOMIC DYNAMICS OF NEW GLOBALISM AND ITS REFLECTIONS ON CITIES

Since the early 1980s, a huge volume of literature on globalization covering its economical, political, social and cultural aspects has been produced by scholars, interest groups and other parties involved. This enormous body of work has not only concentrated on its roots but also on its implications, effects and outcomes on cities and metropolitan areas since the 1980s.

Although giving a comprehensive explanation including all aspects is difficult to produce, the process of globalization can simply be defined as the ***"increasing mobility of capital and goods across the globe"***.

The developments in *production, transportation and communication* technologies constituted the background of this process. As it was put forward by various authors (Hirst and Thompson, 1996; Yıldızoğlu, 1996) that globalization is not a new phenomenon; however some new features in its nature should be scrutinized in order to explain the period in which we have gone through since the early 1980s.

In the late 1970s and the early 1980s, a number of significant changes, which had their roots in the late 1960s and early 1970s, appeared in developed western countries. Markets were saturated leading to an overcapacity problem in industrial production (Storper and Scott, 1986). Since developments in transportation and communication had decreased the cost and time of circulation, wider geographic markets for industrial plants were opened up. Developed

industrialized countries created new investment opportunities in the newly industrializing countries such as Brazil, Mexico, Taiwan, Singapore, Hong Kong and Korea, where low wages¹, less organized labour power and high level of state subsidies existed (Storper and Scott, 1986; Cooke, 1990; Harvey, 1989; Lipietz, 1986).

During the globalization of world economy, there occurred some transformations which have profound impacts on cities and metropolitan areas.

Since the 1980s, the developments in *information technologies* have constituted a background for globalization of production and management (Castells, 1985); and "*new space of production* by reshaping the regional structure and the dynamics of each city" have come into reality (Castells, 1992, p.12; Castells' emphasis).

In a similar vein, Thrift (1994) also mentioned the increasing importance of "knowledge structure" resulted from the developments in information technologies which gave way to the emergence of a "*cyber-space*" (Yıldızoğlu, 1996, p.64) in which a high volume of information exchange and financial transactions were realized. The speed and accessibility to information on this cyber-space enabled movement of financial transactions to move almost independent from time/space constraints. By this way, a "*virtual economy*" was created (Yıldızoğlu, 1996). The most important outcome of this process has been the ascendancy of fiscal structure and the resultant "*dominance of finance over production*" (Thrift, 1994, p. 368, emphasis added).

In this context, the most important *global informational functions* are:

- "*financial services* (banking, insurance and finance, particularly the high end of these activities concerned with merchant and venture capital);
- specialised *producer services* (such as advertising, public relations, accountancy, legal services and management consultancy); associated with these,
- *the media* (publishing, TV and radio, multimedia);

- *headquarters and back-office functions of corporations both in the manufacturing and services sectors" (Brotchie, et al, 1995, p.35, authors' emphasis).*

Another important characteristic of this era is the continuing rise of *global oligopoles*. This was an outcome of both developments in production technologies, increasing mobility of investment across the globe, and the developments in transportation and communication technologies (Amin and Thrift, 1992). They asserted that there has been an important increase in *global corporate networks* since the 1980s. The power and influence of *multinational corporations* on employment, investment and trade has become apparent in developed economies through the 1980s and the 1990s. Between 1986 and 1990 the capital exports of multinational corporations was \$ 37 billion; in 1993 this amount reached to \$160 billion. The multinational companies have employed more than 12 million workers in developing countries and 75% of this employment was created after 1985 (Yıldızoğlu, 1996, p.15). Nevertheless, the decentralization of production sites of multinationals and global corporate networks across the globe have not come to mean that control and command functions have been decentralized in a similar way. Contrarily, they have become highly *centralized* (Amin and Thrift, 1992).

2.2. THE WORLDWIDE GROWTH OF PRODUCER SERVICES

As a result of the expanded global communication networks, advanced information technologies, and increased international exchange have led to the collapse of physical, political and psychological barriers between countries, mobility of capital has increased to a great extent (Harvey, 1989). The elimination of spatial barriers has resulted in a new hierarchy within the global urban system. Therefore, cities:

- "concentrate command functions;
- are post-industrial production sites for the leading industries of this period, finance and specialised services; and
- are transnational market places where firms and governments can buy financial instruments and specialised services" (Sassen, 1995, p.36).

As Sassen (1995) correctly pointed out, some cities serve to regional or sub-national markets, some serve to national markets, and some to global markets. So, the range changes according to the city's level of articulation to the hierarchy of urban network. "In this context, globalisation becomes a question of scale and added complexity" (Sassen, 1995, p.37).

In this context, while New York, London, and Tokyo have sustained their positions as first-tier "global cities" (Sassen, 1991), approximately 20 "sub-global" cities have arisen as hosting environments to these producer services (Hall, 1995).

Markusen and Gwiasda (1994) in their work covering the functions of world cities, stated that the literature on globalization is mainly concentrated on two facts; the first one is, in large cities, size and prosperity tend to increase more than other national cities; and the second one is the share of economic activity in these cities is generally oriented towards international markets rather than the national or regional levels (See Table 2.1). Therefore, Sassen's definition of global city, well explains this fact:

- (1) "command points in the organization of the world economy;
- (2) key locations and marketplaces for the leading industries of the current period, which are finance and specialized services for firms; and
- (3) major sites of production for these industries, including the productions of innovation." (Sassen, 1991, p.4)

On the other hand, Markusen and Gwiasda (1994) asserted that in order to be considered as a world city, a city should have a leading role in performing at least one or more global city functions.

The increasing dominance of producer services in global and larger cities is another characteristic needs to be detailed. Sassen (1994) provided a wide-covered definition for producer services:

"financial, legal, and general management matters; innovation; development; design; administration; personnel; production technology; maintenance; transport; communications; wholesale distribution; advertising; cleaning services for firms; security and storage" (Sassen, 1994, p.55).

Table 2.1. World City Functions: Tendencies Toward Centralization

<u>Function</u>	<u>Centralization Tendency</u>
Trade	Low
Finance	High
Business Services	High to medium
<u>Manufacturing</u>	
Administration	High
Research and Development	High to medium
Production	Medium to low
Government	High
Education	Medium
Culture	High to medium
Health and social welfare	Medium to low

Source: MARKUSEN, A., GWIASDA, V. (1994) "Multipolarity and the Layering of Functions in World Cities: New York City's Struggle to Stay on Top", *International Journal of Urban and Regional Studies*, Vol.18, No.2., p.169.

Metropolitan areas and large cities are the agglomerations of financial and producer services. The percentage share of producer services in cities has continuously been increasing since the 1970s. Table 2.2, shows the shares of producer services in New York and London. Especially for New York it is

apparent that percentage share of producer services is higher than the national average.

Table 2.2. New York and London: Share of Producer Services in Employment, 1970s and 1980s

	% of Total City Employment	% of National Employment in Producer Servi.	% of Total National Employment
New York			
1977	29.8	8.3	4.2
1981	32.9	7.8	3.9
1985	35.1	7.2	3.7
1987	37.7	7.6	3.7
London			
1971	28.0	40.3	16.0
1981	31.0	34.1	15.7
1984	32.8	32.6	16.6

Source: SASSEN, S. (1991) *The Global City: New York, London, Tokyo*, Princeton University Press, New Jersey, p.134.

In the 1980s, large corporations have started to be engaged in retailing of consumer services and in order to expand their markets they started to produce consumer services used by single domestic firms located worldwide. Also, the globalization of production has made necessary to develop planning/marketing operations to satisfy the needs of worldwide consumers. This has led to advertising and consumer financing to become important branches in marketing of products or services. The rapidly growing franchising system gave way to the well performance of this market (Sassen, 1991).

"the fragmentation of the work process, ... ,is evident in, hotels, restaurants, various kinds of repair services, movie theatres, car rentals, photo development,

retail outlets for a broad range of consumer goods, from food to flowers, and a vast array of other service activities, which used to be largely the domain of small, local, independent entrepreneurs" (Sassen, 1991, pp.28-29)

2.3.INCREASING MOBILITY OF CAPITAL THROUGH THE FOREIGN DIRECT INVESTMENT FLOWS AND SHORT TERM CAPITAL MOVEMENTS

The share of the service sector in foreign direct investments has increased to a great extent since the 1980s. As industrial activities and production sites have been dispersed worldwide, service sector activities have been widely invested by the industrial corporations serving internationally. As Sassen (1991) has asserted in the 1980s, the share of service sector activities in foreign direct investments has had an important portion in manufacturing and other activities (See Table 2.3).

Table 2.3.Estimated World Stock of Foreign Direct Investments, 1960-1987

<u>Years</u>	<u>FDI (\$ billion)</u>
1960	66
1972	213
1984	549
1987	962

SASSEN, S. (1991) *The Global City: New York, London, Tokyo*, Princeton University Press, New Jersey, p.36.

As it has been previously asserted the increasing mobility of capital is basic to globalization and this mobility has become most apparent in overseas relations of major corporations through foreign direct investments, mergers and acquisitions, joint ventures etc. Sassen (1991) described five trends in foreign direct investment flows. In the 1970s, foreign direct investment flows from developed countries to less developed countries reached to 19.4% between 1973 and 1978

(Sassen, 1991, p.37). Second, in the 1980s foreign direct investments decreased in all countries. Third, until 1979 the United States was the prime exporter of foreign direct investments. However, in 1980, the dominance of the United States in foreign direct investments decreased, and became the second investor country following the United Kingdom until 1984. In this period, the United States turned into a major recipient of foreign direct investments from other developed countries among which the United Kingdom and the Netherlands became the major investors. Whereas, Japan's share in investments has risen. The fifth trend was the concentration in global foreign direct investments i.e., the multinationals of the developed countries performed the 97% of the recorded foreign direct investment flows (Sassen, 1994, pp.10-14)

The multinationals and transnationals have started operate worldwide through subcontracting and foreign direct investments. Especially, the provision of producer services has extended across the globe via operations of these firms. With the mergers and acquisitions multinationals have established "cross-border linkages". Few of these firms have controlled a great volume of the world's some of producer services markets. To illustrate, "in the London area, four firms controlled almost two-thirds of the fees generated by the world's top nine accounting firms" (Sassen, 1994, p. 48).

As it can be observed in the Table 2.4 the developed countries were the major providers of services in 1980. Their share constituted approximately the 2/3 of all world exports (See Table 2.4).

In the 1990s, the share of short-term capital movements has been increased as compared to the foreign direct investments. Table 2.5 shows the capital movements from developed countries to the developing countries.

Table 2.4. Top Eight Exporters of Services, 1980

<u>Countries</u>	<u>Service Exports(\$ billion)</u>
United States	37.5
United Kingdom	37.1
West Germany	33.8
France	33.0
Italy	23.5
Japan	19.4
Netherlands	18.6
Belgium	14.9
Subtotal	217.8
World exports	370.0

SASSEN, S. (1991) *The Global City: New York, London, Tokyo*, Princeton University Press, New Jersey, p.59.

Table 2.5. Capital Movements Into Developing Countries

	<u>Foreign Direct Investments (\$ Billion)</u>	<u>Loans (\$ Billion)</u>
1990	23.7	3.2
1991	32.9	7.2
1992	45.3	11.0
1993	65.6	45.0
1994	86.9	32.6
1995	101.5	32.5
1996	119.0	45.8

Source. BERKSOY, T., SALTOĞLU, B. (1998) *Türkiye Ekonomisinde Sermaye Hareketleri*, İstanbul Chamber of Commerce, No.1998-58, p. 15.

The increasing mobility of capital has also been apparent in increasing number of short-term capital movements. The advances in communication technologies have also contributed to the rise of this trend. The developing countries have joined into global economic relations by deregulating their stock exchange markets (Sassen, 1995). To illustrate between 1990 and 1995, 50 new stock exchange markets have opened in developing countries (Yıldızoğlu, 1996, p.18). As Berksoy and Saltoğlu (1998) put forward, the worldwide financial deregulation has resulted in loosening of relations between movement of goods and movement of capital. Therefore, the volume of capital movement has increased to a great extent.

2.4.HOSTING ENVIRONMENTS FOR THE GLOBAL FINANCIAL ACTIVITIES AND HIGH PRICE REAL ESTATE MARKETS

During globalization of the world economy, as Thrift (1994, p.368) described, a "transnational business class" has emerged. This business class has needed a hosting environment providing opportunities/amenities to meet and to get into partnerships, deals, etc. Therefore, a physical infrastructure consisted of hotels, business and convention centres, airports, telecommunication network etc. has been of great importance. Also location decisions of financial firms, for example national banks, or the corporate headquarters have influenced the location decisions of others. As Bosman and de Smidt (1993) asserted providing appropriate hosting environments, such as cultural activities, media, science and tourism facilities, has had prime importance for location decisions of major companies. Facilities provided to high-income working population have also comprised housing in safe environments, leisure, sport and entertainment

services, foreign-language schools and a variety of shops (Bosman and de Smidt, 1993) (See Figure 2.1 and Figure 2.2).

During this era, location decisions of big companies and multinationals are important for cities and metropolitan areas competing with each other in the established hierarchy. In this context, international management centres based on production-control function deserve analyses². This type of management centres generally prefer major international locations to settle down, and within these places, they generally locate in central areas, or, accessible locations in the metropolitan periphery. As Bosman and de Smidt (1993) asserted private-public partnerships have created this type of business centres in metropolitan areas by breaking average rent levels in these areas.

Also the research by Rozenblat and Pumain (1993) showed that in Europe during the 1980s, multinational firms³,

"...for their internationalisation tend to privilege the largest cities. This effect is strongest for the location of headquarters and for financial branches. It accompanies the process of metropolitanisation in the urban system" (Rozenblat and Pumain, 1993, p.1706).

As a result of their study, they proved that *accessibility* factor is reinforced with the availability of high level accommodation in international *hotels*.

As cities get more accessibility they get more subsidiaries. Also, the number of international congresses is an indication of international activity of cities (See Figures 2.3, 2.4, and 2.5).

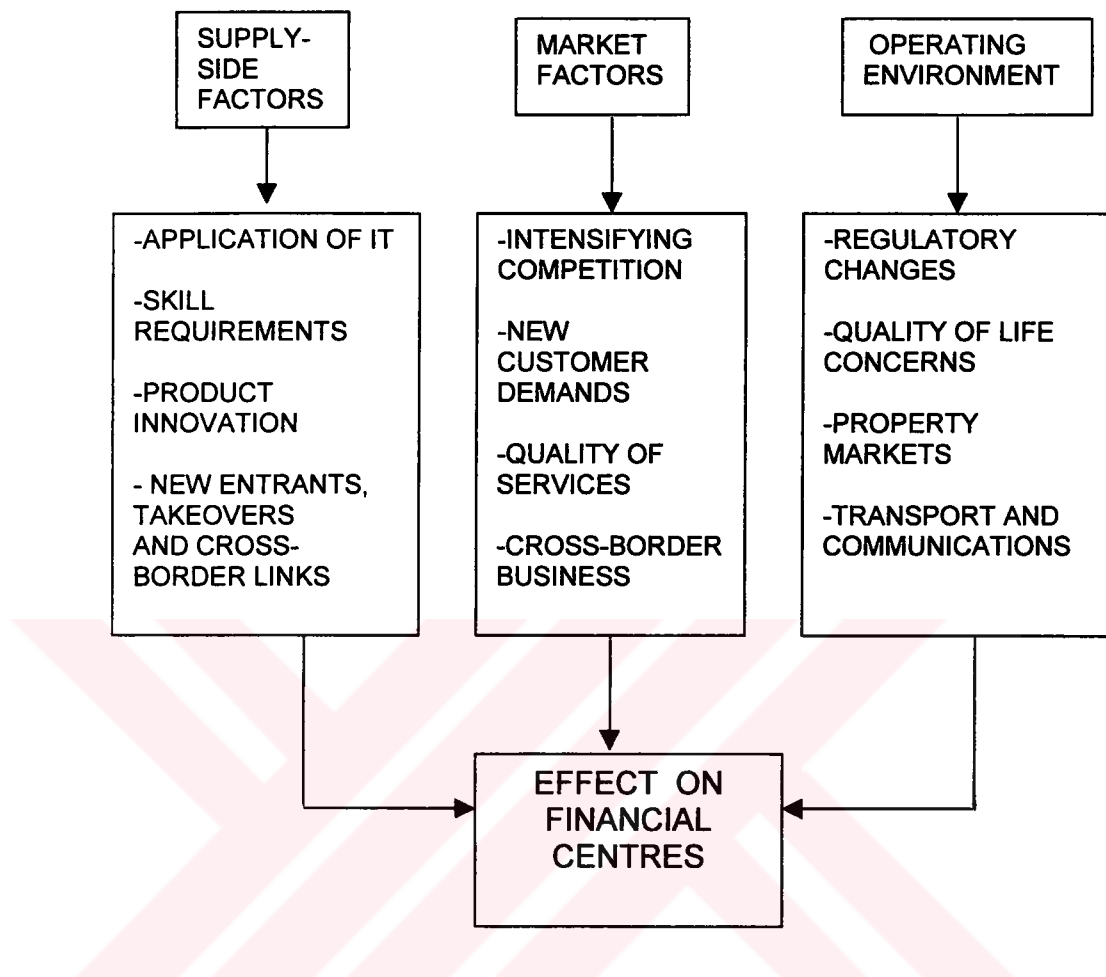


Figure 2.1. Forces for Change In Financial Services

Source. BEGG, I. (1992) "The spatial impact of completion of the EC Internal Market for financial Services", *Regional Studies*, Vol.26, No.4, p.335.

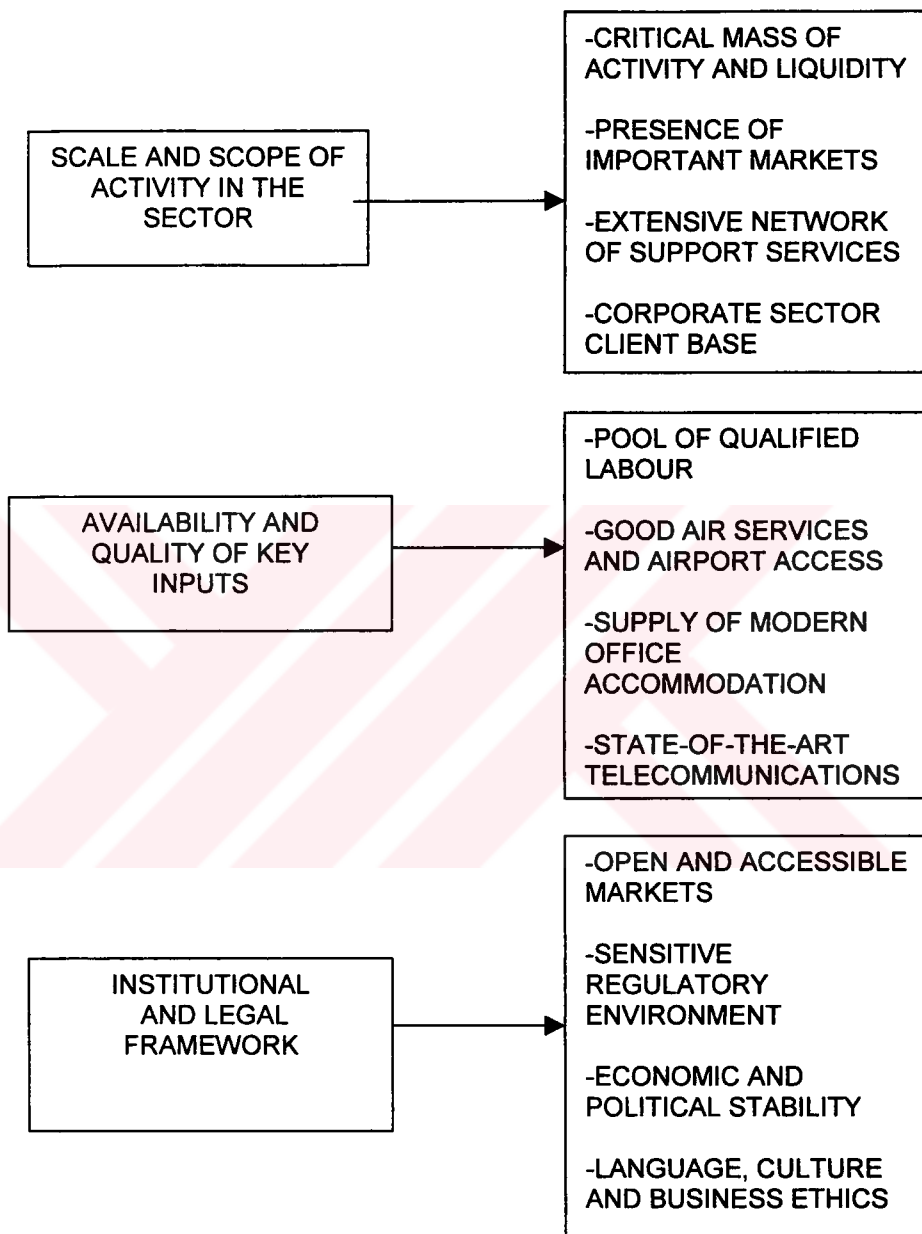


Figure 2.2. Criteria For Comparing Financial Centres

Source. BEGG, I. (1992) "The spatial impact of completion of the EC Internal Market for financial Services", *Regional Studies*, Vol.26, No.4, p.337.

T.C. YÖKSEK ÖĞRETİM KURULU
Yükseköğretim Kurulu Başkanlığı

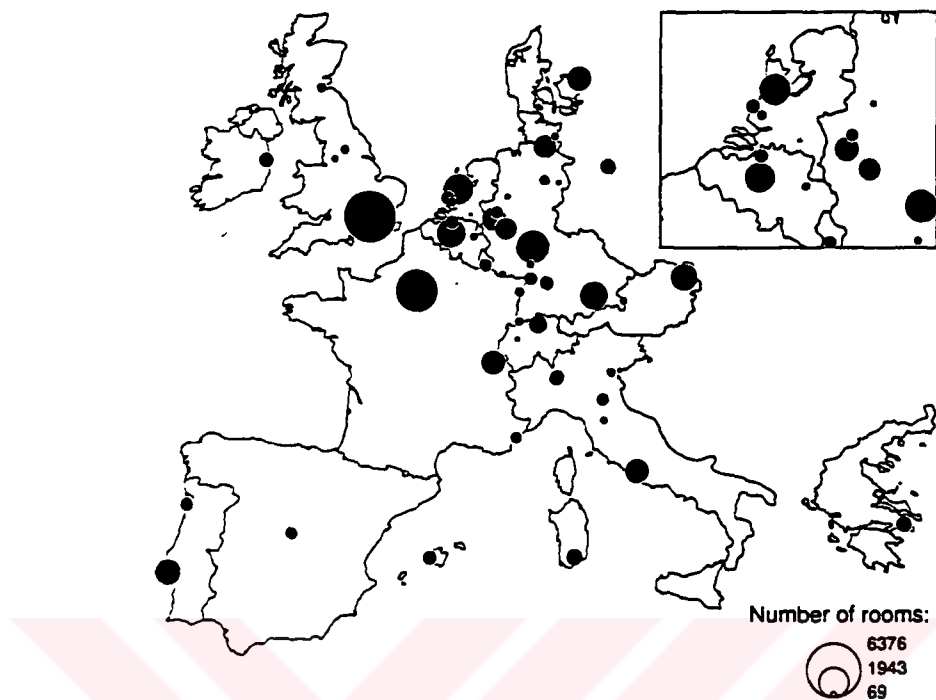


Figure 2.3. The Location of International Hotels

Source . ROZENBLAT, C., PUMAIN, D.(1993) "The location of multinational firms in the European Urban System", *Urban Studies*, Vol.30, No.10, p. 1707.

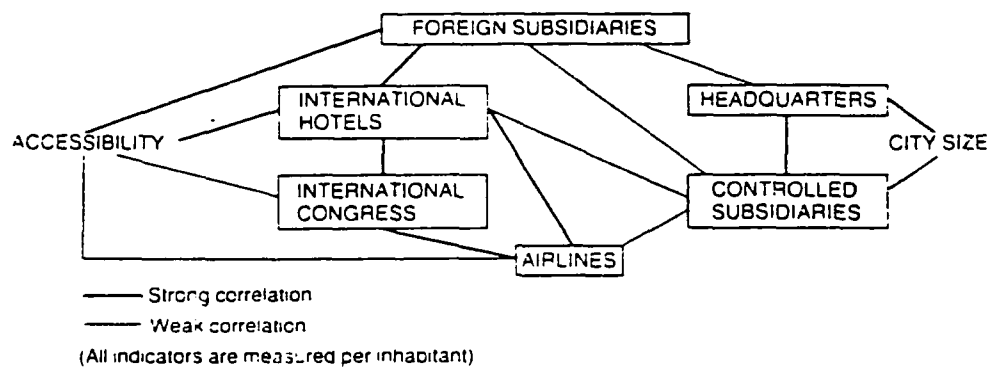


Figure 2.4. Multinational Firms and Other International Functions

Source .ROZENBLAT, C., PUMAIN, D.(1993) "The location of multinational firms in the European Urban System", *Urban Studies*, Vol.30, No.10, p. 1708.

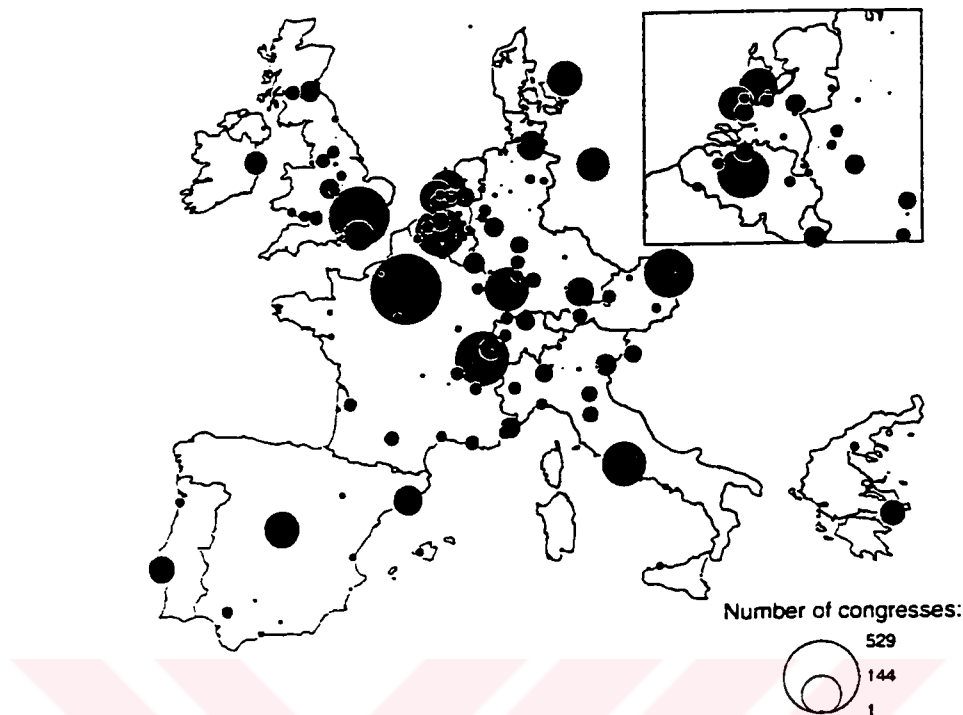


Figure 2.5. The Location of Congresses, 1987-90, in cities having more than 200 000 inhabitants

Source .ROZENBLAT, C., PUMAIN, D.(1993) "The location of multinational firms in the European Urban System", *Urban Studies*, Vol.30, No.10, p. 1708.

During this period, in metropolitan areas and financial centres, sharp price differences between high-income residential and business areas and the rest of the city have taken place (Bosman and de Smidt, 1993). In cities where agglomeration of financial activities has taken place *big developer firms acting in international markets* have started to operate in real estate markets. As a result, an international real estate market, which is independent of national real estate market has appeared. The office rents in the global cities also reached higher levels (Sassen,1991). Figure 2.6 indicates the office rents in some selected cities' central areas.

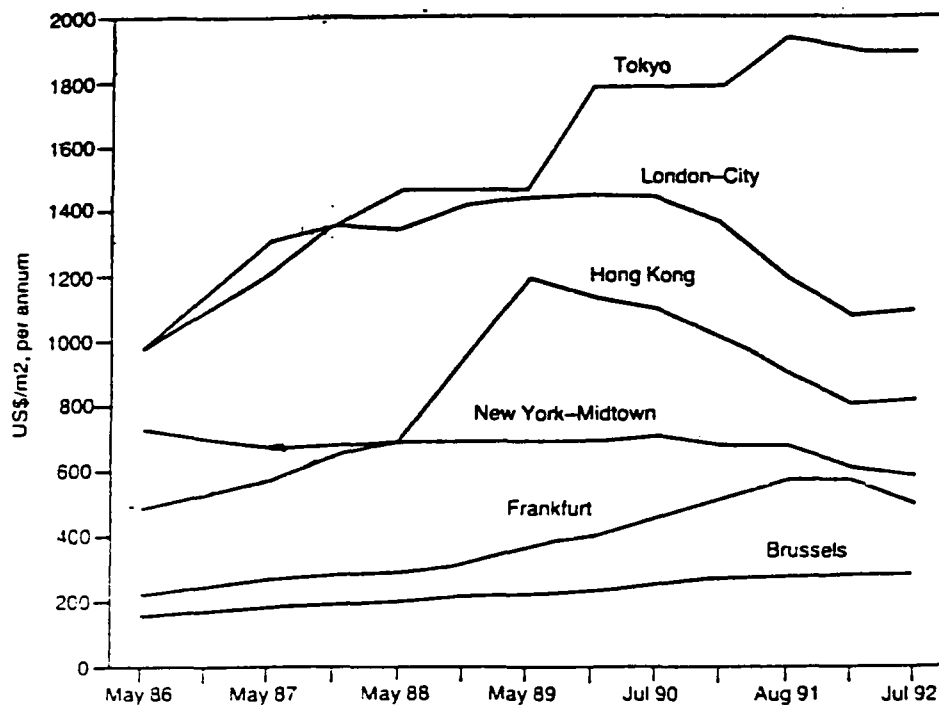


Figure 2.6. Total Housing Costs (rents, service costs, and tax) for Centrally Located in Selected Cities, 1986-1992.

Source .BOSMAN, J., DE SMIDT, M. (1993) "The geographical formation of international management centres in Europe", *Urban Studies*, Vol.30, No.6, p. 977.

In the first-tier global cities, London, Tokyo and New York large scale redevelopment activities took place in deteriorating areas. As Sassen (1991) pointed out "the active participation of foreign firms as investors and buyers and users of real estate in these three cities has contributed to the formation of an international property market" (Sassen, 1991, p.186).

While the socio-economic polarisation in cities acting in global dynamics have been increasing, the speculative high-price real-estate markets have contributed to the deepening of inequalities in cities (Wegener, 1995). Wegener (1995) described a future prospect of a *European metropolis* mainly consisted of three socio-spatially distinct cities within one metropolis;

"the most visible is the 'international' city with airport, hotel, banks, office buildings, and luxury flats and its prospering downtown shopping zone...hidden behind the international city is the 'normal' city for the native middle class in the low-density suburbs and high-rise housing areas... in the shadow remains the

'marginalised' city for the old, the poor and the unemployed and the migrant workers workers in the run-down inner city..." (quoted from Siebel, Wegener, 1995, p.153).

In many of the metropolitan cities on top of the urban hierarchies, such as London, Paris, Bruxelles, Frankfurt, etc., high price real estate markets that have driven up the prices in central areas have come into existence. Being affected by the high-price real-estate markets, these areas have turned to *unaffordable* places for the majority of the population to live (Sassen, 1995). Speculative real estate developments; highly paid and highly-skilled white-collar labour force; low-paid, part-time, unskilled works; increasing range of unemployment have all been resulted in socio-spatial inequalities in metropolitan areas, world cities and financial centres. As Sassen (1995) asserted on the one hand, the new high-price residential areas and business district areas donated with social amenities have been developed to serve the white-collar, highly-paid labour force of the global economic relations and; on the other hand, in and around the city, low-standard legal or illegal residential areas of low-wage, unskilled and mostly immigrant labour force have been flourished.

2.5. GROWTH MACHINE THEORY AND DEVELOPMENT COALITIONS

In order to explain the transformations and developments of cities within the new dynamics of globalization various theories have been developed by the scholars. One of the most influential among them is the "growth machine theory" which was put forward by Harvey Molotch in 1976, in his essay titled as "The City as a Growth Machine: Toward a Political Economy of Place". Later, in 1987, Harvey Molotch and John Logan's influential book, titled as "Urban Fortunes: The Political Economy of Place" made the theory well-known among the scholars.

Main theme of the "growth machine" theory is the claim that local economic growth is reached by the collaborations between various agents in a given locality. According to Molotch (1976), the urban development in the United States was realized through *the growth machine coalitions*.

"... the political and economic essence of virtually any given locality, in the present American context, is *growth*...the desire for growth provides the key operative motivation toward consensus for members of politically mobilized local elites, however split they might be on other issues, and that a common interest in growth is the overriding commonality among important people in a given locale—at least insofar as they have any important local goals at all. Further, this growth imperative is the most important constraint upon available options for local initiative in social and economic reform. It is thus I argue that the very essence of a locality is its operation as a growth machine" (Molotch, 1976, pp.309-310, Molotch's emphasis).

Molotch and Logan's work is mainly based on the assumption that urban development in American cities has been realized through the operations of growth machine coalitions. In this context, various agents in a given locality come together to form growth machine coalitions in order to make use of the expected benefits of growth. Therefore, the expectation of rent resulting from the increase in exchange values of land and property is the main concern of growth machine coalitions.

Among the actors of growth coalitions, **property owners** are the prime leaders, since they seek for rent resulting from the increases in exchange values of property. **Local business elite** has a direct interest in real estate development. Therefore, local private sector agents engaged in real estate development have close ties with the local economic development and politicians. This business elite supports politicians in their campaigns during elections.

Real estate speculators and developers are also active partners of these growth machines. The politicians are actively engaged in establishing machine coalitions since their existence in government is highly dependent on the support of real estate speculators and local business elites who are strong advocates of

election campaigns. This makes real estate speculators and developers highly influential in operations of growth machine coalitions. In this respect, politicians, whatever their political tendency is, have close relations such persons⁴. So, this wide-range of mobilization affects local government's engagement in growth politics, due their expectations of support in elections. As a result, "...local government is primarily concerned with increasing growth...Again it is not the only function of local government, but it is the key one" (Logan and Molotch, 1987, p.63).

The ability of local politicians in getting support from central government has prime importance in growth machine politics. Therefore, rentiers use local politicians to get support from central government. Whereas, the officials in national government are dependent on local politicians who constitute their power at local level.

Although decisions of private corporations have a major effect in growth politics, the role of **local government** is basic to local development since land-use patterns and regulations, environmental standards, subsidies, etc. are all determined by governments. So, as Logan (1997, *et al*) asserted the growth is not a natural outcome of economic activities, but it is deliberately created by political actions.

The other activists of machine coalitions are **professionals in the city**, such as doctors, teachers, dentists, etc. Although it has no direct relationship with land interests, **local media**, is also one of advocates of growth politics since growth affects their sales. In spite of the fact that media is related with the environmental consequences/hazards of growth, in general, they support progrowth strategies for the city. Although public- or semi public utilities have no direct interest in growth, **utilities** also support progrowth schemes.

There are also other supporting activists, such as **universities, cultural institutions, museums**, etc. These bodies are not directly related with growth, however, their expectations from population increases cause them to participate into growth machine coalitions. Among these institutions, *universities* get the highest importance. As Molotch and Logan (1987) asserted that after the 1980s, close relations between universities and local development have increased to a great extent. To illustrate, the relationships between Silicon Valley and Stanford University; and Route 128 and MIT have showed that universities could become influential participants of growth machine coalitions. Museums, theatres, etc. are also supporting activists of machine politics. In some cities of America, groups and individuals have organized or subsidized construction of theatres and concert halls which have been used as means of achieving growth. Another development is the organization of annual festivals, World's Fair or Olympic Games, etc.

Unions, small retailers, self-employed professionals do also act as supporting growth machine activists. None of these groups have direct interest in land values, but the expected benefits of growth lead them to participate in growth machine politics. Among others "**corporate capitalists**" is the group that is *least interested* in growth because they do not have any relation with increase in land rents. "They are in business to gain profits, not rents. Particularly when local corporate leaders are division heads of multilocal firms, there is little reason for direct involvement" (Logan and Molotch, 1987, p.84).

As Logan and Molotch (1987) put forward, growth machine activists have not been concerned with the exchange values and use values, instead, they have simply supported the idea that growth brings about new employment opportunities, increases in tax bases, etc. But, as Logan and Molotch (1987) asserted that not all developments have brought benefits to cities, for example,

housing developments may have ended up with additional service costs which in turn have resulted in financial losses rather than benefits.

For Logan and Molotch (1987) the claim, *growth makes jobs*, which is put forward by growth machine participants to advocate machine politics, does not reflect the reality, since "the reality is that local growth does not make jobs: it only distributes them" (Logan and Molotch, 1987, p.89).

Finally, Logan and Molotch (1987) put great emphasis on the role of **agents** in creating growth is of prime importance in machine politics.

"human activism is a force in cities ... To carry out this effort, we give primary attention to the strategies, schemes, and needs of human agents and their institutions at the local level. People dreaming, planning, and organizing themselves are the agents through which accumulation does its work at the level of urban space" (Logan and Molotch, 1987, p.12).

2.6. THE ECONOMIC AND POLITICAL CONJUNCTURE IN THE 1980 AND THE VERSIONS OF GROWTH MACHINE THEORY IN THE EUROPEAN CONTEXT

Following the crisis of the late 1970s, in the 1980s, nation-states moved away from their welfare state policies towards neoliberal policies which liberated the markets forces. These movements were coupled with privatization, deregulation, and a restructuring in central-local government relation. The decentralization policies of nation-states aimed to reduce the responsibilities of central governments by assigning new roles to local governments. In this period, subnational development programmes and regional growth strategies were implemented in order to achieve urban economic development which could not be provided by national governments effectively (Harding, 1994).

So, in the 1980s increased competition between cities for mobile investment has come into reality. They competed with each other to get the expected benefits of capital investments (Harvey, 1993). As Hall (1995) correctly suggested "partly because the traditional force of locational factors is eroded, partly because the

Zeitgeist of the 1980s and 1990s is so heavily pro-competitive, cities tend to market themselves rather like competing consumer goods" (Hall, 1995, p.20, Hall's emphasis). As spatial barriers have been overcome by the free movement of capital, cities have got more involved into competition through various strategies to attract investments (Harvey, 1993).

According to Mayer (1995) as a result of the increased mobility of capital and changes in the production, it was impossible for national governments to maintain and/or re-produce their previous conditions. Therefore, she concluded that (1995):

"since the specific conditions of production and reproduction can be orchestrated only by local political systems, ***their skills in negotiating with supraregional and multinational capital***, and the effectiveness with which they tailor the particular set of local conditions of production, have become decisive factors in shaping a city's profile as well as its place in the ***international urban hierarchy***" (Mayer, 1995, 232, emphasis added).

2.7. THE REFLECTIONS OF GROWTH MACHINE THEORY IN SOCIAL THEORY

As a result of the restructuring of central-local government relations, implementation of neoliberal economic policies, increasing competition among cities, new trends of globalization, the versions of the US-style growth machine coalitions have started to be observed in European nation-states. Therefore, Molotch and Logan's theory of growth machine has led various works analysing the nature of growth machine coalitions in America and in other European countries to be conducted.

In 1988, H.Molotch and S.Vicari's comparative study on the development process in the United States, Japan and Italy showed that while in the United States growth coalitions have been dominant force in urban development; in Italy urban

development has taken place through the decisions of national political party system; and in Japan big construction firms have worked in collaboration with the central government. Whereas in 1989, Vogel and Swanson analysed the powers of anti-growth coalitions, and concluded that Molotch and Logan's definition of growth/anti-growth conceptualization was inadequate to explain the process of growth. Therefore they suggested ways to direct growth politics in favour of the benefits of community (Vogel and Swanson, 1989).

Whereas, Cox and Mair (1989) criticized Logan and Molotch in their conceptualization of the growth machine players. What they disagreed was that initially growth machine activists were defined as parties benefitting from increase in exchange values. But the range of growth machine players was extended into other parties that had no direct interest in land values, such as universities, trade unions and museums.

Therefore, Cox and Mair (1989) posited the concept of "local dependence" which has stressed the importance of "spatial immobility" of relations. They argued that if this immobility was satisfied in terms of fixed investments and social relations, the formation of growth coalitions could be realized. Nevertheless, their suggestion of "local dependence" was criticized by Fainstein (1994). What she argued was that, for example, what would have been if a firm had closed its main plant and had invested in branches other localities. According to local dependence argument, they would have been considered as they had participated in local growth coalitions in those localities, and had not collaborated with the redevelopment activity in the original location.

In another vein, Wood (1996) also criticized Logan and Molotch since the concept of "rentiers" was not well-defined. He claimed that the scope of rentiers was confined only to the "ownership of land". Whereas, there were other interests which needed to be explained in detail. Another criticism of Wood (1996) was on

the exaggerated emphasis on the role of local agents by neglecting the importance of global influences.

In the growth machine theory, it is suggested that local media has an important role in formation of growth machine coalitions. Nevertheless, after investigating the relationship between the role of local media and urban renewal in South Wales, Huw Thomas (1994) concluded that local press could not be a leading growth machine activist because it had to act in harmony with its audience which was consisted of both parties of progrowth and antigrowth players.

In 1991, Alan Harding searched for the "UK-style" versions of urban growth coalitions. He said he borrowed Molotch and Logan's term of "growth coalition", since it best describes:

"...the process of public and private sector interests and actors forming alliances on the basis of a common economic growth agenda that has been growing importance in the United Kingdom since the mid-1980s and has increasingly displaced an earlier paradigm of urban economic policy which was more dominated by the local public sector" (Harding, 1991, p.295).

Harding (1991) concluded that although globalization of capital and European unification forced private and public sectors to form coalitions, the formation of the US-type growth machines was not flourished in the United Kingdom in the late 1980s.

Also in 1993, Alan DiGaetano and John Klemanski analysed urban regime theory which was put forward by scholars in order to combine the debates on "community power structure" and "urban political economy"⁵.

Urban regime theory was mainly concentrated on analysing coalitions between public and private agents that have been effective in urban development process. What they asserted was that in urban regimes there was not a dominancy of one group on the other, but rather they were collaborated to realize urban development. They further enhanced Stone's work since it was not possible to

produce a comparative work within that context. Therefore, they asserted that "regimes...form around common conceptions about what mode of governance (tasks and strategies) should be employed" (DiGaetano and Klemanski, 1993, p.59) (See Table 2.6).

DiGaetano and Klemanski (1993) attempted to make a cross-national comparative analyses of urban regimes in the context of the United Kingdom⁶. Before analysing the British context, however, they agreed that due to historical and institutional differences, it was not possible to make an exact match between the United Kingdom and the United States. Therefore they asserted that regimes must be considered as alliances between private and public sectors aiming to provide strategies and policies for economic development; but the nature of these regimes changed with regard to nation-states dynamics and the period of time concerned.

The regime types were analysed under 5 headings in Digaetano and Klemanski's work. But as it was also asserted by Digaetano and Klemanski (1993) that these regimes might co-exist with each other. In terms of progrowth strategies, two different types were identified. In the **market-led-progrowth regimes** government intervention and planning are limited, regulations on business activities are weak. Market forces define the future prospects of economic development. Whereas in the **government-led-progrowth regimes**, both central and local governments are effective, they collaborate with private sector agents, and provide tax exemptions, subsidies etc. to private sector. The main aim of **the social-reform regimes** is to encourage community's welfare, rather than to serve the business interests, for example, provision of social housing projects (DiGaetano and Klemanski, 1993). **Growth-management regimes** attempt to handle with pro-growth strategies to some extent. They spend efforts for, for example, preserving historical areas, existing land-uses, etc. **Caretaker regimes**

does not aim to implement any strategies related with growth or economic development of the locality. They rather seek to provide the minimum municipal services.

Between 1994 and 1996, various empirical studies in the context of growth machines and urban regimes were produced by the scholars (Lawless, 1994; Harding 1994; Thomas, 1994; Imrie and Thomas, 1995; Peck and Tickell, 1995; Wood, 1996).

After analysing Bristol's postwar development, Bassett (1996) concluded that the private-public partnership established in Bristol could not be defined as an exact replicate of "growth machine" model, because the influence of local government was higher than that of the US-style growth machine partnership (Bassett, 1996). In summary, Bassett (1996) asserts that although in recent years the US-style growth machine partnerships have emerged in the UK, these cannot be evaluated as *growth machine coalitions*.

"This is because of the weaker state of locally based capital (including property capital), a more tenuous tradition of business involvement in urban policy-making, the leading role of local government (even in its present weakened state), the Party politicisation of local policy issues, the dominance of professional hierarchies in policy formation, and limited sources of local tax revenue to fund partnership initiatives" (Bassett, 1996, p.546).

In 1996, John Logan, *et al*, after evaluating the past two decades of growth machine theory, in their work titled as "The Character and Consequences of Growth Regimes: an Assessment of 20 Years of Research"; concluded that:

"The success of a theory depends on its ability to stimulate response in a specific community, and by this criterion, the growth machine model is one of the most successful contributions to urban theory in recent years" (Logan, *et al*, 1996, p.621).

Table 2.6. Urban Regime Political Orientations and Modes of Governance

Political Orientation	Governing Tasks	Governing Strategies
1. Progrowth		
1.1. Market-led Progrowth	Facilitate development	Reduce government planning, regulation of business, and taxes, but provide necessary infrastructure
1.2. Government-led Progrowth	Stimulate development	Provide public subsidies and other inducements to business investment
2. Growth Management	Minimize the negative effects of growth on the quality of life	Use planning and other land-use powers to direct or limit growth
3. Social reform	Encourage a balance of neighbourhood and downtown development	Use exactions on private development and/or public resources
4. Caretaker	Routine service provision	Avoid issues of economic development

Source. DiGAETANO, A., KLEMANSKI, J. (1993) "Urban regimes in comparative perspective: the development of urban development in Britain", *Urban Affairs Quarterly*, Vol.29, No.1, p.60.

Nevertheless, they concluded that "real world of politics is more dynamic than implied in the growth machine model" (Logan, *et al*, 1996, p.622). Therefore, growth machine model was one way of coalition among various other types of partnerships and mobilizations. They also asserted that "the balance of forces between progrowth and antigrowth coalitions is contingent on a variety of coalitions" (*ibid*, p.622).

Whereas, Amin and Thrift (1995) introduced the concept of "*institutional thickness*" so as to refer the existence of various institutions, social and political dynamics, and their mutual interaction to create and sustain a long-lasting industrial growth in a given locality They suggested four factors in reaching such stability and strength within the competitive urban environment. The first one is

the existence of institutions and actors taking a part in economic development programmes, such as; "business associations, local chambers of commerce, local companies, banks, research institutions, universities and unions, financial institutions, training agencies innovation centres, unions, government agencies providing premises, land and infrastructure, marketing boards, etc." (Amin and Thrift, 1995, p.102). These are all can provide a basis for the growth of *local* practices and collective action in social networks. The second factor is the high level of interaction among these bodies. They must have high level of contact, cooperation and information exchange among themselves; in other words, they should act in harmony. The third factor, as a result of these collaborative work and efforts, is *development*. Finally, the fourth one is the existence of a mutual awareness of participants. They are supposed to be aware of that they are collaborating to a common project.

Amin and Thrift (1995), assert that when these conditions are satisfied, a strong and largely accepted "industrial agenda" can be developed. These and other factors, create a local "institutional thickness" having synergy and collective representation of various bodies (Amin and Thrift, 1995, pp.101-102).

Besides the new forms of public-private collaboration in economic development and in social service provision, other forms of public-private partnerships emerged in urban renewal and urban redevelopment process. Although there is not a standard public-private partnership pattern, generally it is based on a "deal" between the public and the private bodies. In this context, local governments provide services such as planning, assembling of properties, tax forgiveness etc., and modify some government regulations, such as zoning and land use. On the other hand, the private sector is expected to fulfil its responsibilities on the objectives of projects, may coordinate management tasks (Mayer, 1995).

2.8.A WIDER FRAME OF REFERENCE FOR THE POLITICS OF URBAN DEVELOPMENT: "DEVELOPMENT COALITIONS"

Whereas in 1993, Michael Keating's work on the development politics in the United States, Britain, and France concentrated on the "development coalitions" defining the mobilization of various national and sub-national bodies together with the private actors. Keating's definition of "development coalitions" covered a wider content than that of Molotch and Logan's concept of "growth machine".

"A *development coalition* is a *place-based* and *inter-class* coalition that promotes economic growth in a specific location. These alliances or coalitions may include *national agencies and elements of the national bureaucracy operating in defined territories*" (Keating, 1993, p.368, emphasis added).

Keating's conceptualization has provided a general conceptual framework in dealing with the European-style growth machine partnerships. According to Keating (1993), a growth machine coalition should be considered as one type of a development coalition, since it mainly focuses on increase in exchange value of land. However, there are other partnerships/alliances that cover a wider range of interests and agents than that of the growth machine coalitions (Keating, 1993).

In short, as it was summarized above, growth machine and urban regime theories are the ones that have received much attention in the last two decades. A huge volume of literature has been produced by the scholars on these theories. However, as Barlow (1995) asserted while growth machine theory has been mainly focusing on pro-growth attitude, urban regime theory has analysed the American examples of urban development. Finally, for both theories, there has not been a consensus established yet on the general conceptions.

In this work, Michael Keating's conception "development coalition" will be the main reference for describing the partnerships established during the development process of London, Paris and Istanbul, together with their nation-states dynamics. However, the development coalitions analysed in this work will

be also be compared with that of the US-style growth machine examples in order to identify the reasons that have given way to the emergence of different coalitions.



¹ In developed countries, labour cost is higher than that of the newly developing countries, for example, in Germany labour cost is \$25/hour, whereas in South Korea this ratio reduces to \$5/hour; and, in China and India it is equal to \$0.5/hour. Therefore, the number of Asian workers employed by the French electronics company Thompson is three times more than its employees in France (Yıldızoğlu, 1996, 18-21).

² An international management centre has some functions: "it is a base of worldwide operations, a beachhead for international firms looking around (representative offices), a formation with a cluster of advanced business services and corporate services, connected by networks, comprising location leaders and demanding amenities" (Bosman and de Smidt, 1993, 978).

³ The criteria for location decisions of multinationals deserve analysis since they directly control 30% of the world industrial production, it is apparent that in indirect controls this ratio becomes higher (Yıldızoğlu, 1996, 15).

⁴ Logan and Molotch by quoting from Swanstrom's work on Cleveland asserts that "there are two types of growth strategists: the conservative and the liberal. The former... favour unbridled exploitation of the city and its labour force, generally following the "free economy" political model...The liberal growth machine strategy, in contrast, acknowledges that longer-term growth can be facilitated by overt government planning and by programs that pacify, co-opt, and placate oppositions" (Logan and Molotch, 1987, pp.67-68).

⁵ In the 1950s and 1960s, the "community power structure" approach was popular among scholars in the United States. It was based on the debate between political pluralists who asserted that power was "dispersed among interest groups" and elite theorists who asserted "urban political power was stratified" (DiGaetano and Klemanski, 1993, p.55). In the late 1970s, "urban political economy" became popular. This approach assumed cities were deeply affected by international dynamics.

⁶ Before analysing the developments taken place in Birmingham and Bristol, they scrutinized the characteristics of governing regimes under four headings:

1. "context: the economic conditions and intergovernmental relations that define the constraints on and opportunities for regime formation;
2. regime formation: the linkage between coalition building and political orientation;
3. leadership capacity: the formal and informal governing arrangements established to formulate and coordinate a governing strategy; and
4. organizational capacity: the financial and staffing resources mobilized to implement the strategy" (DiGaetano and Klemanski, 1993, p. 68).

CHAPTER 3

3. WORLD CITIES IN COMPARATIVE PERSPECTIVE AND TRANSFORMATIONS OF CBDs OF TWO CAPITAL CITIES: PARIS- LONDON

As it was discussed in the second chapter, the developments of transportation, production and communication technologies have led to the emergence of the new dynamics of globalization. In this context, rising dominance of fiscal structure together with increasing range of short-term capital movements; dispersion of production units across the globe; concentration of financial and producer services and command/control functions in cities; increasing mobility of capital with foreign direct investments have constituted the economic dynamics of new globalization. On the other hand, restructuring of central-local government relations through the decentralization policies, and increasing private sector involvement in local economic development as a result of the neoliberal policies of the nation-states have constituted the political dynamics of this era. In this new world order, it is apparent that cities have become prime sites for newly arised economic, political and social interactions of global dynamics.

The first section of this chapter is mainly concentrated on ranking of world cities by looking at their positions in global economic relations, such as concentration of headquarters of banks, stock exchange turnovers.

As it was mentioned in the previous chapter, in the 1980s, financial and producer services started to concentrate in core areas of cities in an accelerating rate. In this context, providing suitable climates to finance capital and its related

producer services has become important. Both the United Kingdom and France, after the 1980s were forced to position themselves to the new dynamics of the global economic forces. Therefore, the following sections of study will concentrate on France and the United Kingdom, mainly by looking at the restructuring of central-local government relations, the outcomes of decentralization in local government and planning systems, transformations in their CBD areas; and the role of sub-national agents in development coalitions that have been established during the (re)development process.

So, first, France and its strong statist planning tradition will be analyzed by investigating the development of La Défense. Although the timing of La Défense does not really coincide with the Docklands redevelopment project in London, in both cities there occurred similar problems during planning and implementation phases. The contingencies in both cities, and variations in national governments' approaches to these problems produced different outcomes in both CBDs. In this context, the nature of development coalitions in England and France will be compared with that of the US-style growth machine partnerships in order to identify the political, economic, institutional, etc. variances that have given way to the emergence of development coalitions in the European context. Analysing the differences in nation-state and metropolitan city dynamics will enable us to draw upon conclusions about the reasons of the appearance of public-private coalitions which have been quite different than that of the growth machine coalitions in the United States.

3.1. WORLD CITY FUNCTIONS AND GLOBAL CITIES IN COMPARATIVE PERSPECTIVE

In literature covering the functions of world cities and dynamics of globalism; London, Tokyo and New York are always pronounced as first-tier world cities

dominating one or more global city functions (Sassen 1991; Markusen and Gwiasda, 1994). They are the cities in which global city functions, such as concentration of banks and other financial institutions, transportation nodes, headquarters of multinationals, producer services have been concentrated. Hall (1995) also listed 20 sub-global cities that successfully perform world city functions, following London, Tokyo and New York. However, as it was asserted by Short (*et al*, 1996), in recent years there have been changes in the ranking of world cities in favour other subglobal cities. Therefore, in the late 1990s it may be misleading to talk about the *absolute dominancy* of London, Tokyo and New York in performing world city functions.

The development processes of London, Tokyo and New York display similarities and differences from each other in terms of nation-state dynamics, metropolitan city dynamics and their way of articulation to the global dynamics. Tokyo, apart from its nationally dominant political and financial structure, has also got the prime importance in manufacturing activities, and education and research functions. Although, London experienced job losses and plant closures in manufacturing sector, its periphery has still been dominated by manufacturing activities. On the other hand, it has always been the capital of the United Kingdom both politically, financially and culturally⁷. Whereas New York has got the first rank in provision of producer services internationally. Among them, securities, computer and data processing, management and public relations were the most centrally located ones (Markusen and Gwiasda, 1994)

As Markusen and Gwiasda (1994) asserted New York and London have experienced similar stages of development. Both cities have suffered from population decline and losses in manufacturing. Nevertheless, while London's decline in manufacturing was being resulted from general economic decline in national economy, New York's loss was caused by the growth in manufacturing

activities in other metropolitan areas. To illustrate, between 1969 and 1989, job losses in manufacturing in New York reached to 34%, whereas in the same period the United States lost only 2% of manufacturing jobs. According to Markusen and Gwiasda (1994) New York's decline in recent years has been resulted from the competition of other subnational cities and a lack of diversity of service sector functions.

The concentration of head offices of the largest banks is one of the indicators showing strenght of cities in attracting the command and control units of financial institutions. The research realized by Short (*et al*, 1996) showed that when the concentration of head offices largest 20 banks was considered, it appeared that Tokyo, Paris, Frankfurt, New York, London and Osaka are the six cities hosting most of the largest 20 banks ranked by their assets. As it can be observed in Table 3.1 that while Tokyo possessed 16 head offices of the largest 8 banks, Paris is the second with 11 head offices with the 4 largest banks.

It is worthnoting that since 1969 *London* and *New York* have been losing their weight as hosting locations of the head offices of largest banks. To illustrate, in 1969, London was housing 6 head offices with 3 largest banks; whereas in 1995 this number reduced to 5 head offices and 1 largest bank. In this context, the dominance of New York weakened more as compared to London, from 10 head offices and 6 largest banks in 1969 to 5 head offices only in 1995. In terms of the head offices of the biggest 50 foreign banks in the United States, Tokyo has had a dominant role, being followed by, respectively, Paris, Osaka, Toronto, and London. As Short (*et al*, 1996) noted both *Paris* and *Frankfurt* increased their weight in the financial global markets as compared to New York and London.

Table 3.1. The First Six Cities Hosting Head Offices of the 20 Largest Banks (ranked by assets)

City	1995	1990	1985	1980	1975	1969
Tokyo	16 (8)	16 (8)	17 (6)	16 (4)	14 (3)	11 (2)
Paris	11 (4)	9 (4)	9 (4)	8 (4)	5 (4)	6 (1)
Frankfurt	6 (1)	6 (1)	6 (1)	5 (2)	5 (2)	4
New York	5	6 (1)	6 (2)	7 (3)	7 (4)	10 (6)
London	5 (1)	5 (2)	5 (3)	5 (3)	7 (2)	6 (3)
Osaka	4 (2)	4 (2)	4 (2)	4 (2)	4 (2)	3 (2)

SOURCE. SHORT, J. (*et al*) (1996) "The dirty little secret of world cities research: data problems in comparative analysis", *International Journal of Urban and Regional Research*, Vol.20, No.4, p.701.

Decreasing importance of New York was also apparent as the headquarters of the world's largest corporations were concerned. New York showed an apparent decrease from 29 corporations in 1960 to 6 corporations in 1993. In 1960, there was only one headquarter located in Tokyo, but in 1993 this numbered reached to 17 headquarters. Three of them were counted as the world's largest 20. Table 3.2, shows the first 20 cities housed the headquarters of the world's largest industrial corporations.

Table 3.2. Headquarters of the World's Largest Industrial Corporations*

City	1993	1990	1985	1980	1975	1970	1965	1960
Tokyo	17(3)	12 (2)	10	6	8 (1)	5 (1)	2	1
NewYork	6 (3)	7 (5)	12 (5)	10 (4)	10 (5)	25 (8)	29 (9)	29(8)
London	5 (2)	7 (2)	7 (3)	8 (3)	8 (3)	7 (3)	10 (3)	7 (3)
Chicago	4 (1)	2	5 (2)	4 (2)	6 (2)	5	6 (1)	6 (2)
Seoul	4 (1)	2 (1)	4	0	0	0	0	0
Osaka	4 (1)	2 (1)	1 (1)	1	2	1	0	0
Paris	3	5	4	7 (2)	4 (1)	0	0	0
S.Francis	3	3	1	(1)	1 (1)	1 (1)	1 (1)	1
Munich	3 (1)	2	1	1	1	1	1	1
Rome	2 (1)	2 (2)	2 (2)	1 (1)	1	1	0	0
Dusseld.	2	2	1	2	1	1	1	1
Madrid	2	2	0	0	0	0	0	0
Frankfurt	2	1	1	1	2	2	2	1
Courbevo.	1	3	0	3	3	2	1	1
L Angeles	1	2	4 (1)	4 (1)	3	5	2	3
Pittsburgh	1	2	3	3 (1)	4 (1)	2 (2)	5 (1)	8 (2)
Milan	1	2	0	1	1	1	1	0
Fairfield	1 (1)	1 (1)	1 (1)	2 (1)	1 (1)	0	0	0
Stanford	1	1	1	1	2	1	0	0
Detroit	1 (1)	1 (1)	1 (1)	1 (1)	1 (1)	2 (2)	3 (2)	4 (2)

* Ranked by sales

SOURCE. SHORT, J. (et al) (1996) "The dirty little secret of world cities research: data problems in comparative analysis", *International Journal of Urban and Regional Research*, Vol.20, No.4, p.705.

Also, the dominance of cities does change in accord with the volume of transactions in the financial markets. Table 3.3, shows the rankings in four categories of financial transactions in 1991. In equity fund management, Tokyo, New York and London were the first three cities followed by Paris and Frankfurt. In the following years, the importance of Frankfurt and Paris, have become apparent in location decisions of the largest banks also (See Table 3.4).

As Short (et al, 1996) have asserted another indicator is the place of a city in international transportation network, such as frequency and volume of

international flights. Although the number of transit passengers in London, Paris, Frankfurt and Amsterdam should be taken into account in evaluation; London, Paris, Frankfurt, Hong Kong, New York, Tokyo, Amsterdam, Singapore, Zurich, and Miami, respectively, are the first 10 cities with the highest volume of passengers in air traffic.

Table 3.3. Financial Centres in Global Cities, in 1991

EQUITY FUND MANAGEMENT	FOREIGN EXCHANGE TURNOVER	SECONDARY TRADERS IN EUROBOND MARKET	EQUITY TRADING OUTSIDE COUNTRY OF ORIGIN
Tokyo	London	New York	London
New York	New York	Tokyo	Frankfurt
London	Tokyo	London	Paris
Paris	Paris	Frankfurt	New York
Frankfurt		Paris	

Source. LEE, R., SCHMIDT-MARVEDE, U. (1993) "Interurban competition? Financial centres and the geography of financial production", *International Journal of Urban and Regional Research*, Vol.17, No.4, p.498.

In summary, as it can be seen from the tables presented above, from 1980s to the 1990s, Tokyo has strengthened its position in the hierarchy of global cities. It is the absolute leader in hosting the headquarters of the world's largest banks, largest industrial corporations. Whereas, there has been a slight decrease in London and New York's positions in global hierarchy. In the 1990s, Paris has become an important location for headquarters of banks, while headquarters of largest industrial corporations have been moving away from Paris since 1980. In the same category, Tokyo, Seoul, Osaka have emerged as new locations for

headquarters of industrial corporations since 1985, while New York and London have been losing their dominance as hosting cities (Short, *et al*, 1996).

Table 3.4. Head Offices of the Top 50 Foreign Banks in the USA (1994)

<u>City</u>	<u>Assets*</u>	<u>Loans**</u>
Tokyo	14	15
Paris	6	5
Osaka	4	4
Toronto	3	2
London	3	1
Montreal	2	2
Zurich	2	2
Frankfurt	2	2
Rome	2	1
Hong Kong	1	1
Amsterdam	1	1
Utrecht	1	1
Nagoya	1	1
Dublin	1	1
Basle	1	1
Santander	1	1
Munich	1	0
Dusseldorf	1	0
Naples	1	0
Madrid	1	0
Turin	1	0
Tel Aviv	0	3
Seoul	0	2
Milan	0	1
Sapporo	0	1
Beijing	0	1
Brasilia	0	1
TOTAL	50	50

*Top 50 foreign banks in US commercial banks assets

**Top 50 foreign banks in commercial and industrial loans

SOURCE. SHORT, J. (*et al*) (1996) "The dirty little secret of world cities research: data problems in comparative analysis, *International Journal of Urban and Regional Research*, Vol.20, No.4, p.703.

3.2. RESTRUCTURING IN CENTRAL-LOCAL GOVERNMENT RELATIONS IN EUROPE AND THE DECENTRALIZATION POLICIES IN FRANCE AND THE UNITED KINGDOM

As Keating (1993) asserted in Europe, until the 1980s, local governments were not highly dependent on private sector investments due to welfare state policies providing substantial resources. However, in the late 1970s and throughout the 1980s, increasing mobility of global capital, the rise of global firms acting worldwide have forced nation-states to implement decentralization policies at urban and regional levels. These have, in effect, resulted in profound changes in local politics in terms of the strategies for competition between cities. The European Left has become more decentralist and less statist. Therefore, the 1980s, as a result of the restructuring in central-local government relations and decentralization, local governments have taken more responsibilities with regard to development politics. The increasing competition among cities, decreasing financial revenues of local governments have led the emergence of partnerships with the private sector. Local governments in Europe tried to create an image for themselves which was consistent with the dynamics of new globalization (Keating, 1993).

Similar to the other European nation-states, before the 1980s, both in France and in the United Kingdom, local government and private sector relations were weak and centrally-controlled. Private sector involvement in development politics was not higher. To illustrate, in France, there were powerful sub-national state agencies and influential political-administrative bureaucrats. In Britain, local government has traditionally had a lot of responsibilities, but it was not influential in directing development politics. In the post-war era, both in France and in the

United Kingdom, nation-state policies were supporting the depressed regions. Whereas in developed regions, national governments tried to relieve congestion. So, local governments were only responsible of providing infrastructure and other municipal services (Keating, 1993). Distribution of investments was coordinated by the state agencies. In this process, the role of private agents was very limited (Wood, 1996).

However, after the 1980s, both in France and in the United Kingdom, the restructuring of central-local government relations came into reality in order to cope with the problems of local economic development. In the following sections, France and the United Kingdom will be analysed in terms of decentralization policies, central-local government relations, and transformations of their central business districts.

3.3. POLITICAL AND ECONOMIC TRANSFORMATIONS IN FRANCE AND ITS SPATIAL IMPACTS ON URBAN AREAS

During the crisis period, in the 1970s, the central government in France tried to sustain its previous welfare statism by supporting localities financially. However, as the impacts of crisis have deepened, central government had to abandon its urban policies in favour of more neoliberal policies. One of the reasons of this change was the difficulty of maintaining these welfare state urban policies with those highly centralized planning tools. However, the transformation and decentralization of central government's responsibilities to the local governments did not come into reality all at once. Since, until that time, local governments were mainly involved in the provision of municipal services and investments on housing, transportation, etc. Therefore, local governments were not used to tackle with problems, such as unemployment, industrial production. Moreover, it

was also difficult for the *right-wing* central government to realize such a transformation among various *left-wing* local authorities (Preteceille, 1990).

However, after the European Community's (EC) abolition of customs and tariffs and the construction of the English Channel tunnel, the competitive pressures increased in Europe. It became easy for firms to locate their headquarters and production facilities in cities having the most favourable hosting environments. These changes forced French authorities to take a part in this competitive environment in order not to be eliminated (Levine, 1994).

In 1981, the Socialist Party under Mitterand implemented policies of a mixed economy. The model that central government adapted was supporting cooperation and partnership between government and business groups. So, in the 1980s, French urban planning moved away from its traditional statism towards a new politics of local economic development due to the local economic distress, European unification, competition among cities, political decentralization, and a change in Socialist party ideology towards a pro-business point of view (Levine, 1994).

3.3.1. THE DECENTRALIZATION REFORMS AND NEW ADMINISTRATIVE STRUCTURE IN FRANCE

Therefore, after the 1980s, the traditional approach of highly centralized, statist planning system has no longer characterized urban decision making in France. They introduced new local and regional initiatives contrary to the past statist planning approach. As a result of the decentralization, all *three tiers* in the administrative system were strengthened. *Communes*, local government units, were made responsible for local planning and urban development, *departments*

for social cohesion, and *regions* for economic intervention and planning (Keating, 1993). The impacts of these are as follows:

- "the decentralization program provided local governments new responsibilities for job creation and economic development,
- the reforms gave local governments new incentives and powers, so that many mayors started to act as entrepreneurs, raising taxes and implementing new projects,
- decentralization resulted in the emergence of a new class of dynamic, activist local leaders" (Levine, 1994, p.387).

As Barlow stated (1995) "the small size of communes, together with the extensive power of mayors, means there is potentially a closer relationship between individual politicians and planning decision-making" (Barlow, 1995, p.133). Within this context, mayors tried to market the social and historical heritage of their cities together with provision of advanced service activities. As Keating (1993) stated, these mayors, as a result of their international connections with cities abroad marketed their cities' images.

After the decentralization, there emerged self-standing powerful cities in the region (Savitch, 1994). During these developments and regeneration efforts, some US-style growth machine coalitions were established in some middle-sized cities ruled by the *right-wing governments*. The participating agents were similar to the ones defined in growth machine coalitions, such as real estate agents, developers, mayors, etc. However, as Preceteille (1990) asserted these coalitions were not similar the growth machine coalitions established in the United States. This fact is also supported by Barlow (1995) that "a liberal obsession with the free market has, however, never been preeminent and the state has frequently replaced the market as a provider of welfare" (Barlow, 1995, p.131).

Nevertheless, France left its strong traditional regional policy in order to enable French cities to act as powerful actors of the European integration process.

However, the decentralization reforms brought about another problem. A conflict arose among the various divisions of French local government and the regions. Each government implemented its own development strategy without coordinating other subnational authorities. During the 1981-1986 Socialist administration, to solve this problem redefined the decentralization reforms. This attempt aimed to get power back to central government (Levine, 1994).

The Conservative Chirac government, between 1986 and 1988 implemented privatization policies and reduced the economic powers of communes. After 1988, new proposals were put forward so as to reduce competition among communes and to protect coherence in local development. Central government implemented its own urban economic initiatives under the prefects. In sum, local economic development together with competitive economic pressures forced central and local governments, both Left and Right, to establish collaborations with the private sector (Keating, 1993).

In the 1980s, "local economic development" has entered into the agenda of local governments. Preteceille (1990) evaluated this transformation as an adaptation necessitated by the demands of urban governance in a new global economy. Today, French local governments are involved with the issues of economic growth, employment. As Preteceille (1990) asserted:

"no local politician or party can hope to maintain a position of power locally without stressing that preoccupation with economic growth, without promoting some spectacular action in the field, and eventually without getting some results that could be widely advertised" (Preteceille, 1990, pp.39-40).

In the local level, many Socialists adapted pro-growth policies. As Levine (1994) put forward "Local Socialists often were more enthusiastic than the free-marketers of the Right in seeking to grant assistance to firms to ensure the creation and preservation of local jobs." (Levine, 1994, p.368).

3.3.2. PLANNING TOOLS IN A DECENTRALIZED URBAN POLICY

In French planning system, even after the decentralization reforms strong *planning organizations and tools* were used to control and coordinate the relations between private and public bodies (Savitch, 1988, pp.135-136):

DATAR (Délégation a l'Aménagement du Territoire et a l'Action Regionale) is an organization directly controlled by the central government. Its powers for providing coordination between public and private agents are extensive. It has the right of controlling construction permits for offices in Paris. Investors, first have to apply to DATAR that determines payments for moving expenses, subsidies to corporations for technical assistance, support for retraining expenses, tax reductions, depreciation allowances, etc. (Savitch, 1988).

EPA (Etablissement Public d'Aménagement) is another organization responsible of preparing land to further development. It coordinates the relations among local government, ministries, and private developers. EPAs work with private organizations to build commercial developments and shopping centres.

Apart from the planning organizations, DATAR and EPA, there are also planning tools used by the subnational authorities to organize and control the development process.

ZAC (Zones d'Aménagement Concerté) is used to prepare a site for future development. It is a contract between a public authority and a private developer. During the implementation of projects, ZACs are used to arrange the distribution of costs and responsibilities. Once an area is determined to become a ZAC, densities and building heights are decided by public authorities. This is a critical advantage for developments in central areas.

ZAD (Zones d'Aménagement Différé) it is the technique used to avoid speculation while sites are being developed. If an area is determined to become "ZADed", land prices are frozen, especially in heavily invested areas. So, if an a "ZADed" area, price of land is kept constant even until 14 years (Savitch, 1988, pp.135-136).

The level of *participation* in French planning system changes with the scale of the plan. For example, **structure plans** (SDAU) are realized by joint work through the local officers and members; and legally, a French *département* does not have to consult with public for the content of these plans. The main plan for the communes is **local land use plan** (POS) which defines nature, extent and location of future development. During establishment or revise of *local plans* (POS), communes do consult with public and interest groups through meetings, and these plans can be changed in courts. Chambers of Commerce also have right to comment on some issues related with plans, but they are limited to comment on plot densities or car parking (Barlow, 1995).

3.3.3. THE SUCCESS OF A LONG-TERM REGIONAL POLICY : PARIS

In the 1960s, while industry was concentrated *in* and *around* Paris, the rest of France was almost empty, in such a way that Gravier termed as "**Paris and the French desert...**"(Husson and Halaries, 1990, p.8, emphasis added).

Therefore, the central government decided to move industry and people away from the city, and it became possible for the central authorities to build new towns in outlying areas and establish necessary infrastructure. Between 1965 and 1968, Paris region was widened to include 8 new departments and 9 suburban growth poles. Paul Delouvrier was appointed as super prefect, head of the new region. At that time, the state was controlled by the de Gaullists.

In 1958, central government decided La Défense to become the new CBD of Paris. After this decision, an organization responsible from the development of La Défense was created EPAD (l'Établissement Public d'Aménagement de La Défense). EPAD was in charged of preparing the site for development (expropriation, infrastructure, transportation). The total area devoted to La Défense was 1000 hectares which were taken from three communes, Puteaux, Courbevoie, and Nanterre (Evenson, 1979). EPAD utilized state resources, from network of transport to the office construction. A complex infrastructure was built quickly to attract capital from private sector.

On the other side, DATAR put restrictions on permissions for office construction in the core area (Savitch, 1988). A network of highways and public transportation was built (See Figure 3.1 and Figure 3.2).

In order to create a balanced development residential units were added to the project (Evenson, 1979). The larger zone was consisted of offices and industrial space, the smaller one was devoted to housing and green area (Savitch, 1988).

In 1969, it became evident that central government spending reached considerable levels as compared to the attracted private sector investments. Since at underground level, huge amount of money was spent to the infrastructure; but, on the ground level, the density was kept at minimum. Therefore, the project was replanned with higher density in order to get government spendings back (See Figure 3.3). So, the amount of planned office space area was doubled and reached to 1,500,000 m², and the number of apartments were increased from 4,500 to 7,500 (Evenson, 1979) .

As Savitch (1988) mentioned:

"within a very short time, under the organization of EPAD, hundreds of business organizations came to La Défense to build in it, buy up its towers, or rent space in its buildings. Supported by large banks (Crédit Lyonnais) and insurance companies (Union d'Assurance), developers submitted their bids for construction

rights. Large corporations soon followed, to buy up the towers or rent space in them" (Savitch, 1988, pp. 150-151).

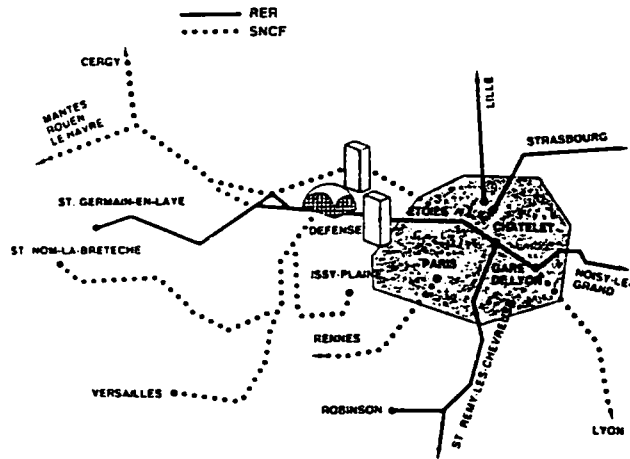


Figure 3.1. The Strategic Position of La Défense

Source. Savitch, H.V. (1988) *Post-industrial Cities: Politics and Planning in New York, Paris and London*, Princeton University Press, New York, p.150.

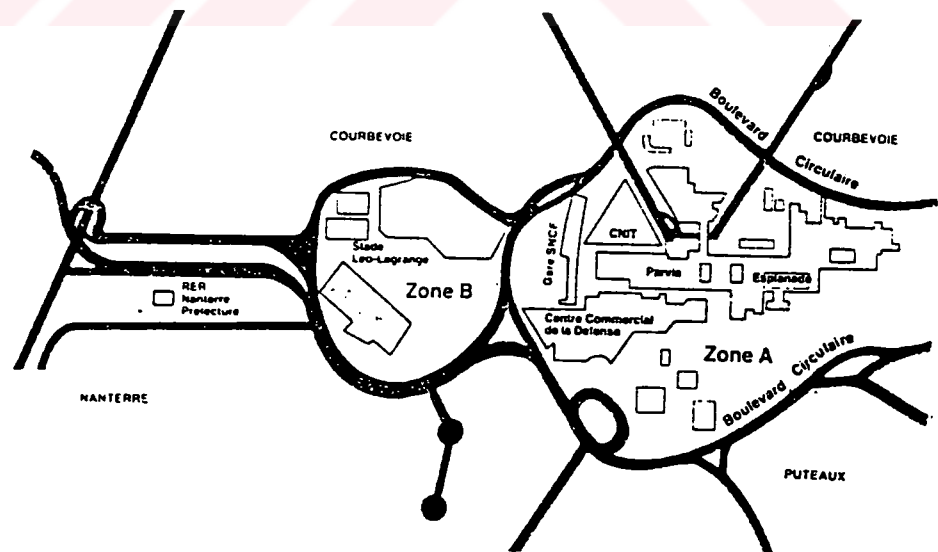


Figure 3.2. The Plan of La Défense

Source. Savitch, H.V. (1988) *Post-industrial Cities: Politics and Planning in New York, Paris and London*, Princeton University Press, New York, p.151.

During the construction of La Défense, i.e., the mid- and late 1970s, there occurred a severe crisis in the construction industry in France. Between 1974 and 1978, the office construction in the region almost stopped; and the overproduction in La Défense resulted in decreases in EPAD's income, more than 70%. There occurred vacancies and unsold construction rights (Savitch, 1988).

Giscard d'Estaing and the Council of Ministers decided to transfer financial resources to EPAD. The money was directly drawn from publicly-owned saving banks. There were other precautions taken, such as implementing additional restrictions on densities in central Paris, applying taxes to developers constructing in the CBD. All this was coordinated by DATAR. Within a few years the crisis that hit La Défense was overcome (Savitch, 1988).

After all, "...newspapers were reporting that there would *'hardly be a square meter of office space left'* in the complex" out of the 19 million square feet (Savitch, 1988, p.152, emphasis added).

This strict state intervention through EPAD, which owns a great part of the area, is also evident in daily operations of La Défense. The EPAD controls private corporations and local governments, and organizes developers and clients (Savitch, 1988).

3.3.3.1. Metropolitan Government Structure In Paris

Paris is consisted of 20 *arrondissements* (district), with varying size and population (See Figure 3.4). The *Paris region* (Ile-de-France) covers 8 departments. Administratively, mayor and municipal council, consisting of 163 members, are elected for 6-year period. As stated previously, since mayors are supported with extensive rights, municipal council cannot intervene on some

decisions, for example appointments of officials are decided by the mayor and the council has no right to intervene (Demirel, 1998).

The historical urban core spread over the arrondissements between 1 and 7, where price of real-estate is the highest. The newly developed urban areas and modern business district La Défense, are located after the 7th arrondissement. Although Paris has always been the key site for office development, the surrounding departments did also benefit from the office developments during the 1980s (Demirel, 1998).

3.3.3.2. Real Estate Market and Office Stock in Paris

Between 1976 and 1991, property and land markets of the Paris region experienced four stages:

1. "a moderate rise in the price of housing after adjustment for inflation, accompanied by a slight fall in land prices, and perceptible fall in office prices, from 1976 to 1980;
2. A fall in the prices of housing (old and new alike), accompanied by a standstill in land and office prices, 1981 to 1984;
3. A very sharp upturn in transactions from 1984 on, and then in prices from 1985-1986;
4. A standstill or fall in housing prices; and a drop in land transactions in 1991, as a prelude to the property slump of 1992-94" (Gaubert, *et al*, 1996, p.270).

Figure 3.5. shows the renovated and new office shares in Paris region in 1980 (Savitch, 1988). Figure 3.6 shows the superior and ordinary quality zones of office market in Paris, in 1990. Parallel to the tendencies in other world cities, high price real estate markets for both offices and residential districts have existed in Paris. Especially in office markets, while price and quantity of offices increased, rent differences between inner city and outer zones became apparent. To illustrate, in 1991, office rents in the city was \$ 800 m²/year, \$150 m²/year was in new towns, and \$ 500m²/year was in La Défense (Bosman and De Smidt, 1993, p.977).

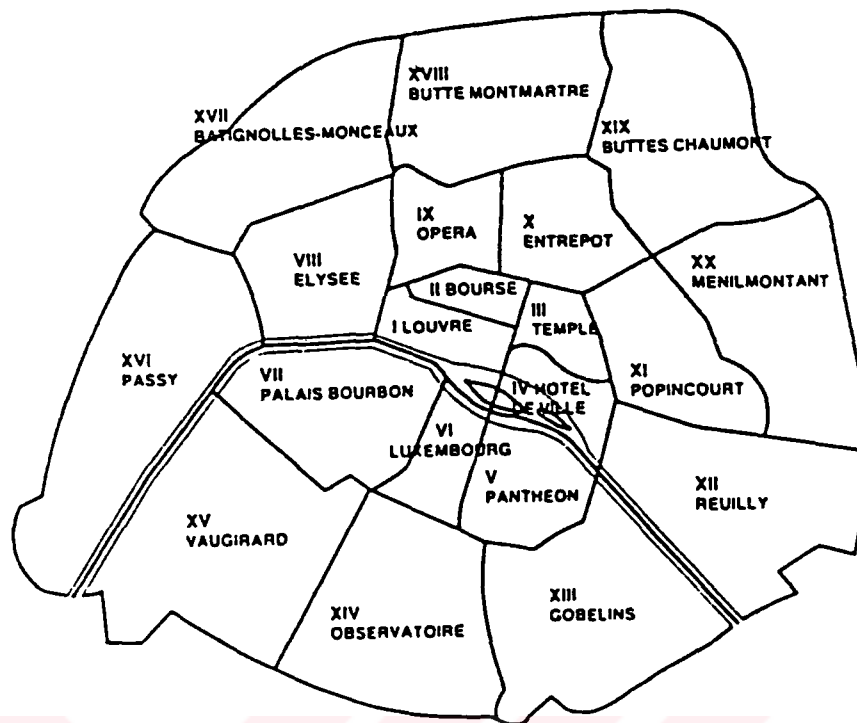


Figure 3.4. The Arrondissements of Paris

Source. Savitch, H.V. (1988) *Post-industrial Cities: Politics and Planning in New York, Paris and London*, Princeton University Press, New York, p.116.

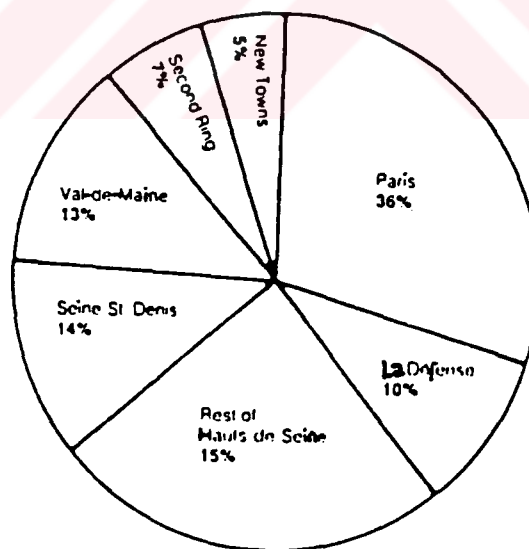


Figure 3.5. Proportionate Share of New and Renovated Office Space in The Ile-de-France, 1980.

Source. Savitch, H.V. (1988) *Post-industrial Cities: Politics and Planning in New York, Paris and London*, Princeton University Press, New York, p.107.

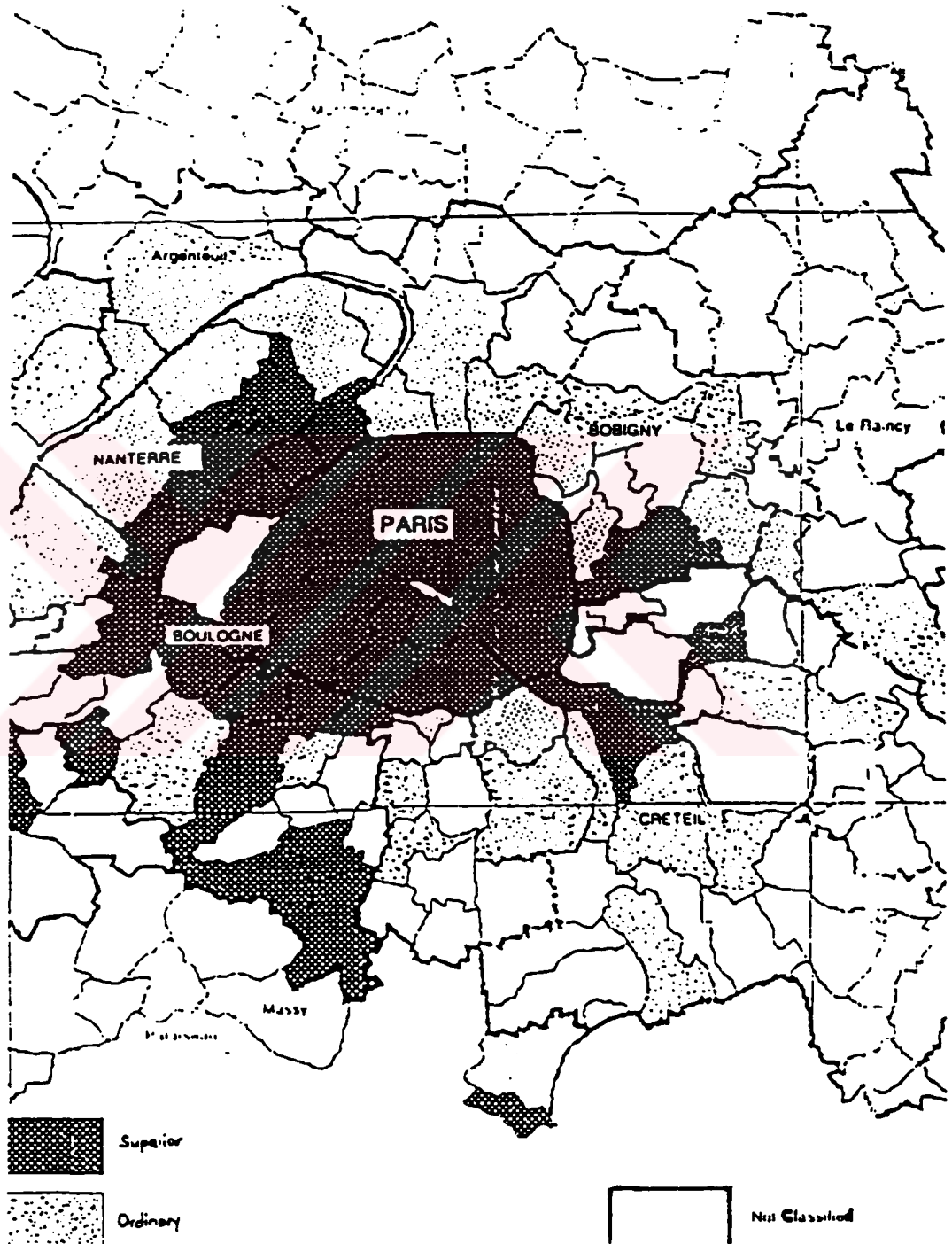


Figure 3.6. Zones of Office Market in Paris, 1990.

Source. Gaubert, P., et al, (1996) "Segmented real estate markets and price mechanisms: the case of Paris", *International Journal of Urban and Regional Research*, Vol.20, No.2, p.279.

3.3.4. GROWTH MACHINE THEORY IN THE FRENCH CONTEXT

Behind the success of Paris region, Ile-de-France, a strong long-term regional policy has existed. The components of this regional policy are as follows (Husson and Halais, 1990) (See Figure 3.7).

- a) **TGV**, high speed train network
- b) **Teleport** network consisted of four teleparks; *La Défense*, business; *Marne-la-Vallée*, culture and image; *Massy*, research; *Roissy*, international exchanges;
- c) **Congress and exhibition facilities**

In 1985, *DATAR*, sub-national administrative agent responsible of planning and management in regional scale, relaxed the development permissions in metropolitan Paris region in order to prevent industrial companies to leave the country (Levine, 1994). Following this decision, in recent years various regeneration projects were realized in the Paris region through private-public collaborations.

Among them the transformation of *Saint-Denis Plain* is one of the most important. Three major cities which were governed by the communist party in Saint-Denis plain decided to implement a large scale redevelopment project in order to regenerate the declining industrial area. They collaborated with the state, industry, local governments, and the banks. In the 1990s, a rapid transformation began, resulting Saint-Denis plain to become an upgraded area for office development and new offices for technology-oriented firms. Apart from Panasonic France's new headquarters, some firms which could not effort La Défense's higher rents moved to the area (Levine, 1994). Also some companies from the media, such as Le Monde, Le Figaro, Libération moved their printing units to Saint-Denis Plain (Husson and Halais, 1990).

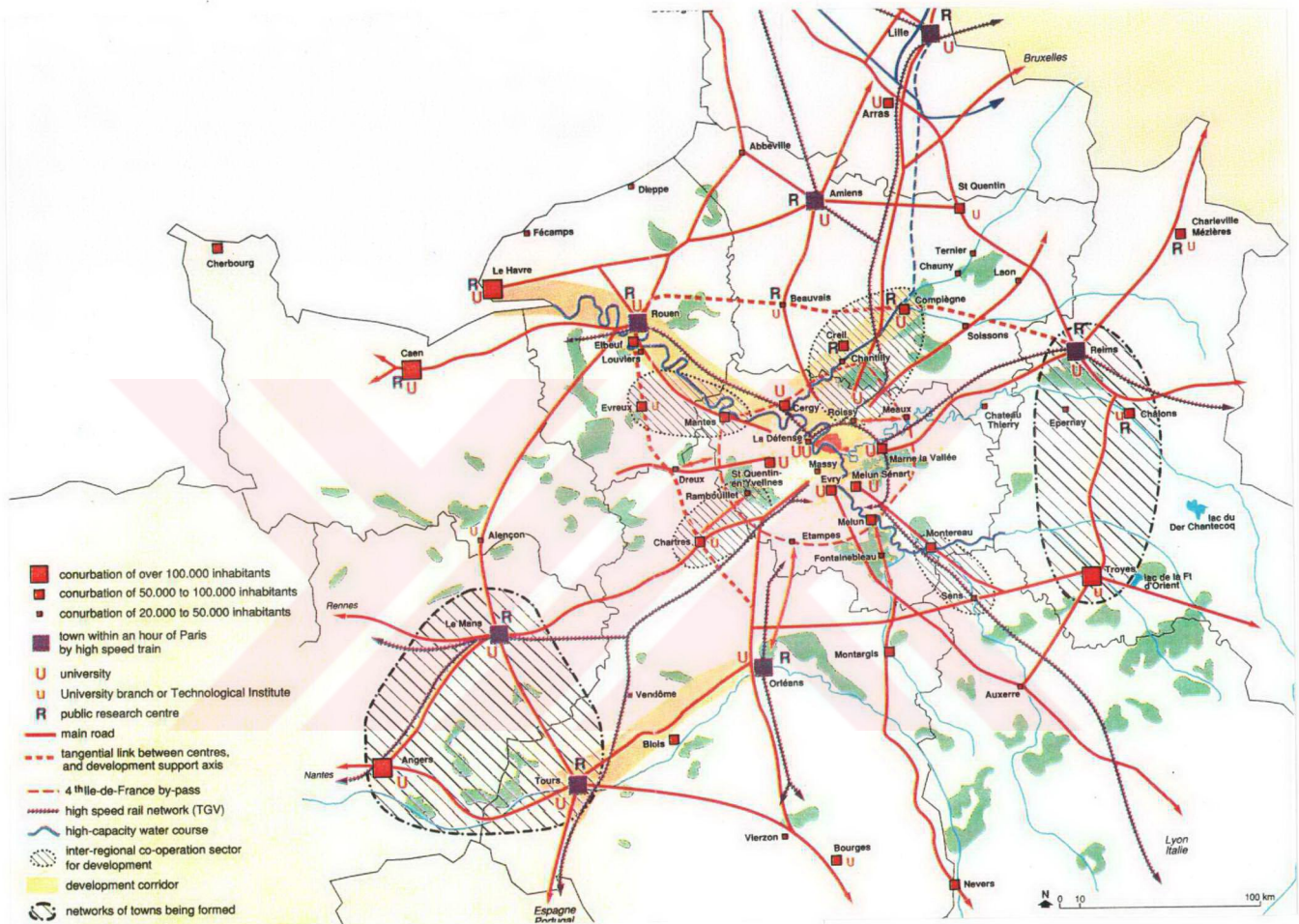


Figure 3.7. Links and Development Axes With Neighbouring Regions

Source: The Ile-de-France Planning Strategy Summary of the Project Presented by the Regional Executive, Conseil Regional Ile-de-France, June 1991.

Another development project was the *Eurodisneyland* which was one of the largest economic development projects in Europe. It covered an area (4,800 acres), equal to 1/5 of Paris itself. Eurodisneyland was planned as a mixed-use project with various hotels, commercial activities, convention and office space uses. It offered more than 10,000 jobs for the unemployed people. Although the Eurodisneyland project was highly criticized by the Communists, the project was generally accepted by both left wing and right wing parties in central and local levels of government. The idea of Eurodisneyland was also encouraged by Giraud, the Conservative Party president of the regional council of Ile-de-France. *Marne-la-Vallée*, one of the suburban growth poles of Paris, was chosen by the Disney Corporation among 200 competing sites in Europe. It had the right of acquisition of land below market prices; and long-term loans were provided by state banks at below market rates, a reduction from 9.25% to 7.85%. The central government extended the RER lines and placed the high speed TGV rail station near Eurodisneyland. The government also agreed to finance electrical systems and to build a new interchange on the A-4 expressway to improve car access to the area from Germany.

The government even lowered value added tax from 8.5% to 7%. As a consequence, Eurodisneyland was given exclusive development rights in the area which was separated from the local authority of *Marne-la-Vallée*. Although local authorities of *Marne-la-Vallée* objected to this decision, they collaborated with the participating agents, since it would bring jobs for the unemployed. After its completion, Disney was given exclusive rights to its periphery. For instance, until the year 2000, no four-star hotel having more than 50 rooms, or a theme park covering an area of more than 20 hectares could be established without Disney's permission. It apparent that provision of such privileges could only

become possible by the decisions of the central government (Levine, 1994, pp.399-402).

In these projects there existed a strong public-private collaboration together with the various national agencies operating at national and subnational levels of the government. As a result of the performances of these developments, Paris region, Ile-de-France, extensively benefitted from the opportunities resulting from the growth.

3.4.NEO-LIBERAL AGENDA OF THE UNITED KINGDOM IN THE 1980s

The United Kingdom throughout the 1980s experienced a number of transformations realized by conservative Thatcher government. The political ideology known as *Thatcherism*⁸ played an important role in changing the economic, politics and social dynamics of the United Kingdom (Johnston, 1991). Economic liberalism was an important component of Thatcherism. According to this philosophy:

"only the market can deal with complexity and encourage innovation and hence all decisions should be based upon market principals. The use of any other decision-making criteria is to be avoided" (Thornley, 1991, p.208).

In the 1980s, national policies changed local development politics. As Sadler (1990) asserted these changes indicated both a *state withdrawal* and, at the same time, increasingly *strong state*. An important mechanism in this centralization of power was a continuous weakening of the local government. Privatization and deregulation weakened the local public sector, together with the reductions in central financial support leading to the dependence on private sector (Keating, 1993, Thornley, 1991).

3.4.1. CHANGES IN THE URBAN POLICY OF THE UNITED KINGDOM IN THE 1980s

During Thatcher governments, regional policy of the United Kingdom changed to a great extent. Before the 1980s, regional development policy was directed towards eliminating inequalities between regions⁹. However, after the 1980s, the regional strategies adapted by Thatcher government resulted in deepening of inequalities between different regions within the territories of the state.

"...the goal of Thatcher's selective targeting strategy intended to *facilitate* market forces to make Britain more competitive in the global economy, not to *direct* them to particular regions to correct the course of uneven development within the nation" (DiGaetano and Klemanski, 1993, p.62)

The Thatcher government, by decreasing the role of public sector, promoted the involvement of private sector in urban areas so as to make them key players in urban areas. The introduction of "city action teams, task forces, enterprise zones, free ports, urban development grants, city grants, and urban development corporations" (Parkinson, 1990, p.88) encouraged private sector dominance in urban areas. Since central government believed that local governments had not been successful in creating economic regeneration, severe financial cut-backs were done in the budgets of local governments (Parkinson, 1990a). After 1981, the central government put "spending targets" for the local governments, this meant that if local governments' spendings had exceeded the predetermined levels, there would have been cut-backs in central government grants (DiGaetano and Klemanski, 1993).

3.4.2. RELAXATIONS IN PLANNING LEGISLATION

During the Thatcher governments, a number of relaxations in planning legislation were realized. As a result of these adjustments, responsibilities and powers of local governments were redefined. In this context, The Local Government and Planning Act, 1980, was put into implementation in order to make some alterations in the planning system. This Act provided a legal base for establishment of Urban Development Corporations and Enterprise Zones (Thornley, 1991).

With the introduction of this Act, right of development control was passed from counties to districts by causing weakening of counties in implementing the decisions set in the structure plans. Districts were made responsible of controlling the suitability of implementations to structure plans. According to Thornley (1991) "...fundamental departures from the structure plans have occurred in a large number of cases since the consultation procedure of the 1980 Act has been put into practice" (Thornley, 1991, p.126).

The two-tier administrative system aimed provide coherence between local plans and structure plans. So, local plans were done in accordance with structure plans. But, the implementation of Local Government, Planning and Land Act 1980, made possible the implementation of local plans sometimes without waiting an approved structure plan. Another change was the shortening time of plan-making process by reducing range of surveys and reports. Also, the Secretary of State had rights to intervene on structure plans. Therefore, these plans were controlled by the central government decisions at times (Thornley, 1991).

The introduction of Local Government Act 1985, made it possible to abolish Greater London Council and metropolitan counties of England. Instead, a new system was put into use. In this system, Department of Environment (DoE)

prepared the "Strategic Guidance" plans, and then Unitary Development Plans (UDPs), which were required to be in consent with the strategic guidance plans, were made by local authorities. So, after the relaxation of legislative regulations the framework of the planning system was kept, but a new approach was adapted by giving freedom to market forces to operate in planning system actively (Thornley, 1991).

During Thatcher governments some measures against planning were put into implementation due to the opposition of the 'New Right' to the planning, but this attack could not go on further as it was claimed (Altaban, 1990). However, Altaban (1990) asserted that strategies of Thatcher governments did not bring great changes within the context of Town and Country Planning and Local Government Acts, and planning had maintained its importance.

Despite the central government's attempts to change the planning policies, local governments and public in order to achieve their goals applied their own methods. As a result, a complex setting within which various planning approaches in different parts of the country took place. In this context, two different attitudes emerged in planning, one of them, *market-critical* approach, was highly critical to the market and aimed to eliminate the resultant and/or likely inequities and imbalances; another one, *market-led* approach, positioned itself according to the market conditions and defended a market-dominated planning¹⁰ (Altaban, 1990).

3.4.2.1. Urban Development Corporations

During Thatcher governments three implementations -*architectural competitions*, *Special Development Orders (SDOs)* and *Urban Development Corporations (UDCs)*- bypassed planning powers of local governments (Thornley, 1991). DiGaetano and Klemanski (1993) also asserted in a similar vein,

"In the effort to liberate market mechanisms from bureaucratic control in the area of urban development, the Thatcher government sought to weaken, and in some cases eliminate, local planning requirements and governmental regulation. In their place, the central government instituted policies and programs designated to stimulate economic development by offering incentives and other assistance to businesses" (DiGaetano and Klemanski, 1993, pp.62-63).

Urban Development Corporation (UDC), is the most important means of Thatcher government's to create development in a given area. The members of UDCs were appointed by central government. These organizations were set up to regenerate "targeted depressed districts of central cities in conjunction with developers and businesses" (DiGaetano and Klemanski, 1993, p.63).

In areas where UDCs were in power, private sector and central agencies became key players, while the role of local governments were being weakened to some extent (Keating, 1993). Between 1981 and 1990, vast amount of financial resources was transferred to the budgets of the UDCs was increasing¹¹ (Parkinson, 1990a). In fact, the functions of the UDCs were limited in their given areas, but their rights were extensive, such as, compulsory acquisition of land, giving planning permissions for development, building infrastructure and physical development (Keating, 1993). According to the Local Government and Planning Act, 1980, the main tasks of the UDCs were:

"bringing land and buildings into effective use, encouraging the development of existing and new industry and commerce, creating an attractive environment and ensuring that housing and social facilities are available to encourage people to live and work in the area" (Deakin and Edwards, 1993, p.2).

Since development control powers were left to decisions of UDCs, during policy making processes and implementation phases, a conflict between local authorities and development corporations arouse. Although the plan-making was one of the responsibilities of local governments, UDCs had the right of cancellation, if plans did not satisfy their expectations. In some sense, UDCs had control power on planning process (Thornley, 1991).

The Enterprise Zones (EZs) is another tool that have been put into implementation by the Thatcher government. They were responsible for regulating tax levels and they could intervene to local authorities by reducing their powers on planning decisions in central city areas. Urban development grants and urban regeneration grants, on the other hand, were designed to:

"leverage private investment for industrial, commercial, and housing projects; and the formation of public-private partnerships to facilitate business community cooperation in implementing economic development programs" (DiGaetano and Klemanski, 1993, p.63).

As DiGaetano and Klemanski stated "...UDCs, EZs, and other centrally created agencies were set up as parallel bodies to local authorities, bypassing local district councils in the area of planning and economic development" (DiGaetano and Klemanski, 1993, p.65).

3.4.3. GROWTH MACHINE THEORY IN THE BRITISH CONTEXT

As Harding (1994) asserted in the United Kingdom, at the end of the 1980s, a new model, a "*growth machine or corporate/entrepreneurial regime*" emerged (Harding, 1994, p.375). However as it was asserted by various authors (Keating, 1993; DiGaetano and Klemanski, 1993; Harding, 1994) the public-private partnerships established in this era cannot be evaluated as "US-style growth machines" since historical, social and political and economic variances of the United Kingdom have given way to the emergence of different coalitions than that of the United States.

When Thatcher government was in power in the 1980s, they implemented regeneration policies similar to that of the United States. The primary reason was the success of the US-cities in creating regeneration. However, political, economic and bureaucratic contingencies between the traditions of two countries

produced different outcomes. To illustrate, although the financial resources of the local governments in the United Kingdom decreased after the 1980s, the local governments in the United Kingdom have still been supported by the central government to a great extent. Therefore, their dependence on private sector investments have been less as compared to the local governments in the United States. Moreover, in the United Kingdom, land has extensively been owned by aristocracy, the royal family, the Church, universities, local authorities, etc. (Harding, 1994).

Parkinson (1990a) put forward the four political reasons which gave way to variations between the two systems. First one was the decentralized structure of American political party system in which development politics was affected by the various interest groups' interventions. Whereas, in Britain, political parties were decision makers of urban politics, rather than pressures groups. The second contingent factor lied in the traditional welfare state approach. Urban governments in England have had more provisions of education, public housing, etc. than their counterparts in the United States. As a third factor, traditionally, British cities had lower level of financial resources, in terms of taxation and income. Therefore, they received more financial support from the central government. Finally, the American conservative strategy led to decentralization of federal government's power in favour of cities and states; whereas in Britain this gave way to the centralization of power and continuous weakening of local government (Parkinson, 1990a).

3.4.4. LONDON'S ADMINISTRATIVE STRUCTURE

As it was stated previously, the Local Government Planning and Land Act 1980 constituted the legal base of establishment of the UDCs. London and Merseyside were the first two UDCs established. Following London and Merseyside, nine

UDCs were set up by the central government. Among them, London Docklands Development Corporation is the most supported one by the central government. The introduction of Local Government Act 1985 resulted in abolition of Greater London Council (GLC) which was comprised of 33 local authorities. Until the abolition of the Greater London Council in 1986, London's local authorities implemented the Greater London Development Plan approved by the GLC in 1969. In 1986, Parliament abolished GLC and 6 metropolitan counties. Most of these local authorities were governed by the local Labour party. This caused Labour party to become ineffective at the local level (DiGaetano and Klemanski, 1993). As Daniels (1995), put forward "London is one of the few global cities without a strategic planning authority" (Daniels, 1995, p.247).

After the abolition of GLC, various boards, committees and special authorities started to operate in London. To describe these bodies a new terminology entered into of British politics: **Quango**, quasi autonomous nongovernmental organization; **Quelgos**, quasi elected local government organizations. **Delgos**, directly elected local government organizations (Savitch, 1994). Within this environment in which various bodies acted independently from each other, both conflict and competition arouse among local authorities. Some of the bodies operating in London are as follows: the London Transport Board, London Buses Ltd., London Forum, 32 London Borough Councils, the London Planning Advisory Committee, nine training and enterprise councils, four DoE task forces; etc. (Daniels, 1995). So, "major land issues for London are resolved at the local level, there is no integrated transport strategy; there is no mechanism for securing a world-beating financial services sector in the City for in London as a whole" (Daniels, 1995, pp.247-248).

3.4.4.1. Docklands: The Flagship Project Of The Conservative Government

The development of Docklands as the new business district was the decision of Thatcher government to create a flagship project to strengthen London's position in world markets. As Lee and Schmidt-Marvede (1993) put forward:

"... financial centres frequently act in public-private coalitions to create a self-conscious identity and to develop strategies with which to face competition from other centres. ... Such may be orchestrated at the national level of political discourse, as with the 'big bang' legislation in Britain during the mid-1980s... more locally, as with the decision in 1986 by the Corporation of the City of London to relax planning conditions for office development in apparent response to the proposal to develop Canary Wharf in neighbouring Docklands... " (Lee and Schmidt-Marvede, 1993, p.501).

As it is apparent from the following table that between 1981 and 1987 employment in London changed in favour of financial producer services with sharp decreases in manufacturing and industry. The sharpest decreases took place in textile and manufacturing industries (See Table 3.5).

After the Big Bang in 1986, European, American and Japanese firms expanded their activities in London. London also had a prime role in foreign exchange turnover and equity trading in world markets. The banks, finance companies and their British partners demanded new office buildings suitable for setting up telecommunications, computer cabling, etc. Therefore, these requirements necessitated to construct new office buildings providing spacious offices to white-collar labour force working in banking and other financial activities (Coakley, 1994). In 1984, a draft local plan was prepared by the City of London. This plan was trying to keep a balance between the interests of both parties, i.e., housing, local services, office developments etc.

Table 3.5. London: Employment Changes by Industry, 1981-1987.

<u>Employment</u>	<u>% Change</u>
Business services	30
Personal services	20
Banking and finance	13
Insurance	0
Wholesale distribution	-8
Construction	-21
Electrical engineering	-22
Footwear and clothing	-30
Mechanical eng. and vehicles	-37

Source. SASSEN, S. (1991) *The Global City: New York, London, Tokyo*, Princeton University Press, New Jersey, p.208.

But the report was published after the *Big Bang*; therefore, it became clear that it was not possible to meet the new office space requirements with this plan. This led to criticisms to arise, mainly complaining from the rigidities of the plan and the impossibility of providing new offices in the old urban fabric of London. In 1986, relaxations were done in the plan and new office developments were permitted (Deakin and Edwards, 1993).

The Bank of England relaxed its requirements that primary banks must be located within one square mile around its building on Threadneedle Street. In this way, they provided additional land for office space for banking operations to locate (Coakley, 1994). However, the pressures for further expansion continued. Since distance was not a barrier, due to advanced communication technologies, developers directed their attentions to the larger sites where such buildings could be built, -Docklands (Punter, 1992).

Among others, Docklands is the most important and the largest redevelopment project in London. When the Conservative Thatcher government came into power in 1979, it had two approaches to develop the area,

".. public sector involvement was inappropriate; what was needed a was a market-led approach...Planning had a very limited role to play; the market was to determine what should be built and where it should be built." (Coupland, 1992, p.149).

During this process the LLDC's contact with the local authorities in terms of planning and consultation became weak (Fainstein, 1994; Thornley 1991; Barnes, 1990). Although local authorities participated the meetings held in LDDC, they were rather expected to perform their municipal duties of health, education, unemployment. In this respect, the prime task of the LDDC was assumed to promote London's position in international markets by attracting the private sector investments into the area (Thornley, 1991). The powers of the LDDC were extent, as it was declared by Deakin and Edwards (1993) "there is no master plan for the Corporation's activities. Targets for achievement in different sectors of activity are approximate and subject to sudden revision" (Deakin and Edwards, 1993, p.98).

LLDC, administratively covered an area of 2626 hectares, comprised of riverside parts of 3 boroughs, Tower Hamlets, Newham, and Southwark (Deakin and Edwards, 1993). The land under control of the LLDC was either taken from the boroughs or from the abolished GLC (Fainstein, 1994). As Deakin and Edwards (1993) stated UDCs had the right to ask for ownership of land belonged to the local authorities. So, the land was provided to the UDCs through the orders of Secretary of State. Approximately 352 hectares of land was passed to the LDDC from the local authorities. This implementation resulted in weakening of local authorities' powers in favour of subnational organizations (Deakin and Edwards, 1993). After being prepared, land was sold to developers or investors. Initially, LLDC had difficulty in selling the land to the developers, for example in the Isle of Dogs, LLDC could just sell the land 80.000 pounds/acre (0.25 hectare), but then

in time, as a consequence of speculative tendencies some acres were sold to even 3 million pounds (Fainstein, 1994) (See Figure 3.8)

Although it was said that private sector would be the leading actor in development of Docklands, in later stages of the project, large sums of financial aid was transferred to the Docklands in order to attract private sector investments (Deakin and Edwards, 1993). (See Table 3.6) There was no control mechanism on the spendings of the LDDC. The accounts of the LDDC could only be controlled by the DoE and Parliament (Barnes, 1990).

After the completion of Docklands, although new jobs were created for the inhabitants, most of the time employment opportunities were provided for the international financial services and white-collar labour force (Deakin and Edwards, 1993).

Table 3.6. Grants-in-aid to Urban Development Corporations, 1981-1990

UDC	Total (£ m)	%
London Docklands	1098.8	59.3
Merseyside	232.8	12.6
Teesside	103.8	5.6
Tyne and Wear	101.6	5.5
Black Country	95.4	5.1
Trafford Park	63.5	3.4
Cardiff Bay	58.8	3.2
Sheffield	36.4	2.0
Leeds	25.5	1.4
Bristol	18.7	1.0
Central Manchester	17.5	0.9

Source. DEAKIN, N., EDWARDS, J. (1993) *"The Enterprise Culture and the Inner City"*, Routledge, London, p.98.

Nevertheless, as it was asserted by Deakin and Edwards (1993) that after 1990, employment in Docklands started to increase; and new education and training programmes were implemented (See Table 3.7).

In 1989, the private investment attracted to the Docklands was 6 billion pounds, 0.81 million m² office space was constructed together with 17,000 houses (Keith and Pile, 1993).

Since there were approximately 40,000 people living in the Docks, LDDC was criticized by inhabitants and local authorities for not paying attention to the existing residents (Dunn and Leeson, 1993)¹².

Table 3.7. Employment in Docklands, 1981-1990

<u>Employment</u>	<u>Number of Jobs</u>
Total Jobs Attracted	41,421
Transfers	24,559
New Jobs	16,862
Total Jobs Lost	20,532
Net Loss	3,670

Source. DEAKIN, N., EDWARDS, J. (1993) *The Enterprise Culture and the Inner City*, Routledge, London, p.125.

⁷ Nevertheless, as Markusen and Gwiasda asserted "as integration proceeds and political functions become more centralized in EC institutions, London's primacy may continue to erode as new centres vie for its political and economic functions" (Markusen and Gwiasda, 1994, p. 184).

⁸ Three important parameters are central to the ideology of Thatcherism: a) **economic liberalism**, b) **authoritarianism**, c) **populism**. The **economic liberalism** is based on monetarism: "the control of money supply (including bank credit, government borrowing and spending) will check inflation. According to the new approach the answer is to release the natural forces of the market order and generate growth again through the pursuit of individual profit" (Thornley, 1991, p.36). Therefore, the removal of state interference and creation of free market conditions were expected to lead to a more competitive and productive environment. **Authoritarianism**, the Thatcherist ideology was highly influenced from the Neo-Conservatives in the USA, especially by Hayek and Friedman, who proposed decreasing role of state in economic and welfare activities by reducing regulatory burdens on firms and less intervening to market. With authoritarianism, the concept of "just society" was overcome by "free society". **Populism**, "free market/strong state" ideology was supported by populism.

⁹ Special Development Areas (SDAs) and Intermediate Development Areas (IDAs) were means in reaching these ends. When some areas were decided to be promoted, firms were financially benefitted from the exemptions provided by the central government. But in 1979, the grants given to firms were reduced to a large extent, and in 1984 SDAs were eliminated totally (DiGaetano and Klemanski, 1993).

¹⁰ Under these two different approaches six separate planing practices appeared. Under the effect of *market-critical* approach, *regulative planing*, i.e., public-interest-dominated regulatory/controlling planing; *popular planing*, i.e. active participation of public in planing process; *public investment planing*, i.e., public-investment-dominated planning, emerged. Whereas *market-led* approach gave way to the *trend planing*, i.e., planning in accord with the market forces; leverage planning, i.e., private sector implementations within a domain of semi-public organization and realization of vast infrastructure and space with public finance; *private management planing*, i.e., planning-implementation-management by private sector and non-profit-oriented institutions (Altaban, 1990, p.82).

¹¹ The UDCs were financially supported by central government grants and profits coming from land and development. Between 1989-1992, total amount of grants allocated to the 11 UDCs was 2,741 million dollars, the highest share belonging to the London Docklands Development Corporation (LLDC) with a sum of 1,164 million dollars (Keating, 1993).

¹² As Bird (1993) stated: "Docklands was reconstructed within the circuits of international finance capital and planned as a site of consumption and leisure. Spatially, Docklands represents the principle of uneven development that is the hallmark of the geography of capitalism. The ideology of 'regeneration'... masks the economic and social relations that characteristically determine a history of neighbourhood decline and abandonment, followed by rediscovery and gentrification -a trajectory frequently initiated by the social migration of transitory groups of squatters, students and artists seeking, affordable, temporary accomodation" (Bird, 1993, p.123).

CHAPTER 4

4. TRANSFORMATIONS IN TURKISH ECONOMY AFTER 1980 AND ROLE OF İSTANBUL WITHIN THE NEW DYNAMICS OF TURKEY

As it was examined in the previous chapter since the 1980s, in Western Europe nation-states applied neoliberal economic policies to adapt themselves into the new dynamics of globalization. While increasing mobility of capital and increasing dominance of financial activities were constituting the new dynamics of globalization, restructuring in central-local government relations redefined the roles of local governments in the context of local economic development (Keating, 1993; Harding, 1994)

During this period, mobilization of capital has increased across the globe through mergers, acquisitions, joint ventures and foreign direct investments. Although increasing rate of short-term capital movements has been an ascendant feature of globalization, foreign direct investments have contributed to the increasing mobility of capital. During this process, developed countries have invested considerable amount of capital into developing countries. Although the share of manufacturing has constituted the major part of investments, there has been an rising tendency in foreign direct investments in favour of financial and producer services (Sassen, 1991).

As it will be analysed in detail in this chapter, similar to the transformations taken place in European countries, Turkey adapted neoliberal policies in order to increase its economic articulation to international relations after the 1980s.

Neoliberal policies of the Özal government targeted to integrate Turkey into international relations by applying a number of measures, such as encouraging export drive, deregulation in financial markets, convertibility of TL, export drive, promotion of foreign direct investments. Starting from the mid-1980s, foreign direct investment inflows into Turkey have started to increase to a great extent. Parallel to the trends in foreign direct investments worldwide, the share of service sector investments has also increased in total amount of foreign direct investments. In the period from 1980 to 1998, 60% of foreign firms in service sector have been concentrated in İstanbul. Especially in banking and other financial services category, İstanbul has become the prime location of foreign investors (Undersecretary of Treasury).

Another apparent trend of the early 1990s has been the developments in retailing industry. Foreign investors, either single or collaborated with Turkish firms, have entered into the retailing industry. The proliferation of shopping centres together with ascendancy of retailing activities has increased to a great extent by bringing high amount of profit to foreign and Turkish investors. Starting from the 1980s, financial and producer services, consumer services and retailing activities have been concentrated in İstanbul.

4.1. NEOLIBERAL POLICIES AND FINANCIAL DEREGULATION IN TURKEY AFTER THE 1980s

Turkey, until 1980, adapted a mixed-economy model mainly targeting the growth of the economy. Industrial development, structural improvements in agriculture, establishment of public economic enterprises in industry, restricting foreign competition, and protecting private enterprises were the basic features of this model (Kazgan, 1996).

After the 1980 military coup, central government in Turkey implemented neoliberal economic policies and structural adjustments to integrate Turkey into international markets and to the dynamics of free market economy.

The economic policies adapted in this era were briefly;

"1) flexible exchange rates,
2) austerity and export drive,
3) public enterprise reform and privatisation,
4) financial liberalisation,
5) import liberalisation, promotion of direct foreign investment"
(Arıcanlı and Rodrik, 1990, pp.1344-1346).

Between 1981 and 1982, all necessary institutional regulations for the establishment of the *Capital Market*, and legal framework for *Capital Market Law* were completed. The opening of *Istanbul Stock Exchange (ISE)* in 1986 became a cornerstone in the development of Turkish financial sector. Also, the Foreign Capital Law, which has been in use since 1954, was redefined twice in 1980 and 1986¹³.

As previously mentioned, the most predominant feature of globalization is the increasing weight of banking and other financial activities. The new economic policies aiming to integrate Turkey to the international relations and free market economy showed their reflections in *banking sector*. Both interest rates and foreign exchange rates were freed; and foreign banks were motivated to open branches in Turkey. In this period, the share of banking sector constituted an important portion of foreign direct investments. To illustrate, in 1979, the share of banking sector in foreign direct investment was 4%, this ratio reached to 20% in 1986 (Arıcanlı and Rodrik, 1990, p.1348).

In 1989, an important stage was reached in Turkish economy by completely liberating foreign exchange rate operations and capital movement. Both foreigners and Turkish citizens were allowed to invest on movables, to have deposit accounts and to make transfers with TL and foreign currencies

(*Bankacılar*, 1996). It is asserted by Kazgan (1996) that the convertibility of TL without realizing tax and public expenditure reforms resulted in severe public expenditure deficits in later stages.

In March 1989, Turkey joined SWIFT (the Society for Worldwide Interbank Financial Telecommunication). At the end of 1995, together with the Central Bank, 58 banks got connected to SWIFT (Banking and Stock Exchange Report). Parallel to the worldwide developments taking place in financial sector, banking sector in Turkey has started to provide various new services to their customers in the field of individual banking, i.e., credit cards, consumer credits, automatic teller machines, point of sales terminals, etc. Also, since the early 1990s, *electronic banking* started to be applied, together with the new financial operations, such as leasing, factoring, swap, futures, options, risk management etc. (Şahin, 1997).

As a result of the deregulation policies, foreign funds constituted an important portion in the deposit accounts of banks. In the 1990s, the share of foreign exchange accounts increased to a great extent in total deposit accounts. One of the reasons of this change was the substitution of Turkish lira by foreign currencies due to high rate of inflation. In this period, flexible exchange rates, export drive, providing incentives to foreign investments in Turkey, establishment of interbank market for TL and foreign currencies, developments in communication technologies etc., resulted in many small and medium sized banks to operate in the sector extensively. This caused the share of big private banks operating in the sector to decrease. In this period, foreign banks were also extensively engaged in leasing, factoring, forfaiting, short-term capital movements etc. Therefore, their share in total deposit accounts and credit markets was not high (40.Yılında Türkiye Bankalar Birliği ve Türk Bankacılık Sistemi: "1958-1997",1998).

In 1994, Turkish economy entered into a crisis period. While public sector deficit was continuously growing, interest rates were kept lower. This caused both domestic and foreign investors to operate with foreign currencies rather than Turkish lira, which in turn led interest rates to become much higher than previous rates. Turkish lira started devaluating as compared to foreign currencies, causing financial sector to shrink. To illustrate, total assets in banking sector in 1994 decreased from \$68,6 billion to \$51,6 billion; and the equity capital fell down to \$6,6 billion to \$4,3 billion. The crisis was overcome when state guarantee was provided to deposit accounts. (40.Yılında Türkiye Bankalar Birliği ve Türk Bankacılık Sistemi: "1958-1997", 1998, pp.13-14).

Figure 4.1 shows the percentage increase in banks, bankers and insurance companies registered in Istanbul Chamber of Commerce between 1991 and 1996. As can be observed in the Figure 4.1, the signs of economic crisis became apparent in decreasing number of firms between 1992 and 1994. The recovery of Turkish financial sector was realized in 1995, together with improvements in banking sector.

Table 4.1 shows commercial banks; and development and investment banks operating in Turkey between 1980 and 1997. Commercial banks are those having branches on countrywide and providing a big share of their resources from deposit accounts. Whereas, development and investment banks are the ones mostly specialized on foreign trade financing and investment banking with *few branches* located in big cities and business centres (*Bankacılar*, 1996).

As it can be seen in the Table 4.1, in 1984, there were only 4 foreign commercial banks in Turkey, whereas in 1985 this number reached to 15, and at the end of 1994 it became 20.

After 1990, the education level of labour employed in banking sector started to get higher. In the 1990, the percentage of white collar workers graduated from

university, master and PhD programs was 22,7%, in 1994 this percentage reached 28% (*Bankacılar*, 1996); and at the end of 1997 it was 38% (*Bankalarımız 1997*, 1998).

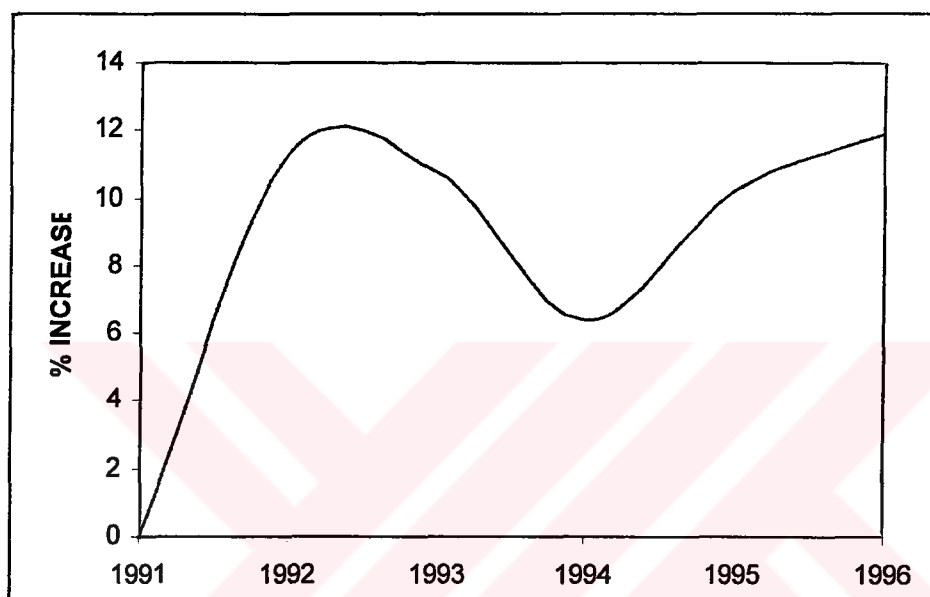


Figure 4.1. Banks, Bankers, Insurance Companies in İstanbul, 1991-1996

Source. Unpublished data of İstanbul Chamber of Commerce, composed by the author.

As can be observed in Table 4.1, until 1987, there was not any foreign development and investment bank in Turkey, with the opening of Bankers Trust A.Ş. in 1988; Indosuez Euro Türk Merchant Bank A.Ş. in 1990; and Taib Yatırım Bank A.Ş. in 1987, this number reached 3.

Table 4.1. The Number of Banks and Their Branches (1980-1997)

	1980	1985	1990	1994	1997
Commercial Banks	40	47	56	55	59
<i>Branches</i>	5.969	6.286	6.543	6.085	6.795
State-owned	12	12	8	6	5
<i>Branches</i>	2.490	2.841	2.975	2.917	2.915
Private	24	20	25	29	36
<i>Branches</i>	3.374	3.325	3.455	3.063	3.764
Foreign	4	15	23	20	18
<i>Branches</i>	105	120	113	105	116
Development and Investment Banks	3	3	10	12	13
<i>Branches</i>	6	6	17	19	24
State-owned	3	3	4	3	3
<i>Branches</i>	6	6	7	8	10
Private	--	--	4	6	7
<i>Branches</i>	--	--	7	8	10
Foreign	--	--	3	3	3
<i>Branches</i>	--	--	3	3	4
TOTAL BANKS	43	50	66	67	72
TOTAL BRANCHES	5.975	6.292	6.560	6.104	6.819

Sources: *Bankacılar*, (1996) "Türkiye Ekonomisi ve Mali Sektör", February 16., p.14.

Bankalarımız 1997, (1998) Türkiye Bankalar Birliği, No.205., II-530 II-531.

Table 4.2 shows the private commercial banks opened after 1980, in İstanbul. It can easily be observed in the table that a majority of private commercial banks

are owned by either wealthy families of Turkey or big holdings/multinationals of industry. To illustrate, Koçbank, Interbank, Bankapital, Kentbank, and Toprak Bank are owned by, respectively, Koç Holding Company, Nergis Holding Company, Ceylan Holding Company, Süzer Holding Company, Toprak Holding Company. As Şahin (1997) stated in the 1970s, "*holding company banking*" became a common tendency in Turkey. Although in literature "*holding banking*" is used to refer a multipartnered bank which has become a holding company as a result of its joint ventures in many activities¹⁴, in Turkey this has come to mean the bank which is both being owned and managed by a holding company. When a holding company owns a bank it has the advantage of providing finance easily, and if a financial crisis occurs, the company can provide funds for firms operating within its organization (Şahin, 1997).

As previously stated after the 1980s, foreign countries were motivated to open banks or branches in Turkey. Arap Türk Bankası A.Ş., Turkish Bank A.Ş., Bnp-Ak Dresdner, Türk Sakura Bank A.Ş., Ulusal Bank T.A.Ş., Midland Bank A.Ş., Osmanlı Bankası A.Ş. are the foreign commercial banks opened in Turkey after 1980.

In summary, after the 1980s, the reflections of the neoliberal policies and financial deregulation for integration have mostly become apparent in banking sector. Turkish financial sector started to operate in foreign countries through joint ventures and/or opening banks; and foreign financial companies increased their operation in Turkish markets by opening banks and/or branches. The opening of capital market and İstanbul Stock Exchange, convertibility of TL, the allowance of foreigners to operate with TL and foreign currencies, etc. have brought about high amount of foreign financial capital entry into Turkey.

Table 4.2. Private Commercial Banks opened After 1980, in Istanbul

Bank	Year	Partners	No. of Branches
Oyak Bank A.Ş.	1984	OYAK	8
Adabank A.Ş.	1985	Kemal Uzan, Ayşegül Uzan, Hakan Uzan, Cengiz Uzan, Yavuz Uzan	60
Koçbank	1986	Koç Group	56
Tekstil Bankası A.Ş.	1986	Akin Holding Comp., GSD Holding Comp.	24
Finans Bank A.Ş.	1987		40
Körfezbank	1987	Sheikh Mohamad Bin Hamad Al Tahani, Kemal Ali Saleh, Mohamad Hamad Al-Mana, Al-Ahli Bank of Qatar, Garanti Holding, Doğuş Int., Ayhan Şahenkı Filiz Şahenk, Ferit Şahenk, Doğuş S.A., Aymak Mak. Ve San. Tic. A.Ş., Antur Tur.A.Ş., Doğuş Holding A.Ş., Datmar Tur.A.Ş.	6
Interbank	1988	Nergis Holding Comp., Credit Industrial S.A.	30
Alternatif Bank A.Ş.	1991	Anadolu End.Holding A.Ş., Çelik Motor Tic.A.Ş., Efes Paz. Ve Dağ Tic.A.Ş., Ege, Erciyas, Güney Biracılık ve Malt San.A.Ş., Anadolu Biracılık ve Malt ve Gıda San.A.Ş.	14

Table 4.2. Continued ..Private Commercial Banks opened After 1980, in Istanbul

Bank	Year	Partners	No. of Branches
M.N.G. Bank A.Ş.	1991	Mehmet Nazif Günel, Günel İnş.Tic.A.Ş., Mapa İnş.Tic.A.Ş., MNG Holding A.Ş., Hasan Tayyar Anıca	7
Sitebank A.Ş.	1991	Sürmeli Group	7
Bankapital	1991	Ceylan İnş. Taah.lth.lhr.Ltd.Şti., Ceylan Holding, Ceylan Family	15
Bank Ekspes A.Ş.	1992	Korkmaz Yiğit Holding A.Ş., Korkmaz Yiğit İnş.Taah. ve Tic. A.Ş.	18
Kentbank	1992	Mustafa Süzer, Seba Turizm A.Ş., Süzer Holding A.Ş.	52
Toprakbank A.Ş.	1992	Toprak Seniteri ve İzolatör San.A.Ş., Halis Toprak, Toprak Holding A.Ş., Toprak Kağıt San.A.Ş., Toprak İnş.ve Tic.San.A.Ş., Toprak Seramik Paz.Tic.A.Ş.	117
Yurtbank	1993	M.Hakan Balkaner, Ali Avni Balkaner, F.Pelin Balkaner, Zeynep Ilkar, Balkaner Tur.Tic.İNŞ.ve San.A.Ş., Üçem Taah.Tic.San.Yat.A.Ş., Ada İnş.San.ve Tic. A.Ş.	24
EGS Bank	1995	EGS Dış Tic. A.Ş., Vakıflar Bank T.A.O.	31
Denizbank	1997	Zorlu Holding	13
AnadoluBank A.Ş.	1997	Mehmet Rüştü Başaran	3

Source: Bankalarımız 1997, (1998):Türkiye Bankalar Birliği, No.205

Table 4.3 shows foreign banks operating in Turkey by opening branches. All foreign banks operating in Turkey with branches are located in İstanbul.

Table 4.3. Foreign Banks Operating by Opening Branches in İstanbul

<u>Bank</u>	<u>Partners</u>
Abn Amro Bank N.V.	ABN Amro Bank N.V. -- <i>The Netherlands</i>
Banca di Roma S.P.A.	Banca di Roma S.P.A.-- <i>Italy</i>
Bank Mellat	Bank Mellat -- <i>Iran</i>
Citibank N.A.	Citibank N.Y.-- <i>USA</i>
Credit Lyonnais Turkey	Credit Lyonnais -- <i>France</i>
Habib Bank Limited	Habib Bank Limited -- <i>Pakistan</i>
ING Bank N.V.	ING Group, Aegon, Fortis Preferent Fund, PGGM - <i>The Netherlands</i>
Kıbrıs Kredi Bankası Ltd.	Kıbrıs Kredi Bankası Ltd
Société Générale (SA)	Société Générale (SA) -- <i>France</i>
The Chase Manhattan Bank	The Chase Manhattan Corp.- <i>USA</i>
Westdeutsche Landesbank	Westdeutsche Landesbank- <i>Germany</i>
Girozentrale	Girozentrale - <i>Germany</i>

Source: *Bankalarımız 1997 (1998) Türkiye Bankalar Birliği, No.205.*

The increase in operations of Turkish banks by opening branches/banks in foreign countries has been realized in the 1990s. To illustrate, at the end of 1997, 27 Turkish banks established 59 partnerships in abroad (Bankalarımız, 1997). Private commercial banks, such as Toprakbank, Kentbank, Egebank, Sümerbank, Oyakbank, Demirbank, have been planning to establish partnerships and/or to buy banks in Europe in order to realize better integration to foreign financial markets (Kantarıcı, 1998).

4.1.1. CAPITAL MOVEMENTS INTO TURKEY AS A RESULT OF THE DEREGULATION IN FINANCIAL MARKETS

As it was mentioned in the second chapter, mobility of capital has increased worldwide via mergers, joint ventures, and flow of *foreign direct investments*. On the other hand, *short term capital movements* has become another dominant characteristic of globalization. The flow of capital from developed countries to developing countries has been continuously increased during this era.

Similar transformations have also been observed in Turkey. The foreign capital inflows into Turkey have risen as a result of the financial deregulation policies, i.e., deregulation in capital and stock markets, liberalization in exchange regulations. Although until the mid-1980s, the flows of foreign capital have been fluctuated, after this period, the increase in flows has become apparent. **Between 1980 and 1984, annual capital inflows into Turkey was \$561 million.** Between 1985 and 1989, the average *annual capital inflows* reached to \$1,465 million. Whereas, during this period, the amount of *capital outflows* from Turkey rose to \$958 million. If capital outflows is substituted from the capital inflows, it appears that **between 1985 and 1989, the net annual capital inflows reached to \$980 million** (Berksoy and Saltoğlu, 1998; p.48).

Table 4.4 shows the capital inflows into Turkey between 1990 and 1996.

Table 4.4. Capital Inflows into Turkey, (\$ million), 1990-1996

	1990	1991	1992	1993	1994	1995	1996
Short-term Capital Movements	3000	-3020	1396	3054	-5127	5922	1606
Portfolio Movements	547	623	2411	3917	1158	237	570
Foreign Direct Investments	700	783	779	622	559	772	612
Other Long-term Capital Movement.	-210	-783	-938	1370	-784	-79	1636

Source. BERKSOY, T., SALTOĞLU, B. (1998) *Türkiye Ekonomisinde Sermaye Hareketleri*, İstanbul Chamber of Commerce, No.1998-58, p.48.

As Berksoy and Saltoğlu (1998) put forward, **between 1990 and 1996, average annual capital inflows was \$ 3,469 million.** The Gulf War in 1991, and economic crisis of Turkey in 1994, caused net *capital outflows* from the country. **However, the rising amount of capital inflows since the 1990s has been consistent with the general trend of worldwide capital movements that have been moving towards developing countries.**

4.2. THE GROWTH OF RETAILING INDUSTRY IN THE 1990s

Both in the United States and in Europe, retailing has been bringing high amount of profit to the retailers acting on worldwide. For example, the biggest American retailer, Wal-Mart's sales in 1996 was \$ 104.859 million¹⁵. On the other hand, there has been a severe competition among hypermarkets and multiples¹⁶ in retailing industry. This competition has also deepened by the advances in technological applications such as,

online shopping etc. In spite of the rough competition, there has been a oligopolistic tendency in European markets¹⁷. Another common trend among retailers has been the increasing rate of joint ventures and mergers¹⁸. Big retail firms started to expand their activities towards new markets for further developments (Serpil, *et al*, 1998).

On the other hand, the reflections of the neo-liberal policies adapted in Turkey in the 1980s, have started to be observed in retailing industry in the 1990s. While foreign investors have been entering into Turkish markets, Turkish firms have expanded their businesses towards new markets in Eastern Europe and Russia. To illustrate, Migros, apart from five supermarkets in Azerbaijan, opened a shopping centre and a hypermarket in Moscow (Arasta, July-August, 1998).

In the 1990s, partnerships have started to be established between Turkish holdings and foreign multinationals also. The joint venture between *Sabancı Holding* and *French Carrefour*, the franchise deal between *French Monoprix* and *Transtürk Holding*; licence deal between *Sezginler Holding* and *British Booker*, and entry of *German Metro AG* into the Turkish markets with *Real Adler and Praktiker* have constituted the examples of such partnerships. Various Turkish holdings have also established partnerships with foreign multinationals and operated as multiples in various branches of the retailing industry (Arasta, July-August, 1998). (See Table 4.5)

Entering into stock exchange is of great importance for multiples or retailers that are planning to expand further, since high amount of investment is needed, higher interest rates make borrowing for such enterprises almost impossible. On the other hand, dealing on stock exchange provides financial support for such enterprises to develop their businesses. In this context, dealing on İstanbul Stock Exchange is a means to reach ends for retailers planning to realize structural changes within their internal organization (Arasta, July-August, 1998).

Table 4.5. Holdings and Their Foreign Partners

<u>Holding</u>	<u>Foreign Partner</u>	<u>Multiple</u>
Azizler	Caravan	BİM
Doğan	Raks	D&R
Doğuş	Promodes	Continent
Sabancı	Carrefour	CarrefourSa
Tekfen	Götzen	Götzen
Türkpetrol	Marks&Spencer	Marks&Spencer
Türkpetrol	Wendy's International	Wendy's
Transtürk	Mr.Bricolage	Mr.Bricolage
Transtürk	La Fayette	Monoprix

Source: Arasta, September-October, 1998, p.38.

Today, five firms in retailing industry deal on Istanbul Stock Exchange (ISE), namely, Tansaş, Kipa, Gima, Migros, and Çarşı. Among them, Çarşı is the only multiple specialized on department store type merchandising, the rest is operated as supermarket and hypermarkets in food sector of retail industry. In 1998, the profitability of these firms was higher than the index average of the ISE (See Table 4.6).

Table 4.6. Multiples Dealing on Istanbul Stock Exchange and Their Market Value

Multiple	Market Value	Market Value
	Trillion (TL)	\$ Million
Gima	50.0	186.1
Kipa	26.1	97.1
Migros	274.1	1,020.1
Tansaş	40.5	150.8
Çarşı	52.0	193.5
Total	443.0	1,648

Source: Arasta, July-August, 1998, 3A.

4.2.1. SHOPPING CENTRES: INVESTORS, CURRENT AND PLANNED BUILDING STOCK

The reflections of neoliberal policies became apparent in retailing industry in Turkey in the 1990s. Similar to the developments in European and the United States, ascendant weight of retailing industry and proliferation of shopping centres have been observed, especially in İstanbul. As previously mentioned, since European and American markets were saturated with shopping centres, hypermarkets and department stores, Turkey has become a potential market to be invested. Foreign retailers entered into Turkish markets with their brandnames by benefitting from the Foreign Capital Law. In 1988 when Galleria shopping centre was first opened, its hinterland was covering whole İstanbul. But during the 10-year period, from 1988 to 1998, the proliferation of shopping centres came into reality. These shopping centres were invested by big holding companies acting in various sectors. It should be noted that, these investments are realized by both retail companies and other big holding companies and multinational companies operating in other sectors, such as, Tekfen Holding, Yüksel İnşaat, Cevahir Holding, Bayındır Holding, etc. (See Table 4.7 and Table 4.8) (See also Figure 5.1).

Operating in retailing industry have brought about excess amount of profit to investors. In recent years, there are new shopping and business centre projects under construction on various sites in İstanbul. The following table shows the largest shopping and business centre projects which are either under construction or on planning phase. The investors of these projects are all big holding companies and multinational companies of Turkey (See Table 4.9). It should be noted that the above mentioned shopping centre projects are the biggest ones in terms of capital invested and total construction area.

Table 4.7. Shopping Centres in İstanbul, Date of Opening and Investors

Shopping Centre	Location	Opening	Investor
Galleria	Ataköy	1988	Emlak Bank, VakıfBank
Akmerkez	Etiler	1993	Akkök Group, Tekfen, İstikbal
Capitol	Altunizade	1993	METUR(Mesa, Tursoy Group)
Carousel	Bakırköy	1995	Mermerler, Çetinsaya, Sevgi Holding Comp., İlyas Özkök
CarrefourSa	Kozyatağı	1996	Carrefour, Sabancı Holding Comp.
Grandhouse	Maltepe	1997	-----
Migros	Beylikdüzü	1997	Migros Türk T.A.Ş.
Profilo	Mecidiyeköy	1998	Profilo Holding Comp.
Mass Plaza	GOP	1998	-----
Mayadrom	Akatlar	1998	Maya Group
Maxi	Silivri	1998	Hamoğlu Holding Comp.

Sources. *Arasta*, (1998) May-June, No.5
Arasta, (1998) July-August, No.6
Arasta, (1998) September-October, No.7
Arasta, (1999) January-February, No.9

Table 4.8. Shopping Centres and Construction Area

<u>Shopping Centre</u>	<u>Construction Area (m²)</u>
Galleria	77,000
Akmerkez	180,000
Capitol	57,000
Carousel	60,000
CarrefourSA	195,000
Grandhouse	3,500*
Migros Beylikdüzü	65,000
Profilo	75,000
Mass Plaza	14,500
Mayadrom	20,000
Maxi	62,000
TOTAL	809,000

*Only gross leasable area (GLA) is included.

Sources. *Arasta*, (1998) May-June, No.5
Arasta, (1998) July-August, No.6
Arasta, (1998) September-October, No.7
Arasta, (1999) January-February, No.9

Other small sized shopping centre projects in various parts of the city are not included.

When these 7 projects are completed, approximately 450,000 m² new retailing (and office space) will be added to the current building stock of shopping centre (See Table 4.10).

Table 4.9. Shopping Centres Which Are Either Under Construction or in Planning Phase

Shopping Centre	Location	Investor
Metrocity	Levent	Yüksel İnşaat and
Batı Trade Centre	Beylikdüzü	Bayındır Holding Comp.
Carousel 2	Beylikdüzü	Baymer Tur. ve Yatırım A.Ş.
EGS Business Park	Yeşilköy	EGS Perdama
Şişli Culture and Trade Centre	Şişli	Greater İstanbul Municipality Cevahir Holding Comp.
Atamerkez	Çengelköy	Ekşiler İnşaat
Polcentre	Levent	Polat Holding Comp.

Table 4.10. Total Area of the Projects in Construction Phase

Project	Construction Area (m ²)
Metrocity	210,000
Batı Trade Centre	53,000
Şişli Culture and Trade Centre	64,000
Grup Centre	18,000
Atamerkez	29,650
Polcenter	15,000
Beta	45,000
Total	434,650

In short as it apparent from the Table 4.8 and Table 4.10 that in İstanbul, apart from hypermarkets and supermarkets, 1,243,650 m² shopping area is available.

4.2.2. STRUCTURAL CHANGES IN RETAILING INDUSTRY

As a result of the growth of the retailing industry in the 1990s, the structural changes have come into reality in internal dynamics of the sector. The survey (Serpil, *et al*, 1998) analysing the outcomes of the development of hypermarket and supermarket type merchandising on groceries has shown that in the 1990s, while the number of groceries smaller than 50 m² has been decreasing, those larger than 50m² have risen¹⁹. The markets larger than 400 m² and above increased their market shares from 10% to 14% between 1995 and 1997; and it has been estimated to rise to 35% by the year 2000 (Serpil, *et al*, 1998, p.5).

The shares of multiples and hypermarkets in retailing sector are, respectively, 25-30% and 5-10%. Although results of the survey indicated that the increasing range of activities of multiples and hypermarkets has not resulted in any severe losses for the small sized retailers yet, since the percentage of target customers that multiples and hypermarkets have attracted constitutes a small share in total population²⁰, in the long run small and medium sized retailers will be affected by this trend. As in the case of Europe, unfair competition constitutes the greatest source of disturbance for small sized retailers²¹.

Figure 4.2 shows the percentage increase in number of groceries registered by Istanbul Chamber of Commerce between 1991 and 1996. It is apparent in the figure that a decrease started to take place after 1994.

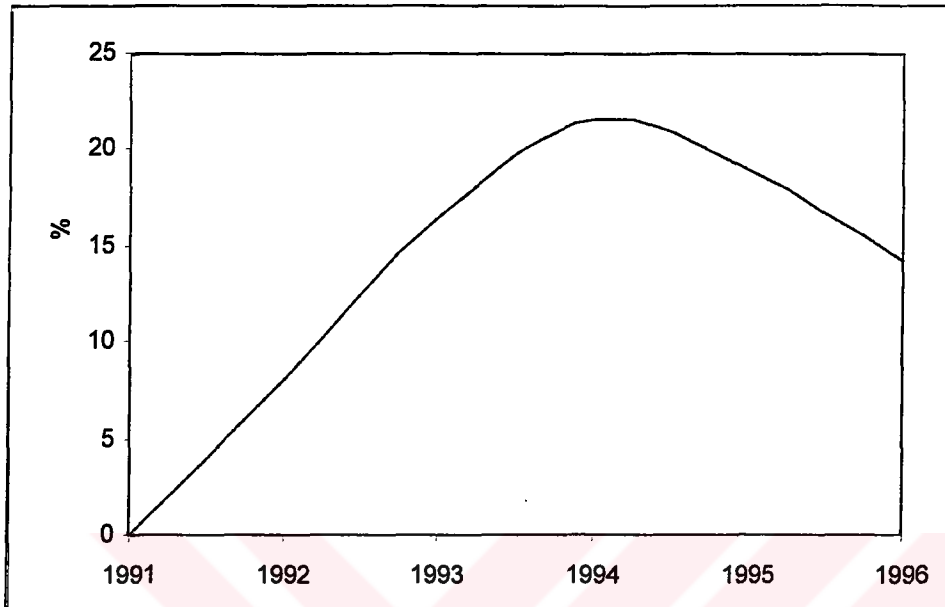


Figure 4.2. Percentage Changes In Groceries, 1991-1996.

Source. Unpublished data of İstanbul Chamber of Commerce, composed by the author

It must be noted that the decrease in the number of groceries has come into reality after 1994. It appears that the opening of Carrefour, Metro and Continent, and proliferation of other supermarkets have led structural changes in the small sized traditional marketing.

4.3. FOREIGN DIRECT INVESTMENT INFLOWS INTO TURKEY AND THE ROLE OF ISTANBUL

The neoliberal policies adapted in the early 1980s targeted to integrate to international relations by encouraging Turkish investors to operate in foreign markets and attracting foreign direct investment inflows to Turkey. Parallel to the worldwide increasing capital

movements from developed countries to the developing countries, foreign direct investments into Turkey have been increased substantially since 1980 (See Table 4.11). It is also apparent from the Table 4.11 that in the late 1980s, the volume of foreign direct investments (FDI) started to increase as compared to previous years. As it was previously mentioned, FDIs into Turkey have risen to a great extent after the 1990s.

The sectoral breakdown of these foreign investments in percentage shares are shown on Table 4.12. As Table 4.12 shows that FDIs in manufacturing industry comprise 57,24% of all foreign investment inflows to Turkey. The investments in service sector constitute the second largest category with 40,17% share of total FDIs; and the rest is belonged to agriculture and mining, respectively, 1,52% and 1,07%.

As it can be observed in the Table 4.12, while the share of investments in manufacturing have been decreasing from 91,51% to 62,04% from 1980 to 1998, the share of service sector has risen from 8,49% to 36,78% in the same period.

Between 1980 and 1988, there were slight increases in FDIs; but from 1988 to 1989, the amount of FDI was almost doubled and reached to \$1,511.94 million.

Berksoy and Saltoğlu (1998) declared that during the period between 1990 and 1996, foreign direct investments' share in special capital movements into developing countries slightly decreased from 56,6% in 1990 to 42,4% in 1993; but increased to 48,1% in 1996. They, after analysing capital movements in Turkey, found out that while the share of short term capital movement was increasing, the share of foreign direct investments decreased from 16% to 7% between 1990 and 1996 (Berksoy and Saltoğlu, 1998, pp.19-20).

Table 4.11. Foreign Direct Investment Inflows to Turkey, between 1980 and 1999

Years	Authorized FDI (\$ million)	Realizations* (\$ million)	Number of Firms
1980	97.00	35	78
1981	337.51	141	109
1982	167.00	103	147
1983	102.74	87	166
1984	271.36	162	235
1985	234.49	158	408
1986	364.00	170	619
1987	655.24	239	836
1988	820.52	488	1,172
1989	1.511.94	855	1,525
1990	1.861.16	1.005	1,856
1991	1.967.26	1.041	2,123
1992	1.819.96	1.242	2,330
1993	2.063.39	1.016	2,554
1994	1.477.61	830	2,830
1995	2.938.32	1.127	3,161
1996	3.836.97	964	3,582
1997	1.678.21	1.032	4,068
1998	1.645.77	976	4,533
1999**	424.75		4,638
Total	24.275.20	11.671	--

*authorized foreign direct investments are not brought into country all at once. They are realized through phases.

**March 1999

Source: Undersecretary of Treasury web page.

Table 4.12. Percentage Share of Sectoral Breakdown of FDIs into Turkey, between 1980-1999

Years	Agriculture (%)	Mining (%)	Manufacturing (%)	Services (%)	Authorised FDI (Million \$)
1980	0,00	0,00	91,51	8,49	97.00
1981	0,25	0,29	73,05	26,41	337.51
1982	0,63	1,18	59,01	39,18	167.00
1983	0,03	0,02	86,56	13,39	102.74
1984	2,19	0,09	68,51	29,21	271.36
1985	2,72	1,82	60,94	34,53	234.49
1986	4,63	0,24	53,15	41,98	364.00
1987	1,98	0,19	44,86	52,97	655.24
1988	3,33	0,68	59,80	36,18	820.52
1989	0,62	0,78	62,84	35,75	1.511.94
1990	3,52	2,53	65,23	28,72	1.861.16
1991	1,14	2,02	55,69	41,15	1.967.26
1992	1,85	1,04	70,02	27,10	1.819.96
1993	1,02	0,55	76,02	22,41	2.063.39
1994	1,91	0,42	74,94	22,73	1.477.61
1995	1,08	2,06	67,95	28,91	2.938.32
1996	1,67	0,22	16,70	81,41	3.836.97
1997	0,73	1,59	51,95	45,73	1.678.21
1998	0,35	0,83	62,04	36,78	1.645.77
1999*	0,58	0,02	76,93	22,48	424.75
Total	1,52	1,07	57,24	40,17	24.275.20

* March 1999

Source: Undersecretary of Treasury web page.

Table 4.13 shows the sectoral breakdown of foreign firms in Turkey with regard to their *invested capital, sector's share in total foreign capital and sector's share in total capital*. As it can be observed from the Table 4.13, in April 1999 there are 4,656 foreign firms in Turkey. Firms operating in service sector constitute the largest share among these firms, and their share in total foreign capital are 57,34%²². Among the countries invested in Turkey, France, the United States, Germany, the Netherlands, and Switzerland are the first five countries whose investments have constituted the greatest shares in total FDI inflows to Turkey from 1980 to 1999²³ (Undersecretary of Treasury web page).

Table 4.14 shows the service sector subcategories and their shares in total FDI. As it can be observed in Table 4.14, there are 3340 foreign firms operating in Turkey in service sector activities.

Table 4.13. Sectoral Breakdown of Foreign Firms in Turkey, 1999*

Sectors	No. of firms	Total Foreign Capital (million TL)	Share in total Foreign Capital	Total Capital of Firms (million TL)	Foreign Capital in Total Capital
Agriculture	103	1.945.855	0,36 %	5.338.424	36,45 %
Mining	65	6.388.417	1,17 %	9.929.505	64,34 %
Manufacturing	1.148	224.444.798	41,14 %	437.571.226	51,29 %
Services	3.340	312.828.242	57,34 %	465.993.369	67,13 %
Total	4.656	545.607.312	100,0 %	918.832.524	59,38 %

* April 20, 1999

Source: Unpublished data of Undersecretary of Treasury

These firms were either completely invested by foreign capital or established through partnerships with Turkish firms.

As stated previously, the share of service sector activities in total FDI has been increasing continuously. As of April 1999, there are 3340 foreign firms operating in service sector activities. 55% of these firms are engaged in **retailing activities**. The share of capital in retailing (in TL currency), constitutes the 12,98% of all foreign direct investment inflows into Turkey. Although the number of firms is not as high as in retailing category, the share of foreign investments in **banking and other financial services** in total FDI is 14,04%; and the amount of foreign investment is the highest as compared to all other service categories, 76 trillion TL.

If the other financial activities, leasing, insurance and investment financing, are evaluated together, the share of these four financial categories constitutes approximately 20% of all FDI. The total foreign capital invested in these sectors are 106 trillion TL.

The category labelled as the "other social services", covers other *producer services*, such as consulting and management, advertising, media and publishing services, etc.. The share of these producer services is 12,50% in all FDI, with capital investment of 68 trillion TL.

Although after the mid-1980s, the foreign capital investments into Turkey increased heavily; the sharp increase came into reality after the 1990s. As previously mentioned, short-term capital movement is an important feature of globalization. Similar tendency is also true of Turkey; especially after the 1994 economic crisis, in 1995, 3/4 of foreign financial capital was in the form of short-term capital movements (Berksoy and Saltoğlu, 1998, p.4).

Between 1990 and 1996, while the share of short-term borrowing was increasing, the share of foreign direct investments was not much high as compared to the short term borrowing (Berksoy and Saltoğlu, 1998).

Table 4.14. Subcategories of Foreign Firms in Service Sector in Turkey, (April 20, 1999)

Service Sector Subcategories	Number of firms	Total Foreign Capital (million TL)	Share in Total Foreign Capital (%)	Total Capital of Firms (million TL)	Foreign Capital share in Total Capital (%)
Retailing	1.852	70.802.397	12,98	92.199.952	76,79
Restaurant, café, catering	210	5.502.577	1,01	7.111.367	77,38
Hotel, pension and camp.man.	279	22.323.691	4,09	32.342.780	69,02
Construction activities	132	4.471.885	0,82	8.902.848	50,23
Land transportation	22	284.211	0,05	828.483	34,30
Sea transportation	40	1.148.800	0,21	1.291.785	88,93
Air transportation	47	163.860	0,03	277.200	59,11
Other transportation services	97	2.834.972	0,52	4.291.583	66,06
Communication	11	5.216.043	0,96	15.648.244	33,33
Banking and financial services	36	76.610.938	14,04	116.446.697	65,79
Investment financing	39	23.977.757	4,39	38.986.830	61,50
Insurance	29	4.950.008	0,91	16.070.079	30,80
Leasing	4	1.125.110	0,21	1.141.500	98,56
Private education	11	34.706	0,01	50.900	68,18
Research and development	11	850.398	0,16	869.160	97,84
Health services	32	2.291.490	0,42	4.756.805	48,17
Other social services	190	68.197.520	12,50	100.028.599	68,18
Cinema and entertainment	3	259.790	0,05	271.571	95,66
Laundry and drycleaning	2	5.000	0,00	20.000	25,00
Other personal services	8	614.614	0,11	629.000	97,71
Other activities	285	21.162.475	3,88	23.827.986	88,81
Total service sector	3.340	312.828.242	57,34	465.993.369	67,13

Source: Unpublished data of Undersecretary of Treasury

4.3.1. FOREIGN DIRECT INVESTMENTS IN SERVICE SECTOR IN ISTANBUL BETWEEN 1980 AND 1998²⁴

In Turkey, there are 4656 foreign firms operating in manufacturing, service sector, agriculture, and mining activities, as of April 1999. 60% of foreign firms in service sector activities is located in Istanbul, as of April 1999 (See Table 4.15).

Table 4.15. Service Sector Firms in Turkey and in Istanbul, 1999*

Subcategories of Service Sector	Number of firms Turkey	Number of firms Istanbul**
Retailing	1.852	1.176
Restaurant, café, food services	210	65
Hotel, pension and camping manage.	279	70
Construction activities	132	46
Land transportation	22	13
Sea transportation	40	33
Air transportation	47	46
Other transportation services	97	69
Communication	11	9
Banking and financial services	36	35
Investment financing	39	34
Insurance	29	29
Leasing	4	4
Private education	11	7
Research and development	11	8
Health services	32	16
Other social services	190	127
Cinema and entertainment	3	1
Laundry and drycleaning	2	0
Other personal services	8	7
Other activities	285	186
Total service sector	3.340	1.981

*The figures are valid as of April 20, 1999

**Only districts within the territories of Greater Istanbul Municipality are included. There are 19 firms operating within the boundaries of the city of Istanbul. When they are included, total number reaches to 2000 firms.

Source: Unpublished Data of Undersecretary of Treasury

The firms in service sector categories constitute approximately 72% of all foreign firms with 57,34% of capital share in all FDI (in TL currency). Although in terms of US\$ value, the foreign direct investments in manufacturing have still got the highest share, in recent years FDIs in service sector have been increasing continuously.

In this work, 21 service sector subcategories are gathered under seven main categories. These are as follows:

1. Retailing
2. Banking and Financial Services
 - Banking and Other Financial Services
 - Leasing
 - Insurance
 - Investment Financing
2. Hotel, Restaurant
 - Hotel, Pension and Camping Management
 - Restaurant, Café, and Catering Services
3. Social Services
 - Other Social Services
 - Private Education
 - Health
 - Other Personal Services
4. Construction Activities
5. Other Activities
 - Other Activities
 - Research and Development
6. Transportation and Related Services
 - Air Transportation
 - Land Transportation
 - Sea Transportation
 - Other Transportation Services
 - Communication

Figure 4.3 shows the percentage shares of foreign firms in Istanbul as compared to Turkey.

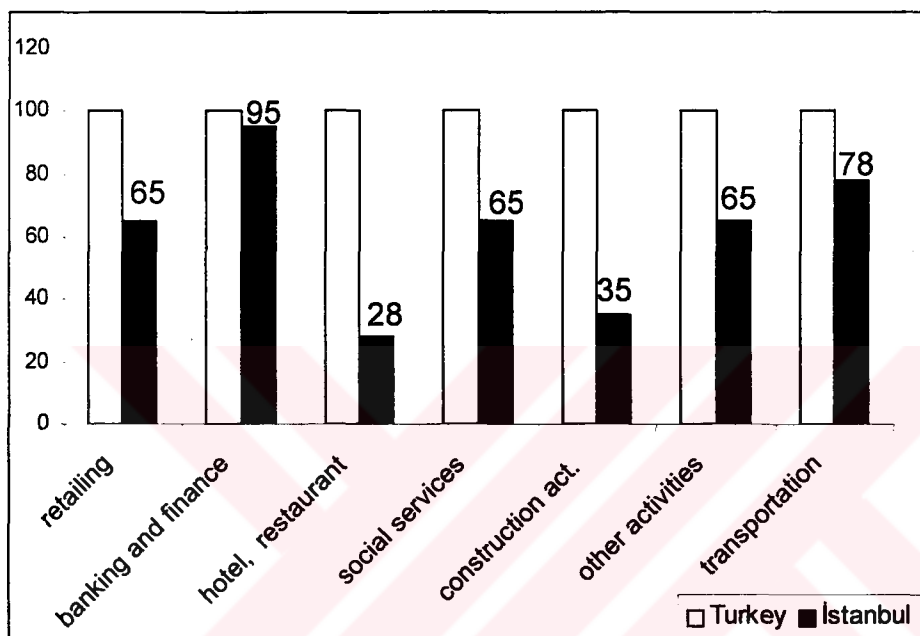


Figure 4.3. Percentage Shares of Service Sector Firms in Istanbul as Compared to Turkey, April 20, 1999

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

As it is apparent from the Figure 4.3 that, except *hotel and restaurant*, and *construction activities* categories, foreign investors have made their location decisions in favour of Istanbul. This is especially true of banking and other financial services category.

Also, 78% of the firms operating *in transportation and related services* is located in Istanbul. In *retailing, social services, and other activities* categories Istanbul has also attracted 65% of all foreign investments.

Among the service sector subcategories, **retailing** constitutes the greatest share with 1158 firms which were opened between 1984 and 1998²⁵. Until 1984, there was not any firm operating in this category. Although between 1984 and 1989, there was a continuously rising trend, after 1989, investments were fluctuated until 1993. Starting from 1994 sharp increases have been observed in investments. (See Table 4.16)

Table 4.16. FDIs in Retailing Activities From 1980 to 1998

Years	Retailing Firms
1984	16
1985	50
1986	62
1987	57
1988	76
1989	80
1990	48
1991	59
1992	48
1993	86
1994	96
1995	103
1996	138
1997	127
1998	112
TOTAL	1158

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

As it is apparent in Figure 4.3 that, 95% of all foreign investments in **banking and other financial services** are located in Istanbul, as of April 1999. Therefore, by both considering the concentration of foreign financial activities, and regarding

the developments in domestic financial activities, it can be asserted that İstanbul has prime importance for Turkey in terms of banking and other financial services. Although in terms of foreign currency in \$ value, the contribution of manufacturing industry still constitutes the greatest share in total amount of FDIs, in recent years, the share of financial activities has risen to a great extent.

All investments on insurance and leasing activities are concentrated in İstanbul. In "banking and other financial services category", 35 out of 36 firms in Turkey operate in İstanbul. In terms of total foreign investment capital (in TL value), 20% of investments have been done in these four financial sector subcategories. At the end of 1998, there are 98 foreign financial firms in İstanbul. Among these firms, there are both multipartnered enterprises from same country as well as multi-partnered enterprises of various countries.

Figure 4.4 shows FDIs in financial activities in İstanbul, between 1980 and 1998. As it can be observed in Figure 4.4, foreign investments between 1980 and 1986 showed gradual increases. It should be noted that the period between 1982 and 1989 was an important stage in Turkish financial sector in the sense that financial deregulation for integrating to the global financial sector's dynamics was realized. To illustrate, in 1982, legal and institutional regulations for establishing capital market were completed. In 1986 İstanbul Stock Exchange (ISE) was opened; and in 1989 all capital movements and foreign currency operations were freed. With the convertibility of TL, foreign investors were allowed to invest on movables, to have deposit accounts in Turkish banks and to make transfers with TL and foreign currencies.

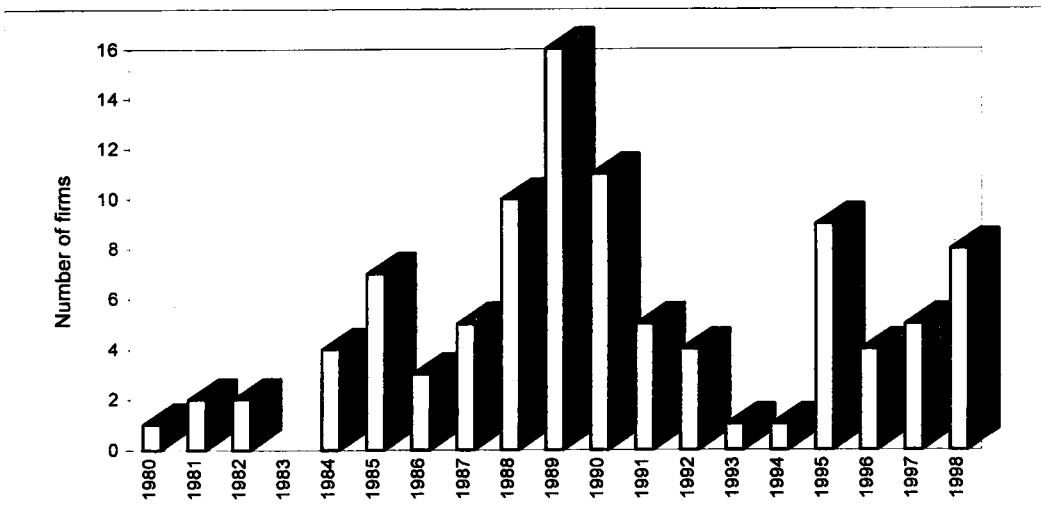


Figure 4.4. Development Trend of Banking and Other Financial Services

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

These regulations have reflected to the investments of foreign financial sector also. The number of foreign financial firms increased rapidly between 1988 and 1990, by reaching 36 new openings in 3-year period. Between 1991 and 1993, gradual decreases were observed in number of firms as compared to the previous period. But, the sharpest decrease took place in 1994 in which Turkish economy was in severe crisis. After the recovery of Turkish financial sector in 1995, foreign investments in financial sector have started to increase again. At the end of 1998, there 98 foreign firms acting in banking, insurance, leasing, investment financing and other financial services (See Table 4.17).

Table 4.17. FDIs in Banking and Other Financial Services From 1980 to 1998

YEARS	BANKING	INSURANCE	LEASING	INV.FINANCING	TOTAL
1980	1				1
1981	2				2
1982	2				2
1983					
1984	3			1	4
1985	4	2		1	7
1986	2	1			3
1987	2	2		1	5
1988	5	1	1	3	10
1989	2	8		6	16
1990	6	1	1	3	11
1991	1	3		1	5
1992	1			3	4
1993				1	1
1994		1			1
1995		7		2	9
1996	1	1		2	4
1997	1	2	2	2	5
1998	1			5	8
TOTAL	34	29	4	31	98

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

The *hotel and restaurant* category is the one which Istanbul has the least share as compared to Turkey. It appears that the majority of firms have been located in cities where tourism is the dominant activity. As it is indicated on Table 4.18 that until 1985, there was only one American firm serving in hotel, pension and camping management²⁶; and before 1986 there was not any service sector firm in restaurant, cafeteria and catering category²⁷. Between 1985 and 1995, the number of firms in these categories increased slightly; but the sharpest increases have taken place after 1996.

Table 4.18. FDIs in Restaurants, Hotels From 1980 to 1998

YEARS	RESTAURANT,CAFE	HOTEL, PENSION	TOTAL
1982		1	1
1983			
1984			
1985		3	3
1986	4	5	9
1987	2	3	5
1988	5	3	8
1989	3	8	11
1990	3	7	10
1991	3	7	10
1992		2	2
1993	1	9	10
1994	1	3	4
1995	3	3	6
1996	6	5	11
1997	11	3	14
1998	18	5	23
TOTAL	60	67	127

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

The *social services* category, which is comprised of Other Social Services, Private Education, Health, and Other Personal Services subcategories, is another service sector category that Istanbul has attracted 65% of foreign firms (See Table 4.19).

The firms under the subcategory of "other social services" are those specialized on advertising, media, services related with retailing and shopping centres, management, security services, real estate consultants, marketing and sales services, legal and accounting consultancies, etc.

Table 4.19. FDIs in Social Services From 1980 to 1998

Years	Other Social Services	Private Education	Health	Other Personal Services	TOTAL
1980					
1981					
1982					
1983	2				2
1984			1		1
1985	5				5
1986	7			1	8
1987	14				14
1988	19				19
1989	28			2	30
1990	41	2	2		45
1991	46		3	3	52
1992	55	3		6	64
1993	60	4	4		68
1994	64	5	5		74
1995	73			7	80
1996	83	7	6		96
1997	109		11		120
1998	121		15		136
TOTAL	121	7	15	7	150

Source: Unpublished data of the Undersecretary of Treasury, composed by the author

General development trend can be divided into three periods. From mid-1980s to 1990, there occurred a continuous increase in number of firms, whereas during the period between 1991 and 1994 there were slight increases in both subcategories, but after 1995, especially in social services subcategory, sharp increases were observed until the end of 1998.

In construction activities category, the investments started to be done in late 1980s, but the high increases took place in the late 1990s (See Table 4.20).

Table 4.20. FDIs in Construction Activities From 1980 to 1998

Years	Construction Activities
1985	1
1986	
1987	2
1988	
1989	1
1990	5
1991	3
1992	2
1993	4
1994	3
1995	3
1996	7
1997	7
1998	5
TOTAL	43

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

The firms operating in Other Activities; and Research and Development categories started their investments in the late 1980s. Germany, France, the United Kingdom, the United States, the Netherlands, Switzerland were the countries invested in research and development category (See Table 4.21)

In *transportation and related services* category, 78% of all foreign firms is located in Istanbul. Between 1980 and 1985, the number of firms in air, land and sea transportation, slightly increased. From 1985 to early 1990s, there were gradual

increases in both air, land and sea transportation firms and firms providing transportation services. But in the late 1990s, while air, land and sea transportation firms have slightly been decreasing; the firms providing transportation services have started to increase (See Table 4.22).

The development trend of foreign direct investments from 1980 to 1998 can be divided into four periods. From mid-1980s to 1988, there was an increase in number of service sector firms, between 1988 and 1992, investments were slowed down. After 1993, again there was a rising trend in all investments, but the sharp increases took place, after the recovery of Turkish economy in 1995 (See Figure 4.5).

Table 4.21. FDIs in Other Activities From 1980 to 1998

Years	Research & Development	Other Activities	TOTAL
1980			
1981			
1982			
1983			
1984		1	1
1985		7	7
1986		3	3
1987	1	10	11
1988		10	10
1989	3	11	14
1990	2	16	18
1991		11	11
1992		18	18
1993	1	9	10
1994	1	15	16
1995		13	13
1996		20	20

Table 4.22. FDIs in Transportation and Related Services From 1980 to 1998

	Air, Land and Sea Transportation	Transportation Services	Communication	Total
1980				
1981	1			1
1982	1			1
1983				
1984	1	1		2
1985	4			4
1986	17	6		23
1987	5			5
1988	6	1		7
1989	2	6	1	9
1990	3	7		10
1991	4	3		7
1992	6	3	1	10
1993	8	5	1	14
1994	7	4	1	12
1995	8	4		12
1996	7	12		19
1997	6	8	1	15
1998	4	12	4	20
TOTAL	90	72	9	171

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

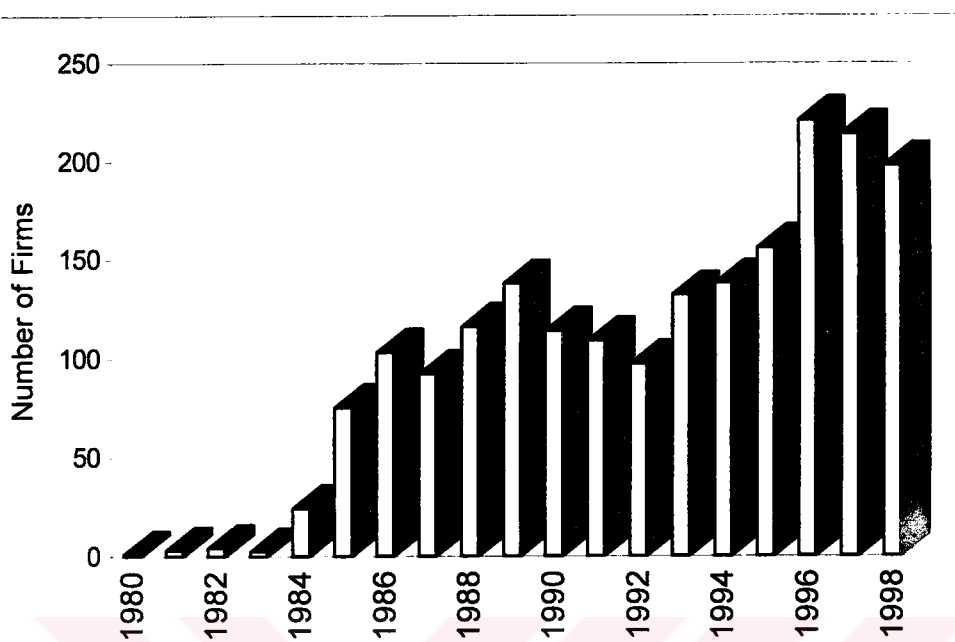


Figure 4.5. Development Trend of FDIs In Service Sector in İstanbul, between 1980 and 1998

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

Between 1990 and 1995 as compared to the previous period, there was a decreasing and fluctuating trend in FDIs in service sector in İstanbul. After 1995, the FDI in service sector started to increase again.

At the end of 1998, there were 1662 foreign firms operating in various subcategories of service sector. Retailing has the highest percentage in all foreign direct investments in İstanbul. 60% of all foreign investments are realized in retailing, 5% in financial sector, 7% hotel, restaurant services, 9% transportation and related services, 2% in construction activities, 7% in social services, and 10% in other activities (See Figure 4.6).

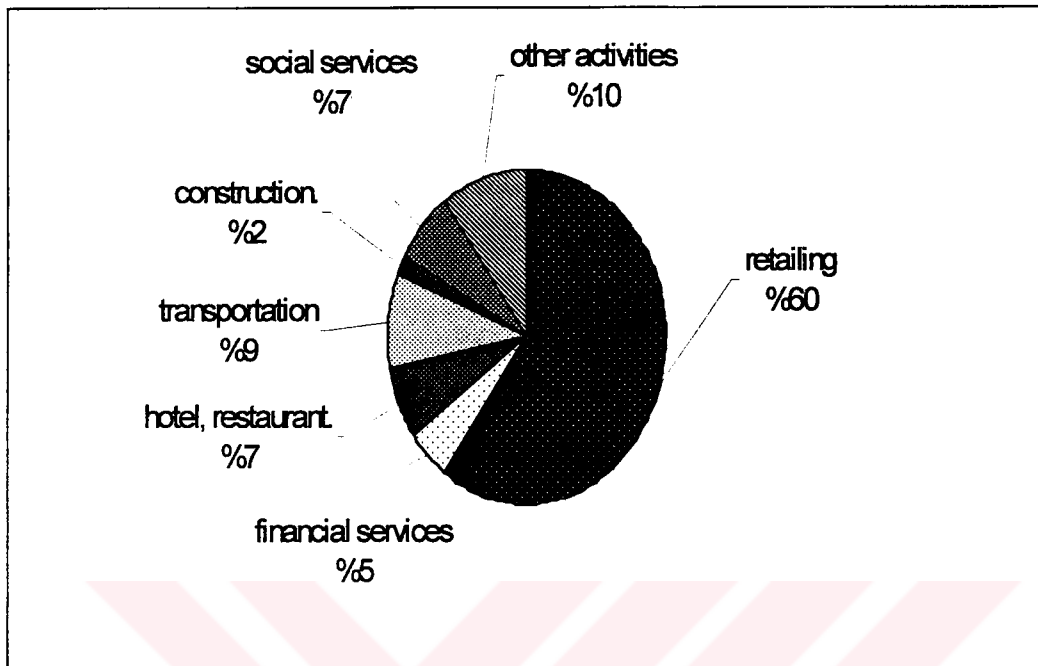


Figure 4.6. Distribution of Foreign Service Sector Firms in Istanbul, 1998

Source. Unpublished data of the Undersecretary of Treasury, composed by the author

4.3.2. SERVICE SECTOR EMPLOYMENT IN ISTANBUL

The service sector employment in Istanbul has grown sharply since the 1980s. Between 1980 and 1990, while the shares of consumer services, retailing activities, producer services have been increasing in total employment, there has been a decrease in public services (See Table 4.23).

As it can be observed in the Table 4.23, during the period between 1980 and 1990, the growth rate of employment in producer services, consumer services and retailing activities reached to, 170%, 65.5%, and 77.5%, successively. The growth rate of employment in financial firms and insurance companies reached to

37% and 36%, respectively. The growth rate of employment in categories of restaurants and hotels, and real estate and professional services reached to 72%, and 220%, respectively. On the other hand, as Aksoy (1996) asserted, as a result of the specialization and concentration in retailing activities, and shrinkage in public services, in the future, the employment opportunities would lessen. Similarly, as more big firms in real estate services have entered into the market, the small sized enterprises in this sector would tend to be marginalized (Aksoy, 1996, p.62).

Table 4.23. Service Sector Employment in İstanbul, 1980-1990

<u>Categories</u>	<u>1980</u>	<u>(%)</u>	<u>1990</u>	<u>(%)</u>	<u>Growth Rate</u>
Consumer Service.	153,754	19.2	254,519	19.7	65.5
Restaurants,Hotels	61,386	7.6	105,509	8.0	72
Entertain., Cultural	8,189	1.0	12,331	0.3	51
Personal Services	84,179	10.5	136,679	11.0	62
Commerce	218,313	27.2	380,668	29.5	74.3
Wholesaling	25,602	3.2	38,614	3.0	51
Retailing	192,711	24.0	342,054	26.5	77.5
Producer Service.	82,715	10.3	179,558	13.9	170
Financial Firms	38,934	5.0	53,447	4.0	37
Insurance	7,656	0.9	10,395	0.3	36
Real estate and Professional Serv.	36,125	4.5	115,716	9.0	22
Public Services	345,187	43.1	473,587	36.7	37.2
Transportation	92,501	12.0	149,488	11.5	62
Communication	12,428	2.0	17,979	1.4	45
Public Administra. and Defense	151,376	19	179,009	14.0	18
Environ. health	370	—	816	—	120
Social and other	88,512	11	126,295	9.7	43
Total Services	800,930	100	1,289,447	100	60.9
General Sum	1,563,939	51.2	2,539,963	50.7	62.4

Source : AKSOY, A. (1996) "Küreselleşen İstanbul'da Eşitsiz Gelişme", *Görüş*, p.62.

¹³ The final form of Foreign Capital Law was announced in the Official Gazette in 1995.

¹⁴ İş Bank constitutes an example of holding banking in the sense referred in literature (Şahin, 1997).

¹⁵ The ranking of first 10 big retailers out of 100 global retailers, in terms of sales in 1996, is as follows:

Company	Country	Formats	Sales (\$million)
1. Wal-Mart Stores	United States	General Merchandise, Wholesale Club	104.859
2. Sears Roebuck	United States	Department, General Merch.	38.236
3. Metro (including Kaufhof & Asko)	Germany	Diversified	36.567
4. Tengelmann	Germany	Supermarket	33.155
5. Kmart	United States	General Merch., Discount	31.437
6. Carrefour	France	Hypermarket	30.290
7. Rewe Zentrale	Germany	Supermarket	29.834
8. Edeka Zentrale (including AVA)	Germany	Supermarket, Hypermarket	27.615
9. Auchan	France	Hypermarket, Diversified	25.616
10. Dayton Hudson	United States	Discount, Department Store	25.371

Source: Ernst & Young LLP web page

¹⁶ In retailing terminology, store chains are called as *multiples*.

¹⁷ To illustrate, in 1993, the market shares of five biggest retailers were 45% in England, 44% in the Netherlands, 43% in Belgium, 41% in Germany and 40% in France (Serpil, *et al*, 1998, p.10).

¹⁸ To illustrate, in hypermarket sector, Carrefour went into joint venture with Euromarche; Galleries Lafayette with Nouvelles Galerie and Rallye Casino; whereas, in specialized retailing sector IKEA joint with Habitat; and Kingfisher with Darty (Serpil, *et al*, 1998, p.10).

¹⁹ Serpil (*et al*, 1998, p.4) by referring from the researches of the Zet Nielsen Company in retailing sector, concluded that markets can be divided into six categories in terms of size: 1) 2500 m² and above: hypermarket; 2) 1000-2500 m²: big supermarket; 3) 400-1000 m²: small supermarket; 4) 100-400 m²: supermarket; 5) 50-100 m²: big traditional retailers; 6) 50 m² and below: small traditional retailers.

²⁰ 51,7% of hypermarket customers work in private sector or have their own businesses; and 48,1% of customers' monthly income is higher than 150 million TL. For multiples, the monthly income percentage becomes 35,2% (Serpil, *et al*, 1998, p.39). Unlike hypermarkets, low income people constitutes a considerable percentage in customer potential of multiples. Hypermarkets are mostly preferred by higher income groups.

²¹ Although there are various laws to protect small-size retailers in competition with multiples and hypermarkets, small-sized retailing has started to decrease in Europe (Serpil, *et al*, 1998)

²² It should be noted that the share of manufacturing in total FDI in dollar value constitutes 57,24% of all foreign investments. This ratio reverses with regard to TL, and the share of service sector

gets the largest share in total foreign capital, since service sector firms have started to operate in Turkey in recent years, and their investments are exchanged with high \$ versus TL currencies.

²³ Country	FDI 1980-1999* (\$ million)
France	5,232.29
United States	2,896.00
Germany	2,770.33
Netherlands	2,724.41
Switzerland	1,940.44

* as of March 1999.

Source: Undersecretary of Treasury web page.

²⁴ The information presented in this section was put together by analysing the unpublished data obtained from the Undersecretary of Treasury. The data is comprised of all foreign firms in İstanbul by firm name in Turkey, date of entry, firm address, type of activity, investor country, % share of foreign investors, and foreign firm's name. The data covers all investments in İstanbul. The file was last updated in March 1999. However, the firms opened in 1999 are not taken into account.

²⁵ Before 1980, in İstanbul there was only one Japanese firm operated in trade with 40% share in capital. There are 16 firms outside of Greater İstanbul Municipality territory. In the first 3 month of 1999, 17 new firms in retailing started to operate in İstanbul .

²⁶ Before 1980, there were only three British and French firms, in this category.

²⁷ In 1999, from January to March, 5 more firms added to this service category.

CHAPTER 5

5. RESTRUCTURING IN CENTRAL-LOCAL GOVERNMENT RELATIONS IN TURKEY IN THE 1980s AND THE EMERGENCE OF DEVELOPMENT COALITIONS

As it was discussed in the previous chapters, parallel to the increasing financial and producer services across the globe through mergers, joint ventures, acquisitions and foreign direct investments of larger companies and multinationals; central governments have adapted deregulation policies in order to articulate to the global markets. The economic measurements implemented by the nation-states have also been accompanied with the restructuring of central-local government relations that have led local governments to be involved in local economic development. Both restructuring in central-local government relations and relaxations in planning legislation have resulted in the emergence of local government-private sector collaborations.

In this context, as it was discussed the fourth chapter, central government in Turkey also adapted neoliberal economic policies to integrate into the international financial relations. These policies were also supported by the various changes in the planning system and legislation. This chapter will analyze the regulations in planning legislation and metropolitan government structure which have constituted a favourable environment for the emergence of ***development coalitions***.

5.1. CHANGES IN THE METROPOLITAN GOVERNMENT STRUCTURE IN ISTANBUL IN THE 1980s

After the military coup in 1980, the 1982 Constitution made possible the implementation of a new administrative model for the greater city municipalities in Turkey. The two-tier administrative structure of Istanbul was based on a work investigating the administrative structures of the main metropolitan cities of the world. Due to its success, the Greater Toronto Municipality's model was the primary focus of the research. Then, Toronto Municipality's model and the other models were modified according to the local variations of Istanbul and other Turkish cities (interview with Duben, published in *Istanbul Dergisi*, 1994).

The Act on Metropolitan Municipalities, No.3030, was put into implementation in 1984. The local governments in Ankara, Istanbul and Izmir were announced as "Greater City Municipalities". The two-tier local administrative system in the metropolitan area is consisted of *Greater City Municipality* and *district municipalities*. The Greater City Municipalities are comprised of three bodies, *metropolitan mayor*, *metropolitan council*, and *metropolitan executive committee*.

The elected mayors are not allowed to become members of political parties.

Before *the Act on Metropolitan Municipalities, No.3030*, was put into implementation in 1984, in Istanbul and other greater cities, *Metropolitan Area Master Plan Bureaus* were in charged of making master plans for metropolitan cities. These bureaus were controlled by the Ministry of Public Works and Development that had the right of approving plans and revisions. Therefore, there was a centralized planning system in which the central government was the ultimate decision maker. Therefore, in this planning system, local governments did not have autonomy to decide on the future prospects. In this respect, the implementation of *the Act on Metropolitan Municipalities, No.3030*, was central

government's intention to decentralize its power and responsibilities in favour of local authorities.

In this new metropolitan government model, **Metropolitan mayor** is in charged with applying decisions of central government; carrying his duties in metropolitan government; managing properties of metropolitan government, and directing revenues and expenditures, signing agreements. New metropolitan government model, caused mayors to become powerful actors donated with extensive rights. They were also given the veto right for the decisions taken in metropolitan councils and district municipal councils. District councils could only bypass mayor's veto, if 2/3 of majority votes are guaranteed²⁸. This veto right has provided "control power" to mayors on decisions of district municipalities. The rights of mayors to approve development plans and budgets of district municipalities have also indicated the extents of their powers (Erten, 1999; Greater Istanbul Municipality web page).

The **Metropolitan Council** is the main *decisive body* of the metropolitan municipalities. The metropolitan mayor, district mayors, and 1/5 of district municipal councillors constitute the Metropolitan Council. The **Metropolitan Executive Committee** works as an *execution and decision making body*. Its members are the secretary general of the metropolitan government, and the heads of the municipal departments of urban planning and development, public works, finance, legal affairs, personel and administration (Greater Istanbul Municipality web page).

District municipalities consists of the *mayor, municipal council, and municipal executive committee*. Mayors are elected for five-year period. The number of municipal councillors can vary from 9 to 55, with regard to the population of the districts. The municipal executive committee, which is led by the mayor, consist of both elected members and appointed municipal staff. The number of elected

members cannot exceed half of the appointed officials, but cannot be less than two (Greater Istanbul Municipality web page).

In any case of conflict between mayor and municipal executive committee, the municipal council is the ultimate decision maker. However, if conflict continues, both parties have the right of applying to the Council of State.

According to the *The Act on Metropolitan Municipalities, No.3030*, greater city municipalities have the right of preparing, approving and implementing master plans. Whereas, district municipalities are in charged with preparing development plans which have to be coherent with master plans of the Greater city municipalities. The development plans prepared by the district municipalities are approved by the greater city municipalities. The administrative powers and budgets of district municipalities are also controlled by the greater city municipalities (Erten, 1998; Greater Istanbul Municipality web page).

Similar to Turkey, in France, after the decentralization reforms, the three tiers of the local administrative system were strengthened. Local governments were given new rights to implement economic development strategies. Apart from new incentives provided local government, they were even allowed to rise taxes in their areas (Levine, 1994). During this process, the role of local private sector was weak in directing local development politics, since there existed powerful *political-administrative agents* working in collaboration with the central state. These political-administrative elites could have double positions both in central state and local governments, therefore they have got grants by benefitting their positions in the central government. The double positions of mayors have provided them to establish development coalitions. The regeneration of Rennes provides a perfect example of benefitting from this "double-position"²⁹. In this context, powerful mayors and/or heads of departments can be more effective than the ones in weak (Le Gales, 1990; Keating, 1993). In this sense, the

entrepreneurial ability of elected officials is an important parameter determining the future prospects for localities in France. Similarly, in Turkey, after the introduction of the *The Act on Metropolitan Municipalities, No.3030*, the roles and responsibilities of mayor were increased to a great extent, enabling them to get credits in foreign markets and to implement projects on citywide. But, the appointment of mayors to double-positions in government is not allowed.

In Britain, after the relaxation in planning system the main framework of the planning system was kept, but these regulations provided freedom to market forces to operate in the system (Altaban, 1990; Parkinson, 1990a). The two-tier administrative system aimed to provide coherence between local plans and structure plans. But the implementation of Local Government Planning and Land Act 1980, made possible to prepare local plans sometimes without waiting an approved structure plan. As compared to Turkey, in the United Kingdom, the decentralization efforts of central government and changes in the planning legislation have resulted in the weakening of local governments' control powers on planning (Thornley, 1991). Besides, the introduction of various measures, such as enterprise zones, special development orders, etc., to attract private sector involvement in economic development have been resulted in bypass of local governments authorities.

5.2.FINANCIAL IMPROVEMENTS IN THE REVENUES OF THE METROPOLITAN CITY AND DISTRICT MUNICIPALITIES

After the 1981, local authorities have been substantially supported by the central government Especially during Özal governments, local governments (metropolitan city municipalities and district municipalities) were extensively benefitted from various financial improvements transferred into their budgets. Before the 1981, *the Municipal Revenues Law, No. 5237*, which was approved

in 1948, had been in use. According to this Law, the revenues of local authorities were mainly accrued from four sources; municipal shares in state taxes; revenues of municipalities, central government's grants; and, extraordinary revenues. After the state taxes had been collected, the shares of municipalities in these taxes were transferred to the Bank of Provinces. Then, according to the populations of the cities, 80% of the collected amount was allocated to the municipalities, the rest was gone to the *Municipalites Common Fund* to be spent for the development projects of the localities less than 50000 population. In practice, the implementation of this Act brought about financial dependency of local authorities to the central government. Moreover, 33-year old Act remained very much behind the new social and economic dynamics and were highly inadequate in terms of financial revenues transferred to the local authorities (Keleş, 1992).

In 1984, central government realized improvements in metropolitan governments' financial revenues by changing some articles of the Law 2380. The share of municipalites in revenues of central government was increased from 5% to 10.30%. In 1985, the ratio was reduced to 8.55%; and in 1994 it was decided to become 7.55% (Keleş, 1992). According to *the Act on Municipal Incomes, No.2464*, Council of Ministers decided to transfer 30% of tax revenues of the general budget to the greater city municipalities in the period between 1984 and 1985; this ratio was risen to 35% in 1986 and 1987. Moreover, 50% of the revenues accrued from the utilities taxes was transferred to the greater city municipalities. In addition, *the Act on Property Tax, No.1319*, enabled authorities to collect tax from the real-estate. Before 1985, the share of collection of revenues on general budget which was transferred to the municipalites was 1%. With the introduction of *The Act on Metropolitan Municipalities, No.3030*, this share was increased to 3%. In 1985, this ratio was increased to 5% by the

decision of Council of Ministers (Keleş, 1990, p.239). Table 5.1 shows the increase in revenues of the municipalities from 1970 to 1990 (See Table 5.1)

Table 5.1. Increase in the Local Shares of National Tax Revenues

Year	Municipalities (current TL million)	Metro-Municipalities (current TL million)	Total	Total % of National Tax Revenues
1970	1 203	--	1 203	7.2
1975	3 559	--	3 559	4.4
1979	14 841	--	14 841	4.1
1980	30 115	--	30 115	4.4
1981	63 309	--	63 309	6.4
1982	69 408	--	69 408	6.4
1983	102 898	--	102 898	6.4
1984	162 989	49 850	212 839	10.1
1985	344 072	124 735	468 807	13.5
1986	501 857	200 428	702 285	12.9
1987	762 396	296 327	1 058 723	12.9
1988	1 247 165	501 345	1 748 510	13.5
1989	2 214 224	874 631	3 088 855	13.3
1990	4 087 140	1 612 263	5 699 403	13.8

Source. KEYDER, Ç., ÖNCÜ,A.(1993a) *Istanbul and the Concept of World Cities, Economy and Society*, Friedrich Ebert Foundation, Istanbul, p.22.

The financial support provided to Greater İstanbul Municipality was of great importance. Also, Greater İstanbul Municipality has borrowed credit from foreign markets. Between 1983 and 1989, the amount of credit obtained by the Greater İstanbul Municipality from foreign markets was approximately 900 million dollars (Keyder and Öncü, 1993b).

In the first local elections, March 1984, Bedrettin Dalan, from the Motherlands Party, became the mayor of the Greater İstanbul Municipality. Motherlands Party, also got the majority of votes in 15 district municipalities. Then, İstanbul was

financially and politically supported by the Motherlands Party. The close relation between Dalan and central government continued between 1984 and 1989. Dalan was presented in the public and political arena, as new entrepreneur mayor giving İstanbul *a new vision*. The financial opportunities provided by the central government were directed to the mega-projects that aimed to make İstanbul attractive for financial investors on the international platform (Keyder and Öncü, 1993b).

5.3. RELAXATION IN PLANNING SYSTEM THROUGH THE IMPLEMENTATION OF SPECIAL LAWS AND THEIR SPATIAL IMPACTS ON CITYSCAPE

In July 29, 1980, Greater İstanbul Master Plan Bureau approved the 1/50.000 İstanbul Metropolitan Area Master Plan. The main objectives of the plan were the preservation of agricultural land together with forests and water basin in the northern part of the city; providing a linear urban development in the east-west direction; preservation of cultural heritage and natural resources in the historical peninsula, Galata-Beyoğlu, and Bosphorus; and the project of a light rail transit connecting the Anatolian and European sides (Ekinci, 1994). With the introduction of The Act on Metropolitan Municipalities, No.3030, İstanbul Metropolitan Area Master Plan Bureau was abolished. 1/50.000 İstanbul Metropolitan Area Master Plan was the last plan that Greater İstanbul Master Plan Bureau realized before its abolish.

A similar step was also taken by the Thatcher government in London. The Local Government Act 1985, abolished the Greater London Council and the metropolitan counties. Instead of GLC, various bodies, which were in charged with carrying specific duties, started to function in London.

In this respect, new metropolitan government model and changes in planning legislation have brought more autonomy to local authorities in Turkey as compared to those in England. However, in some specific instances, the planning powers of local authorities in Istanbul were also moved to the central government. The *Act of Encouragement of Tourism, No.2634*, dated in March 1982, is the example of such a relaxation which provided opportunities to foreign and/or local investors to implement projects without prior permission of local authorities. On the basis of this Act, the central government and Ministry of Tourism announced various areas as "tourism centres". As a consequence, it became possible to realize various site-specific projects within these "tourism centres". The areas declared as "tourism centers" were decided according to the requirements of the Ministry of Tourism and announced in the Official Gazette as decisions of the Council of Ministers. After being signed by the Council of Ministers, these decisions were put into implementation (Ekinci, 1995). Since tourism centres were not sufficient alone to encourage growth, business centres were added to the projects (Suher, 1995). The Council of Ministers decided to include those business centres within the context of tourism centres in September 1989. This decision was based on the Planning Law, No.3194, and the Law of Encouragement of Tourism, No.2634 (Keskinok, 1993). Therefore, in such areas development decisions were taken by the central government and Ministry of Tourism, rather than district municipalities.

This is, in some respect, similar to the Local Government Planning and Land Act 1980 which was put into use by the central government to relax some parts of the planning system. This Act became the legal base for the establishment of UDCs and Enterprise Zones which led private sector-dominated projects. With this Act, the development control was removed from counties to districts.

Between 1984 and 1991, through the Law of Encouragement of Tourism, No.2634, almost 40 places in different scales ranging from plot-size to the regional scale were declared as "tourism centres" (Ekinci, 1993). Therefore, these areas were planned independently of the master and development plans; and with the introduction of "tourism centre development plans" property owners and developers were given exclusive rights to construct in high densities (Ekinci, 1995).

But, as a result of the oppositions arising from the metropolitan government and district municipalities, planning powers were given back to local authorities in 1990 (Keskinok, 1993). Additionally, some tourism centres approved in the 1980s were cancelled by the Ministry of Tourism (Ekinci, 1995). In this context, the mobilization of interest groups, chambers of architects, etc. is worthnoting³⁰.

The reflections of these central government-led policies have become apparent in the landscape of İstanbul within a very short time. After approval of the *Act of Encouragement of Tourism, No.2634*, in March 1982, 13 deluxe hotels were opened in İstanbul in ten years (See Figure 5.1).

Although with the introduction of the Act on Metropolitan Municipalities, No.3030, greater autonomy was provided to the Greater İstanbul Municipality as compared to the previous period, some problems related with the rights of planmaking have still been existed. To illustrate, according to the Act 3030, Greater İstanbul Municipality was given planmaking right within its boundaries; however, neighbouring areas to the Greater İstanbul Municipality have been controlled by the Governership of İstanbul; and Ministry of Public Work and Development. In other words, Greater İstanbul Municipality's plan making rights are limited with the districts only inside of its boundaries. The areas which were announced as *tourism areas*, or areas under the control of the Law of Privatization cannot be

controlled by the Greater Istanbul Municipality (Greater Istanbul Municipality, 1/50.000 Master Plan Report, 1995).

5.4.THE TYPOLOGY OF DEVELOPMENT COALITIONS IN ISTANBUL

Istanbul has always played an important role in economic and political conjuncture of the country. Especially after the 1980s, the developments taken place in the economic and political spheres, affected the morphology of Istanbul to a great extent. In addition to its dominance in industrial production, with the implementation of neoliberal policies of central government for global financial integration, the service sector activities increased their shares in central business district functions of the city. The legislative relaxations in the planning system; restructuring of the central government which provided extended administrative powers to the mayor of the Greater Istanbul Municipality; the role assigned to Istanbul as a "world city" which was in accord with the vision of central government; the spatial, economic and political metropolitan city dynamics; the nature of existing capital accumulation in the city; have all affected the establishment of "development coalitions" which have transformed the CBD of Istanbul via *site-specific* projects since the 1980s. As it was mentioned above, greater city municipalities were given the right of preparing master plans for the city by benefitting from the Act No.3030.

The development coalitions that have been effective in transformation of the morphology of Istanbul can be analysed mainly under five categories. The first example is a central government-led one, the Galleria Shopping Centre, which was realized through the collaboration between state banks, local government and private sector. Since the project was initiated by the decision of the central government, it can be evaluated in the same category with Docklands and La

Défense. The second type constitutes the example of metropolitan government-led development coalitions which came into reality in order to relieve the congestion in the urban core of the city. In this respect, Perpa Trade Centre and İkitelli Organized Industrial District projects are the projects which led to the mobilization of thousands of small scale retailers and industrialists.

5.4.1. THE CENTRAL GOVERNMENT-LED DEVELOPMENT PROJECTS REALIZED THROUGH THE COLLABORATION BETWEEN SUB-NATIONAL AGENTS, LOCAL GOVERNMENT AND PRIVATE SECTOR³¹

This type constitutes the example of central government's desire to integrate Turkey into international dynamics by creating flagship projects. The realization of Galleria shopping centre within the Ataköy Tourism Centre complex is the outcome the Özal government's decision in creating a shopping centre similar to "The Galleria" shopping centre in Houston, the United States. Since the project was a central government-driven one, technical and bureaucratic guidance, financial support, and provision of land were provided by a state-bank, Emlak Bank. Whereas the approval of development plans was provided by the mayor of metropolitan government, Bedrettin Dalan who was sharing similar vision with the central government. Although the project was realized through the *build-operate-transfer model*, the financial support from the state banks reached to a considerable degree in final phase of the project.

Galleria shopping centre which was opened on October 1, 1988, is the first shopping centre in Turkey. The idea of having a shopping centre in İstanbul was first proposed by prime minister Turgut Özal. In one of his visits abroad, he developed the idea of building a shopping centre in İstanbul similar to "The Houston Galleria". During that visit, Turgut Özal was accompanied by Hüseyin Bayraktar, the president of Bayraktar Holding, who would later be the president

of board of directors of development firm of Galleria; and Hayati Tabanlıoğlu, the architect, who would plan the Galleria shopping centre.

So, Ataköy touristic facilities³² were announced as "Ataköy Tourism Centre" by the Council of Ministers (decision no:87/11608). The announced tourism centre consisted of 464.246 m² of land³³, which was registered under the property of a state bank, Emlak Bank³⁴. In provision of land to developers, the role of Emlak Bank was similar to London Docklands Development Corporation.

The leading role of the Emlak Bank in realization of the Ataköy Tourism Centre was not only confined to provision of land, the Bank acted as an entrepreneur entering into partnerships in various private sector agents during construction and management period of the tourism centre complex.

Emlak Bank, in order to realize Ataköy Tourism Centre complex participated the establishment of five firms in 1986 and 1987, namely:

1. Ataköy Turizm Tesisleri ve Tic. A.Ş. (ATTT)
2. Ataköy Otelcilik A.Ş.
3. Ataköy Marina ve Yat İşletmeleri A.Ş.
4. Printemps Büyük Mağazacılık ve Ticaret A.Ş.
5. Ataköy Eğlence Merkezi A.Ş.

Ataköy Turizm Tesisleri ve Tic. A.Ş., ATTT, was founded in 1986 with an establishment capital of 90.000 million TL. The aim and objectives of the ATTT were to construct every kind of touristic hotel, motel, camping area, cafeteria, restaurant, beach, swimming pool, children's playground, sports facilities and shopping centres; and to manage and lease these facilities; to establish firms and to have partnerships in these firms. In this respect, the role of the ATTT was similar to, but less limited in scope, that of the LDDC which operated as a local authority in London's docks.

A lease agreement was signed between Emlak Bankası and ATTT on July 10, 1986³⁵. According to this agreement, ATTT leased 170.000 m² of land, on plot 140, from the Emlak Bank³⁶ for 49 years (a 3-year construction time was also added to this period) through the *build-operate-transfer* model. The tourism complex consisted of a 300-room hotel, shopping centres, condominiums and environmental design. The preparation of development plans and the expenses borne by these activities were to be paid by the ATTT; but all documents and permissions related with the construction activity were to be provided by Emlak Bank³⁷. ATTT would be responsible of construction and all expenditures in the form of taxes, charges and fines. After the building licence was given, the firm would give a confirmation to the Bank that it would not demand any rights on the buildings. In the first three-year period, Emlak Bank would not ask for any rent payment but starting from the 4th year, ATTT, every year would pay 5% of the invested amount. Nevertheless, the total amount to be paid to the Bank would not be less than \$150.000. Also, for each unite, the firm would pay 10% as share of profit, before the taxes were paid. All kinds of building and land taxes accrued in the name of Emlak Bank, and taxes borne by the management would be paid by ATTT. The historical works and buildings in the area would be preserved and there would not be any changes in buildings without prior permission of the Bank and the High Commission of Monuments.

In this context, ATTT, within a short period of time, realized the Galleria Shopping Centre, general infrastructure, energy distribution building, environmental design work, oil station and restaurant on the area leased from the Emlak Bank. It must be noted that the responsibility of the ATTT to realize environmental design and general infrastructure constitutes an example of bargaining with private sector in development of projects.

ATTT also had 24,52% share in establishment capital of **Ataköy Otelcilik A.Ş.** These firms signed a lease agreement on September 25, 1987. With this agreement, ATTT leased 10.000 m² of land to Ataköy Otelcilik A.Ş. The land given to Ataköy Otelcilik A.Ş. was part of 170.000 m² land that ATTT leased from Emlak Bank. So, in this way, Ataköy Otelcilik A.Ş. became a sub-leaseholder of Emlak Bank in order to construct a hotel on its land for 49 years via build-operate-transfer model. At the end of this period, Ataköy Otelcilik A.Ş. would give back the property to the ATTT. So, Ataköy Otelcilik A.Ş. constructed Holiday Inn Crown Plaza Hotel, condominiums, yacht hotels, parking area, beach and other sports facilities.

Emlak Bank also established another partnership with **Ataköy Marina ve Yat İşletmeleri A.Ş.** which 15,07% of its capital was belonged to the Bank. Ataköy Marina ve Yat İşletmeleri A.Ş. constructed the marina, floating wharves, special under-terrace infrastructure, over-terrace park, management building, yacht club, port for seabuses, health club, service building.

Emlak Bank had also shares in both **Printemps Büyük Mağazacılık ve Tic. A.Ş.** specialized on department store type merchandising selling export goods and apparel in domestic market; and **Ataköy Eğlence Merkezi A.Ş.**, founded to establish and to manage entertainment centre in the Ataköy Tourism Centre.

On February 13, 1987 Greater İstanbul Municipality Development Commission decided to approve 1/1000 development plans with some changes in plan notes³⁸. In this respect, the control of metropolitan government on development activity is important as compared to the Docklands project which had no development plan for the ongoing process. Greater İstanbul Municipality approved the decisions of Development Commission's proposals on March 17, 1987.

During construction Greater İstanbul Municipality declared that the 1/1000 development plans could only be approved if the ATTT had given a written undertaking to the Municipality to construct a port for seabuses. Since the relations between ATTT and local government were also coordinated by Emlak Bank, the undertaking was sent to the Greater İstanbul Municipality via Emlak Bank³⁹. On June 9, 1987 Ataköy Tourism Centre 1/1000 development plans were approved by Bedrettin Dalan. According to the Tourism Encouragement Law (No.2634), 1/1000 development plans must be approved by the Ministry of Public Works and Development. Therefore, approval of 1/1000 plans by mayor of Greater İstanbul Municipality resulted in conflicts on the legal validity of plans. In the following three months the revisions showing the exact coordinates of seabus port were completed on 1/1000 development plans. Those revised plans were also approved by Dalan on September 24, 1987.

In 1989, the shares of Emlak Bank and Vakıflar Bank in the establishment capital of ATTT increased to a great extent. Therefore, after 1989, the firm was started to be directly controlled by these banks. In 1992, the capital share of Emlak Bank in ATTT reached to 58,59% after purchasing shares from one of shareholders and using the rights of preferences in capital increases. Since the public sector share in capital of ATTT exceeded 50%, according to the 165th article of the Constitution and Law 3346, ATTT has been audited by the Turkish Parliament. Since 1992, ATTT has been controlled by the "T.C. Başbakanlık Yüksek Denetleme Kurulu". (1997 Annual Report of T.C. Başbakanlık Yüksek Denetleme Kurulu, p.2).

During the construction period, ATTT, faced with financial difficulties, and the shopping centre was completed by getting short term credits from Emlak Bank and Vakıflar Bank. Borrowing short terms credits resulted in repayment problems for ATTT. As a result, in order to liquidate short term credits, two capital

increases were realized. In this way, the establishment capital of the firm was increased from 100 billion TL to 285 billion TL. and, then, to 685 billion TL, in 1994. In this respect, Emlak Bank and Vakıf Bank's roles are similar to the EPAD when financial crisis occurred in La Défense. At that time, it was decided by the Council of Ministers that state banks would provide credits to investors to overcome the crisis. So, the credits provided by Emlak Bank and Vakıf Bank helped ATTT to complete the project.

Although ATTT was responsible of the construction of Galleria shopping centre, Emlak Bank had a leading role in the realization of the tourism project as a whole. The Bank's role was not merely confined to the ownership of land; since it was a state-owned bank, some projects, such as water distribution network project, electrical and other installation projects were done by Emlak Bank.

Galleria shopping centre which covered 42.497 m² of construction space got building licence on September 14, 1998. On June 6, 1990, Regatta shopping centre; and on October 8, 1993, Holiday Inn Crowne Plaza got building licences from Bakırköy Municipality.

So, in 1998 the High Committee of Privatization decided that the shares of Emlak Bank in ATTT (58,59% share), and two other firms, Ataköy Otelcilik A.Ş. (56,49% share) and Ataköy Marina Yat İşletmeleri A.Ş., (15,07% share) must be included into privatization programme.

At present, ATTT is responsible of the management of the shopping centre by providing cleaning, maintenance and security services. After its opening, it became the point of attraction for people both living in İstanbul and visitors coming to İstanbul from other cities. This large hinterland was narrowed with the opening of new shopping centres in İstanbul.

In summary, Galleria Shopping Centre, part of the Ataköy Tourism Centre Complex, is similar to the Docklands and La Défense projects, since it was

initiated by the central government. In terms of the functional uses, both La Défense and Docklands were mainly developed to serve as new business districts outside of the urban cores. In this respect, Galleria is different than that both La Défense and Docklands. As it was presented previously, in the United Kingdom the policies implemented by the Thatcher government were targeting to increase competitiveness of London in global financial markets. In this context, Docklands was realized as a flagship project of the Thatcher government (Lee and Schmidt-Marvede, 1993). In this process, mobilizing the free market forces in planning system, and other legislative relaxations were means to reach the ends. Although its timing does not coincide with the Docklands project, La Défense was realized by the central government in order to develop a new central business district to relieve the expansion pressures in the historical core area (Savitch, 1988). The development of La Défense provides a well-designed project in terms of mobilization of sub-national state agencies. Although private sector was an active partner, whole project was realized through a strong state intervention. The development of La Défense was only a part of a regional plan which aimed to develop Paris and its hinterland to assure a balanced development. A triple development strategy existed in the plan; a) to develop a high speed train network, **TGV**; b) to develop a **Teleport** network consisted of four teleparks; *La Défense*, business; *Marne-la-Vallée*, culture and image; *Massy*, research; *Roissy*, international exchanges; c) to develop **Congress and exhibition facilities** (Husson and Halais, 1990).

In these three examples, the involvement of central state led to mobilization of various subnational bodies and flow of substantial public funds. While Docklands and Ataköy Tourism Centre Complex were developed as site-specific projects, La Défense, due to strict state-intervention and well-developed regional policy, came into reality as part of a larger scale development plan.

5.4.2.LARGE SCALE METROPOLITAN GOVERNMENT-LED DEVELOPMENT PROJECTS AIMING TO REALIZE TRANSFORMATIONS IN DETERIORATING AREAS OF THE CITY

"The Development of Haliç and Its Environs" project was put forward by the Greater İstanbul Municipality in order to improve environmental degradation in Haliç and its periphery; and to relieve congestion in the core area of the city. Therefore, the industrial uses and other activities causing congestion and environmental pollution in Haliç and in Historical Peninsula were decided to be moved outside of the area. In this context, with the collaboration of Undersecretary of Environmental Health, Governership of İstanbul and Greater İstanbul Municipality, the development project was initiated. The development of "Perpa Trade Centre" and the "İkitelli Organize Küçük Sanayi Sitesi" were the resultant projects within the context of this development.

The collaboration between Greater İstanbul Municipality and private sector in development of "Perpa Trade Centre" -as a part of the project "Development of Haliç and Its Environs", constitutes the example of a development coalition in which metropolitan government, as a land owner, established partnership with private sector. During realization of this development scheme, while metropolitan government was acting as an entrepreneur, Şişli Municipality appeared rather as a passive party whose role did not go beyond providing development permissions.

The development of Perpa was realized between the partnership between Greater İstanbul Municipality and Perpa Cooperative which was founded by the retailers located in Perşembe Pazarı. Due to inefficient infrastructure and problems resulted from congestion in Perşembe Pazarı, Greater İstanbul

Municipality decided to move to retailers settled in this area to Okmeydanı in Şişli district.

Perpa was located on land which was partly owned by Greater İstanbul Municipality and partly obtained through expropriation. The Municipality allocated the land to the Perpa Cooperative in return of 55% of share, i.e., ownership of 2000 shops in Perpa Trade Centre. The rest, 45% share, was belonged to the Perpa Cooperative which was responsible of the construction also. The agreement between Metropolitan government and Perpa Cooperative was signed in December 1985. During this partnership, Şişli Municipality did not take place as an active participant. Since the trade centre would be constructed within the boundaries of Şişli district, development and building permissions were provided by the Municipality.

The construction was started in May 1986 and completed in November 1988. In March 1989, Perpa was opened. The 13-storey high building, which is grounded on 45.000 m² of land, is the world's largest single monoblock building mass, with 669.000 m² of construction area. The layout of trade centre is made up of boulevards and streets, 38 kms in length. Although the building has easy access both to E-5 and TEM, vacancies have existed since its opening.

When it was first opened Perpa consisted of 4500 shops, 2500 of which were belonged to Perpa Cooperative, and the rest was owned by the Greater İstanbul Municipality. But, in July 1995 Greater İstanbul Municipality sold 1600 shops to the Elektrokent Cooperative in return of 2.47 trillion TL

The development of **İkitelli Organize Küçük Sanayi Bölgesi** was first proposed by the İstanbul Metropolitan Area 1/50000 Master Plan of the İstanbul Master Plan Bureau, dated in 1980. In the plan, the area was allocated to warehousing activities. Then in 1983, the area reserved for warehousing was decided to be allocated to industrial warehousing activities by the 1/25000-scaled Mahmutbey-

İkitelli Environmental Design Master Plan. After the Treasury of Environmental Health, Governorship of İstanbul, and Greater İstanbul Municipality started the "Development of Haliç and Its Environs" project; the industrial uses causing environmental pollution in Haliç area were decided to be removed to İkitelli. Following this decision, the small-sized industrial firms operating in Haliç area came together as cooperatives. The Greater İstanbul Municipality approved the 1/5000 plans in 1984. In 1985, Greater İstanbul Municipality in order to provide additional land to the industrial area revised the 1/5000 scale plan; and Land Office started to expropriate the areas which would be allocated to the cooperatives (Yüzen, 1993).

İkitelli Organized Industrial District is located in Küçük Çekmece district. It takes place between *TEM* on the northern side and *Vize-Saray motorway* on the southern side. In this respect, location decision of the project provides easy access to the Fatih Sultan Mehmet Bridge.

A large part of the İkitelli Organized Industrial District was located on public property, i.e., 85% of land was belonged Treasury, Greater İstanbul Municipality, public property, and OYAK. This was one of the factors enabling easy mobilization of the project. The expropriation of land was realized by the Land Office, and 765 hectares of land was provided to 33 cooperatives covering approximately 30000 small-sized industrial firms (Yüzen, 1993).

In this context, the development of Haliç and its Environs project is an example of metropolitan government's efforts to preserve the historical and environmental assets of Historical Peninsula; and to relieve congestion in the core area of the city. Both Perpa Trade Centre and İkitelli Industrial District are the two large scale development projects which were stimulated by the planning decisions of the Greater İstanbul Municipality.

Whereas, **Şişli Culture and Trade Centre** project is another type of development which the Greater İstanbul Municipality acts as a *rentier* collaborating with the private sector in return for rent. The project has still been under construction. According to the agreement, Cevahir Holding has 53% share in the project; the rest, 47% of share is belonged to the Greater İstanbul Municipality. The project is being constructed on land which was previously used as a parking area for IETT buses. 285.000 m² of land, which is owned by the Greater İstanbul Municipality, is one of the few areas left in the property of Greater İstanbul Municipality.

The total construction area will be 64,000 m². The trade centre was planned to become a 10-storey high building, with 6 basement floors, and 4 ground and upper level floors occupied by 1200 shops. Apart from 90 escalators, and 30 elevators, a parking area for 2500 cars, green areas, a post-office, an emergency hospital, five movie theatres and a public nursery will be constructed within the complex. The opening of the Culture and Trade Centre will be on October 29, 2000 (Dünya, 12-13 April, 1998).

Şişli Municipality has not taken place as an active party in this partnership. However, similar to Perpa Trade Centre, since the project lies within the boundaries of the Şişli district, municipality provided the necessary development permissions for the project.

In Perpa Trade Centre, and Şişli Culture and Trade Centre projects, both the Greater İstanbul Municipality and Şişli Municipality were not active partners providing technical support, or any other contribution to the project. The role of Greater İstanbul Municipality, as a landowner, was merely to provide land in return of getting share in the trade centre. Şişli municipality appeared as a passive partner providing bureaucratic help in return of benefitting from the developments in its boundaries.

5.4.3. DEVELOPMENTS REALIZED BY MULTI-PARTNERED ENTERPRISES OF BIG CAPITAL HOLDERS AND/OR MULTINATIONAL HOLDING COMPANIES OF TURKEY

In such developments, the role of metropolitan government and/or district municipalities were only confined to giving development permissions, and providing bureaucratic/legislative relaxations. The provision of technical resources and capital investment were realized by private sector. These are the site-specific projects invested by multipartnered enterprises of powerful capital holders of İstanbul. The location decisions for such projects were in consent with the type of development and income group settled around. In this type of developments, public participation and/or involvement of interest groups were low. Akmerkez shopping centre is the most well-known example of such collaborations.

Among other shopping centres in İstanbul, **Akmerkez**, is the biggest in terms of number of leasable units (241 shops). Apart from its size, it is also the only shopping centre in the world awarded by both the *ICSC European Shopping Centre Award* in 1995 and *International Design and Development Award - Innovative Design and Construction of a New Project-* in 1996⁴⁰.

The investors are Akkök Group, Tekfen Holding Company and İstikbal İnşaat ve İhracat A.Ş. The construction started in 1989 and lasted 4 years, the opening was on the 18th of December, 1993. The building is located in the corner of Etiler-Ulus junction which is one of the most prestigious residential area in the city. The shops were lent to the A-grade brands in Turkey and its customer profile is made up of high income group living and working in the surrounding area, mainly Etiler, Nişantaşı and Levent.

The architectural project was realized by Fatin Uran and Gruzen Group of Architects. The design of the shopping centre was realized by an American firm, Development Design Group, which has branch offices in Jakarta and Johannesburg and is involved in shopping centre development, renovation and establishment projects in all over the world. The construction firm, Yüksel İnşaat,⁴¹ is also the owner of the MetroCity complex which is going to be opened in 2000 in Zincirlikuyu (Arasta, March-April, 1998). Tekfen Holding Company, one of owners of the shopping centre, is also a multinational firm operating internationally with its four companies, namely, Tekfen International Limited (the United Kingdom), Oceanic Finance Corporation (Singapour), TST International Limited (the United Kingdom), and Tekfen Saudi Arabia (Saudi Arabistan). Among these four overseas firms, Oceanic Finance Corporation was founded by Enka Holding Comp. and Tekfen Holding Comp. with American and Arabic investment. In 1986, Tekfen was the second biggest firm in Turkey as an exporter with its exportation worth of \$245 million (Sönmez, 1987, p.267). Tekfen Holding Comp. is also one of the leading companies in Turkey, acting in industry, construction and commerce⁴². Whereas Akkök Group, owned by Dinçkök family, is also one of the biggest companies in Turkey specialized on textile production and exportation. Apart from, their four big enterprises in textile industry, Aksu, Ak-Al, Dinarsu, and Aksa, the Group also established a multinational firm in Germany, Atak Gmbh. In the early 1980s, Dinçkök Family started get involved in tourism with three enterprises Ak Turizm, Akkoy Turizm, and Akmerkez (Sönmez, 1987).

The total construction area of Akmerkez is 180,000 m², 32500 m² of which is devoted to shopping centre; 55,000 m² for parking (1500 cars); 31,000 m² for office use; and 20,000 m² for residences. The building is triangle in shape and has three atriums connected to each other with pedestrian axes. More than 40

escalators provide horizontal and vertical accessibility in the shopping centre. The 14-storey high office block is located in Levent direction, and the other 17-storey high office block is placed in Ulus direction together with the 23-storey high residential tower, consisted of 96 housing units (Arasta, March-April, 1998).

The owners of the shopping centre established a management firm, Üçgen Bakım ve Yönetim Hizmetleri, to deal with the security, maintenance and cleaning services.

Carousel shopping centre in Bakırköy was opened on 29 September 1995. The investors are Bayraktar Holding Company, that also participated in development of Galleria shopping centre, Mermerler Holding Company and Çetinsaya Group which was also responsible of the construction of the centre. Baymer Tourism and Yatırım A.Ş., founded by the partners is responsible of the development as a whole. After leasing of shops was completed Bayraktar Holding Company sold its shares in the shopping centre. So, the new internal composition of the partnership is 50% Mermerler Holding Company, 30% Çetinsaya Group, 10% Sevgi Holding Company, and 10% İlyas Özkök (Economist, September 1995). Although the initial investment cost was \$50 million, but its present value is estimated to be higher than \$100 million. Every year the shopping centre is being visited by 18 million customers, mainly coming from Bakırköy, Avcılar, Fatih, Aksaray, Bahçeşehir.

As in the case of Akmerkez, Carousel is being managed by a private firm, Baymer Turizm ve Yatırım A.Ş., employing 70 workers. The total number of workers employed by the subcontractor firms is 200 (Arasta, May-June, 1998). The total construction area is 75,000 m², 60,000 m² of which is devoted to shopping centre, and the rest is occupied by the Sevgi Hospital (Economist, September, 1995).

Carousel 2, invested by the Baymer Turizm ve Yatırım A.Ş., is planned to be opened in Beylikdüzü where it has been observed a mass housing boom in recent years. The investment cost of the complex, which is consisted of a hotel, a hospital and a shopping centre on 50 acres of land, is expected to be \$80-100 million (Arasta, March-April, 1998).

Capitol shopping centre opened in Altunizade on the 18th of September 1993. It is the first shopping centre opened in Anatolian side of the city. Its investors are Mesa Mesken Sanayii A.Ş.; and Tursoy Group owned by Mustafa Aksoy. In this partnership, Tursoy Group was the landowner, and Mesa Mesken Sanayii A.Ş. was responsible of the construction of the shopping centre. Therefore, both firms have become the partners with 50% shares. When the shopping centre was completed the partners established a management firm, METUR Alışveriş Hizmetleri A.Ş. to carry out cleaning, maintenance and security services of the centre. The expenses and revenues accrued by operating the shopping centre is shared between the two partners. The total construction area of the shopping centre is 57,000 m² with 120 shops on four storeys, and 2 basement floors are devoted to parking. Management staff is consisted of 120 employees; security and cleaning firms also employ 120 workers (Arasta, January-February, 1998). Capitol Shopping Centre is located in Altunizade, where both foreign firms and big Turkish companies have moved to the area since the mid-1990s.

5.4.4. THE PROJECTS INVESTED BY THE PARTNERSHIPS BETWEEN FOREIGN FIRMS AND TURKISH PRIVATE SECTOR

These developments have mostly been invested by the partnerships between foreign firms and powerful Turkish companies which have reached a considerable size and operational experience in international markets. Since

such developments have completely been realized by private sector capital, active involvement of metropolitan government and/or district municipalities has not existed.

CarrefourSa shopping centre is the most well-known example of such partnerships. **Carrefour** was first opened in İçerenköy as a hypermarket in 1993. The foreign investor, Carrefour, has more than 100 hypermarkets in France, apart from its investments in Europe, South America and Far East⁴³. Three years later, in 1996, Sabancı Holding established partnership with Carrefour, with a share of 40%; and the shopping centre part was added to the hypermarket. The total investment of Carrefour in Turkey is \$100 million. The French firm, Cefic, was involved in marketing and management of the shopping centre. As Frank Lafeuille, vice president of Cefic, has put forward in an interview, Cefic operates independently from Carrefour and has investments in Polonia and Turkey. The total area of CarrefourSa is 195,000 m², 20,000 m² of which is occupied by the Carrefour hypermarket; and 28,000 m² is devoted to the shopping centre part. The parking area is built for 2700 cars. There are three different security and cleaning firms operating in the shopping centre. The customer trips to the centre are mainly generated from Ataşehir, Kozyatağı, Bostancı, İçerenköy and Kadıköy (Arasta, July-August, 1998).

CarrefourSa is located on the E-5 highway which provides easy access to the Bosphorus Bridge. As it will be analysed in the following chapter, Kozyatağı area in which CarrefourSa is located, is one of the newly developed business district areas of the city. Both availability of land for further development and high-rise development permissions have made the area preferable for upper-middle income residential areas and A-grade business centres.

Conrad Hotel and İstanbul Princess are the two deluxe hotels realized through joint enterprises between Turkish and foreign investors.

Conrad Hotel, opened in 1985, is part of an international hotel chain. The operation licence was given to Yeditepe Beynelmine! Otelcilik Turizm ve Tic. A.Ş. in 1985. (Istanbul Chamber of Commerce). Two years later, in 1987, two foreign partners, Conrad Int.Inv.Corp. (the United States), and I.F.C. (I.F.C). invested to Yeditepe Beynelmine! Otelcilik Turizm ve Tic. A.Ş. with shares of 25% and 19,2%, respectively. (Undersecretary of Treasury). The Hotel was constructed by benefiting from the Act of Encouragement of Tourism.

It is located on one of the prestigious sites of the city, near to Yıldız Park on Barbaros Boulevard. The location of the Hotel provides both a suitable hosting environment to the new business elite and easy access to the Büyükdere Boulevard which has been developed as new business district area.

İstanbul Princess Hotel, which was opened in 1988, is located on Büyükdere axis in Maslak. The touristic hotel operation licence was given to Yonca Turizm Yatırım ve İşl.A.Ş. (Istanbul Chamber of Commerce). Two years later, in 1990, two foreign investors from Libya and England established partnership with Yonca Turizm ve Yat.İşl.A.Ş. (Undersecretary of Treasury). Due to its location on the Büyükdere-Maslak axis, the Hotel has both easy access to the airport and plazas located on the Büyükdere Boulevard.

5.4.5. THE DEVELOPMENTS REALIZED BY SINGLE FOREIGN INVESTORS OR LOCAL PRIVATE SECTOR

These are the most common partnerships during the transformation of the morphology of İstanbul. In such developments, while private sector was acting as the sole provider of technical and financial resources, the role of metropolitan government and/or district municipalities was only confined to giving development permissions for the projects within their territories. Although public participation

was limited, in some of the cases, interest groups intervened to the implementation of projects through legal ways. The demolition of 12 storeys of Park Hotel is an example of the opposition of interest groups. In the late 1980s and early 1990s, the proliferation of deluxe hotels, shopping and business centres has been the outcome of such private sector-led developments.

Migros shopping centre in Beylikdüzü, opened in December 1997, is the first shopping centre invested by the Migros Türk T.A.Ş. in Turkey. The previous investments of this group are generally on hypermarket format; and has recently opened Ramstore Hypermarket and Shopping Centre in Moscow together with Ram and Enka Group in November 1997 (Arasta, July-August, 1998). Migros shopping centre is grounded on 63,000 m² of land, 10,000 m² of which is occupied by Migros hypermarket and 19,000 m² is devoted to the shopping centre consisted of 86 stores. It is located in Beylikdüzü, near to Continent hypermarket.

Profilo shopping centre, opened in 9 may 1998, was realized through the renovation of the abandoned Profilo television factory. The investor is Profilo Holding Comp. The area is 20,600 m² and the total construction area is 75,000 m². The movie theatres in the centre are the first investment of the *Cineplex Odeon* firm in Turkey (Arasta, May-June, 1998). The investor, Profilo Holding Comp., is also an international firm having partnerships with AEG-Germany, Olivetti-Italy and Thompson-France; and operates in Switzerland under the name of *Profilo and F.S.A* (Sönmez, 1987).

Maxi shopping centre in Silivri was opened in July 1998. It the first shopping centre in Turkey combining hypermarket, building-market and and shops under one roof. The investor, Hamoğlu Holding Company is also the owner of the deluxe Klassis Hotel in Silivri. The shopping centre, having a total of 62,000 m² construction area, is established on 150,000 m² of land. Apart from shops and

anchor stores, Maxi Home and Maxi Mega; shopping centre has 2500 m² of area devoted to entertainment facilities.

Bati Trade Centre, is invested by the Bayındır Holding Company. The first phase of the project, **Tatilya** in Beylikdüzü, was opened in April 1996; and since then, it has attracted vast amount of customer trips, 20% of which was generated from Russia, Eastern Europe and the Middle East (Arasta, January-February, 1999). The second phase of the project is going to be consisted of outdoor activities and movies theatres. The construction area is planned to be 83,000 m², and is expected to attract 10 million visitors after grand opening.

Metrocity Millenium, which is under construction, is going to be opened in Levent in 2000. The building is located on the Büyükdere Boulevard, in Levent. The investor is Yüksel İnşaat. It is a complex consisted of a shopping centre, 26-storey high two residential towers and a 26-storey high office tower. (Ekonomist, June, 1997). The total construction area is 210,000 m² including a parking area for 2,500 cars and a sports centre. The location of the complex provides easy access to the metro (Gümüş, 1999, p.19).

As it has been stated earlier, the adaptation of the Law of Encouragement of Tourism gave way to the proliferation of various five-star hotels and business centres in İstanbul. Since the declaration of tourism centres is made by the decisions of Ministry of Tourism and the Council of Ministers, there was not any local authority involvement.

The following three hotels are the ones completely established by foreign capital. They are located on the most prestigious sites of İstanbul. Along the Bosphorus, Swissotel was located behind the Dolmabahçe Palace. Whereas, Çırağan Kempinsky Hotel were constructed near to Çırağan Palace. Hyatt Regency Hotel

was constructed in front of the historical Taşkılla building occupied by the İstanbul Technical University.

Çırağan Palace Hotel, opened in 1986, is located along the seaside between Beşiktaş and Ortaköy. The touristic hotel operation licence was given to Çırağan Sarayı İşletme ve Geliştirme İnşaat Turizm A.Ş., founded in 1986 (İstanbul Chamber of Commerce). The hotel is invested by Taksim Co.Ltd. (Jersey Islands) that owns 99,7% of the firm and other foreign partners from United Arabic Emirates (0,26%). In 1995, the hotel was started to be managed by a Thailand-originated management firm, Kare Turistik İşletmecilik ve Tic. A.Ş. (Undersecretary of Treasury).

The Bosphorus Swissotel, opened in 1988 is a multipartnered investment of Japan and Germany. The touristic hotel operation licence was given to Anadolu Japon Turizm A.Ş. which was established by Japanese firm, Japon-Turkey Ur.Dev.In.Corp. (85,2% share); Herbert Gather (9,56% share); and other Japanese partners (2,59%). (İstanbul Chamber of Commerce; Undersecretary of Treasury).

Hyatt Regency, the last deluxe hotel opened in İstanbul, started to operate in 1993. The touristic hotel licence was given to GöktransTurizm ve Tic. A.Ş. which was founded by the Dutch firm Göktrans Holding BV.

²⁸ Metropolitan councils and municipal councils can intervene into metropolitan mayors. If municipal councils find the annual working reports of metropolitan mayors inadequate, 2/3 of majority votes in municipal votes, and 3/4 of majority votes in metropolitan municipality, metropolitan mayor may be put away from work by the Council of State.

²⁹ Rennes is the capital of Brittany in Western France. Rennes proved a great success in implementing regeneration strategy, in terms of private-public collaboration based on various parties, getting funds from the central government, active participation, creation of a consistent regional plan, adapting a successful vision in accord with the global tendencies, getting support from almost all parties. After the crisis of the 1970s, industrial activity was slowly weakening in the city. Mayor Hervé was appointed as national Minister for Energy in the Socialist government while serving as Rennes' mayor. This "double position" enabled Hervé "...to identify the key areas for the future of the cities, and make sure that Rennes would be among the first to work out one" (Le Gales, 1990, 77). In French political system, mayors of regional capitals were powerful actors, since they had power to get public funds for their regions.

"In Rennes, ... the Prefect negotiated the regional Plan with the right-wing regional Council. But the Prefect was appointed by the government, of which Rennes' Mayor was part....In fact, the Rennes' Mayor negotiated specific programs with his government colleagues in Paris and then wrote them into Rennes' development priorities. The Prefect had to accept that this was in Rennes' interest in the regional plan, even if the regional Council did not like it. As a result, more than half of the state-funded projects allocated to Brittany were located in Rennes" (Le Gales, 1990, p.78).

³⁰ The demolition of 12 storeys of the Park Hotel is the outcome of such an opposition of pressure groups. In 1988, metropolitan mayor Bedrettin Dalan signed the Council of Beyoğlu Municipality's decision of 1/500 Hotel Complex and Settlement Plan. But the Ministry of Tourism invalidated the plan note relating to "the plot-size construction of ground floor and basement flat". In spite of this, the construction work continued ignoring this decision. In July 1991, the Ayaspaşa Union and eight housewives brought suits against the Ministry of Tourism, the Greater İstanbul Municipality and the Beyoğlu Municipality. In December 1991, mayor Nurettin Sözen overruled the preliminary project of the Park Hotel. Despite all these actions against construction, the Park Hotel construction continued until the Council of State invalidated the construction permissions in June 1993. In November 1994, demolition work, which had been planned to last 12 months, started; and within 4 months 12 storeys of the Park Hotel were demolished (Özler, 1994).

³¹ The information on the Ataköy Tourism Centre and Galleria Shopping Centre was obtained from two sources: 1997 Annual Report of *T.C. Başbakanlık Yüksek Denetleme Kurulu*; and files of Emlak Bank.

³² Ataköy touristic facilities are located on section 18, block 564 and plot 140 in Zeytinlik quarter in Bakırköy.

³³ With the decision of the executive board of Bakırköy Municipality on September 30, 1984 (decision no.421); Emlak Bank discharged 146.121 m² of land to Bakırköy Municipality to be allocated to green areas, roads and parking area, on January 1, 1985.

³⁴ Emlak Bank was founded in 1926 as "Emlak ve Eytam Bankası" in order to support construction activities on countrywide and to give credits for such activities. In 1946, after the restructuring of internal organization, the bank realized a capital increase and re-named as "Türkiye Emlak Kredi Bankası Anonim Ortaklığı". On January 8, 1988, Emlak Kredi Bank and Anadolu Bank went into a joint venture and started to operate as "Türkiye Emlak Bankası A.Ş."

³⁵ The parties signing that agreement were the president and vice president of Emlak Bank, respectively, Erol Kıcıman and Ertuğrul Özakdemir; and the president of the board of directors of the ATTT, Hüseyin Bayraktar.

³⁶ After discharging 146.121 m² of land from the plot 140 to the Bakırköy Municipality, the total amount of land belonged to Emlak Bank reduced to 304.662 m². The 170.000 m² of land which was leased to the ATTT was given out of 304.662 m² left in hand.

³⁷ During the construction period, Emlak Bank was in contact with various state institutions to get the necessary permissions. As a formal procedure, first ATTT applied to the Emlak Bank for permissions. Then the Bank contacted with the related organizations and institutions to get permissions.

In this context, for example, in November 1986, Emlak Bank asked confirmation for convenience of seaside for construction of marina and port from Bayındırlık and İskan Bakanlığı, Head Office of Construction Works of Railways, Ports and Airports (Demiryolları, Limanlar ve Hava Meydanları İnşaatı Genel Müdürlüğü). Also, the Bank asked permission from Ministry of Communications (Ulaştırma Bakanlığı) for using of port.

Since Emlak Bank was a state-owned institution, some projects were also done by the Bank itself. For example, the projects on water distribution network within the Ataköy Tourism Centre was realized by Emlak Bank. Those projects together with development plans and 1/5000 basin plans were sent to İSKİ by the Bank (May 13, 1988, ref.no:651). During construction period, ATTT prepared projects for gas distribution applications. Those projects were sent to İGDAŞ A.Ş. by the Bank on May 4, 1988 (file no:130-T, ref.no: 599).

Apart from getting permissions from construction activities, the Bank also was in contact with High Commission of Monuments to build a park around the ruins of a Byzantine Cistern and old trees in the area, in May 1987.

³⁸The required changes in plan notes were: a) the areas filled in the seaside must be opened to public use (during the development of Ataköy Tourism Centre approximately 140.000 m² of land was obtained by filling with sea to construct port, marina and other facilities); b) the application of total floor area ratio=2, must be changed to max.total floor area ratio=2; c) beach area in the seashore must be at least 50 meters.

³⁹ The undertaking was signed on April 17, 1987 (ref.no: 87/121). In that undertaking, the ATTT accepted to complete the port until the end of July.

⁴⁰ ICSC, International Council of Shopping Centres, was founded in 1957. Its headquarters is located in New York, and has contacts with more than 20 national and regional shopping centre councils in Canada, Europe, Asia and Turkey (TCSC= Turkish Council of Shopping Centres). Throughout the world, it has 38,000 members coming from different branches of the industry, such as shopping centre owners, developers, land owners, retailers, managers, lenders, academics, etc. According to the ICSC statistics, in 1997, 10,460,200 people worked for shopping centres; and the total amount of income accrued from sales taxes is 41.9 billion dollars.

⁴¹ Yüksel İnşaat has also extended its business activities towards Saudia Arabia and established a construction firm, "Yüksel Saudia" (Sönmez, 1987).

⁴² The companies operating under Tekfen Group in 1990 can be listed as :

<u>Industry</u>	<u>Construction</u>	<u>Commerce</u>
Toros Gübre	Tekfen İnş.ve Tesisat	Tekfen Dış Tic.
Mis Süt	Tekfen İnşaat	Tekfen Gıda Paz.
Tekfen End.	Tekfen İmal.ve Müh.	Toros Uluslaras.Nak.
Birleşik Aydınlatma	Tekfen Mühendislik	Teknik Servis
Tarsan Tarım	Tekfen Saudi Arabia	Fentur Servis
Akdeniz Gübre		Tareks İth.İhr.
		Tekfen Int.Ltd (UK)
		TST (UK)
		Tekfenbank

Source : Sönmez, M. (1987) *Türkiye'de Holdingler: Kırk Haramiler*, Arkadaş, 5th ed., Ankara, p.268.

⁴³ Carrefour opened its first market in Paris in 1963. In 1970, the number of Carrefour markets in France reached to 21, and the same year firm entered into stock exchange market. The first Carrefour *hypermarket*, covering an area of 20,000 m², was opened in Marseilles in 1971. In 1996, Carrefour had 117 markets in France and 277 markets in 14 different countries (Serpil, *et al*, 1998, p.3).

CHAPTER 6

6. EVALUATION OF THE TRANSFORMATIONS IN İSTANBUL CITY CORE AND NEWLY DEVELOPED BUSINESS DISTRICTS IN THE EUROPEAN AND ANATOLIAN SIDES OF THE CITY

As it was detailed in the previous chapter, development coalitions established in İstanbul since the late 1980s have mostly been private sector-led site-specific projects. During this period, private sector heavily invested in *real estate developments* in the form of high-rise offices, shopping and entertainment centres. On the other hand, Greater İstanbul Municipality's projects were mainly directed towards the physical improvements in the historical core of the city, and other infrastructure investments targeting to provide ample space in central areas. Among them, the Development of Haliç and its Environs project was the one that mobilized thousands of small industrialists and retailers to move towards the periphery of the city -İkitelli, and other areas close to the business district - Perpa in Şişli.

Following the expansion of the city in the 1970s, a new spatial structure emerged in İstanbul. As it will be detailed in this chapter, after the 1980s, service sector activities and employment have increased in its weight in the economy of İstanbul. As in the case of London, the office space requirements of these service sector activities were resulted in emergence of a new type of office buildings with high-tech architectural features. The inflexibility of the urban fabric in the core area for further development, inadequate public transportation and parking problems, and other diseconomies of agglomeration resulted in the dispersion of

new business district areas towards in new sites by following the major routes. New firms made their location decisions in favour of new subcenters emerged along the radial and peripheral highways (Dökmeci and Berköz, 1994).

After the mid-1980s, the increasing range of foreign firms in retailing, producer services, banking and other financial services, transportation services have made their location decisions parallel to their Turkish counterparts. The development of new business district developments most of the time were initiated by these corporations and the development coalitions established between them.

6.1.TRANSFORMATIONS IN CITY CORE OF ISTANBUL SINCE THE 1970s

6.1.1. THE MULTINUCLEATION OF THE CBD OF ISTANBUL

Until the 1950s, İstanbul was a "mono-centric" city (Dökmeci and Berköz, 1994). In the 1960s, employment was concentrated in the core area, Eminönü and Karaköy. The accessibility to historical core was provided through boats, cars, tunnel, buses and metro (Dökmeci, *et al*, 1993).

Tümertekin (1997) identified nine business areas in 1966. Among them, Eminönü and Karaköy were the areas in which business district activities were densely concentrated. These areas can be ranked as: "1)Eminönü, 2) Karaköy, 3)Tünel-Taksim (İstiklal Avenue), 4) Kadıköy, 5)Osmanbey, 6)Beşiktaş, 7) Aksaray, 8) Mecidiyeköy, 9)Üsküdar" (Tümertekin, 1997, p.187) (See Figure 6.1. and 6.2).

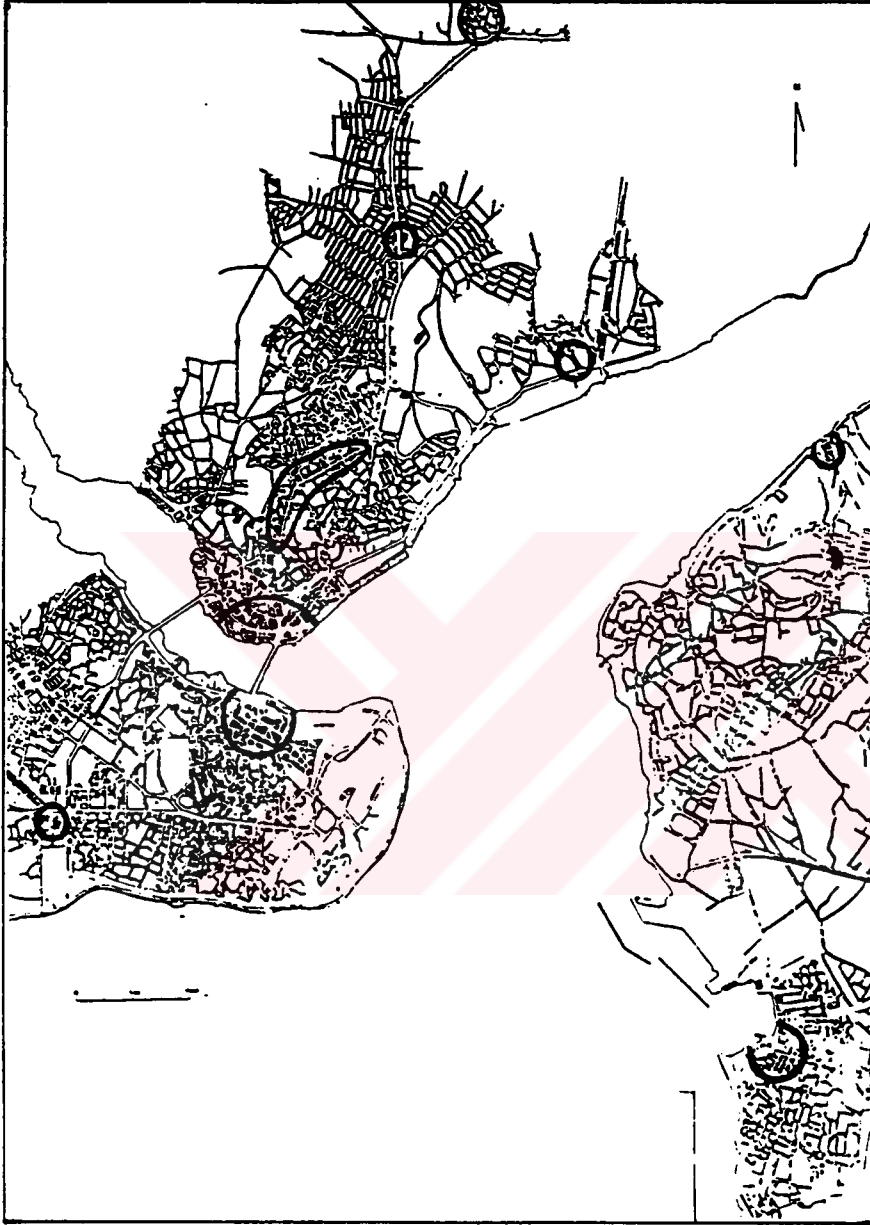


Figure 6.1. Central Business Districts in İstanbul, 1966

Source. TÜMERTEKİN, E. (1997) *İstanbul İnsan ve Mekan*, Tarih Vakfı Yurt Publications, İstanbul, p.187.

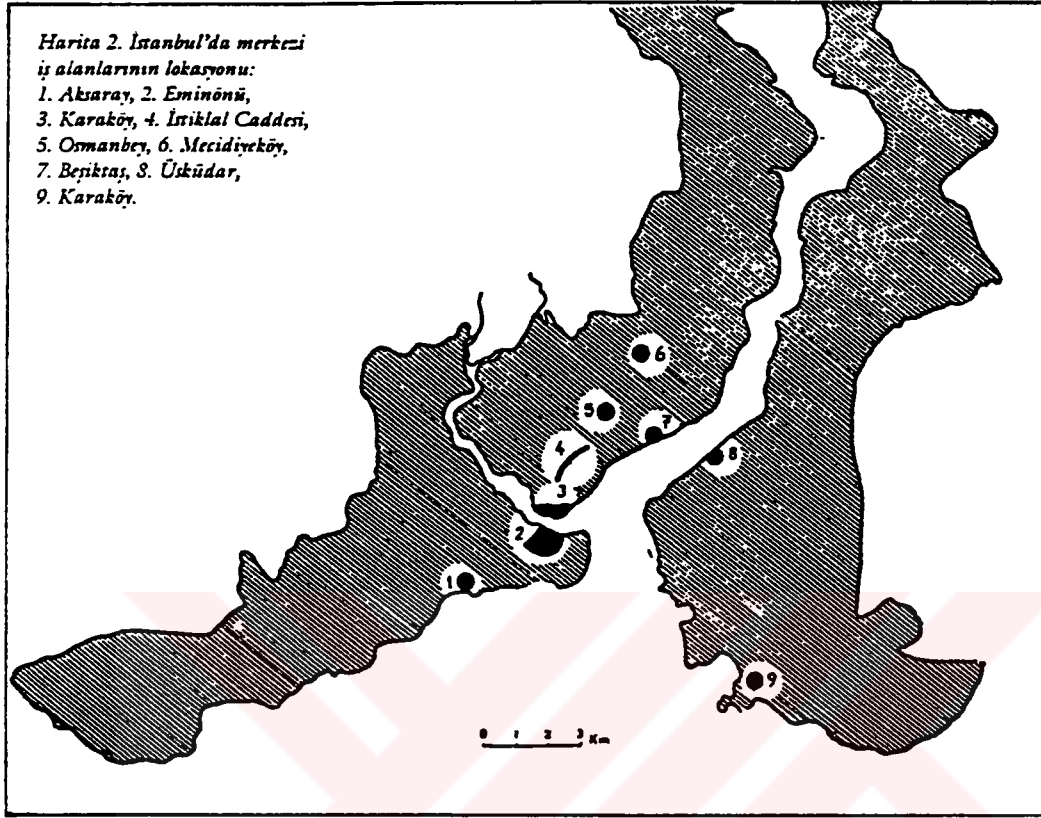


Figure 6.2. Locations of CBDs in İstanbul, in 1966

Source. TÜMERTEKİN, E. (1997) *İstanbul İnsan ve Mekan*, Tarih Vakfı Yurt Publications, İstanbul, p.188.

During this period, continuous population growth was a dominant feature. Although the urban growth rate slowed in the 1970s, it started to increase again in the 1980s (Dökmeci and Berköz, 1994). (See Figure 6.3)

The concentration of offices, retailing and other services continued to agglomerate in Eminönü and Karaköy until the 1970s. During this period, retailing and other central business district functions were extending from Eminönü to Beyoğlu through the Atatürk and Galata Bridges.

Core
Beyoğlu
Eminönü

First Ring
Beşiktaş
Eyüp
Fatih
Kadıköy
Şişli
Üsküdar
Zeytinburnu

Second Ring
Adalar
Bakırköy
Beykoz
G.Paşa
Sarıyer
Kartal

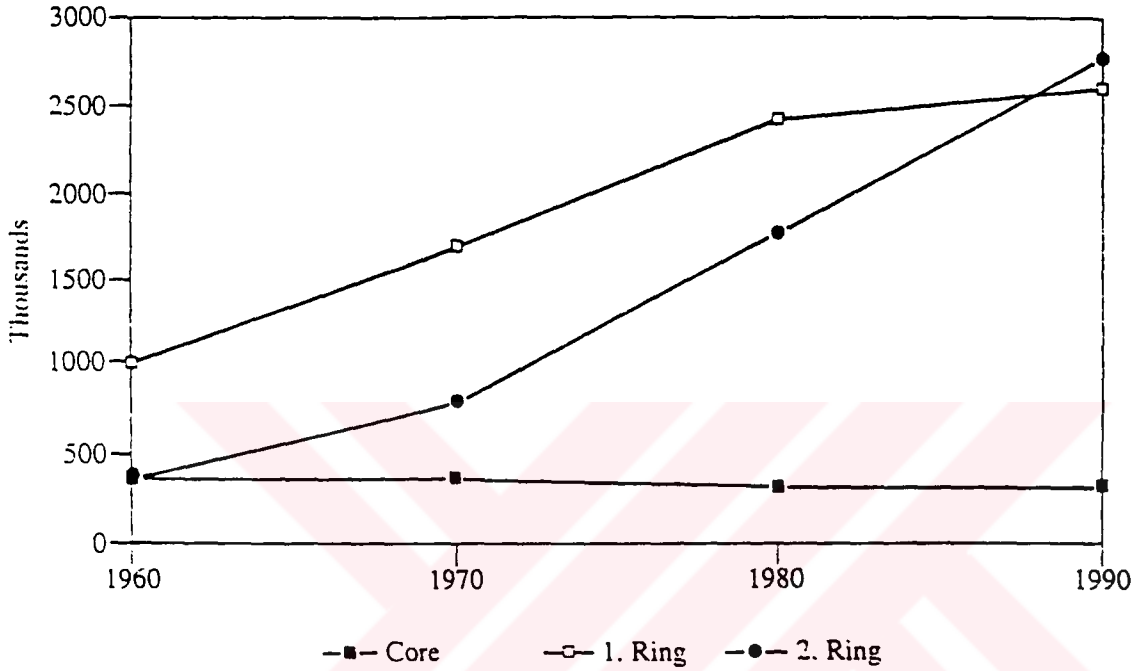


Figure 6.3 Population Change in Various Districts of İstanbul, 1960-1990

Source: DÖKMECİ, V., BERKÖZ, L. (1994) "Transformation of İstanbul from a Monocentric to a polycentric city", *European Planning Studies*, Vol.2, No.2, pp.196-197.

In Beyoğlu banking and insurance activities were concentrated, whereas in Eminönü retailing and wholesaling were the dominant activities (Akkal, 1996).

In 1973, the construction of Bosphorus Bridge and peripheral motorways increased the accessibility between Anatolian and European sides of the city. In the late 1960 and the early 1970s, traffic congestion, inadequate public transportation, parking problems, increasing demand of firms for larger office spaces were the basic problems. When coupled with the strict building

regulations in the historical urban core, both investors and firms operating in this area moved towards the new areas by following the provision of new transportation infrastructure (Dökmeci, *et al*, 1993, p.24).

As Tekeli (*et al*, 1992) asserted:

"... the CBD was patterned under the joint impact of different forces. On the one hand, it experienced a process of expansion and differentiation as the metropolitan population increased and the city spread out and on the other hand, opening of the Bosphorus Bridge and its beltways and their influence on inner city distances determined the direction of this expansion, specialization and functional differentiation. Besides the existence of this dynamics of change, planning efforts to decentralize the main traffic generators in the CBD also contributed to the transformation of the CBD. The location choice for these functions was influenced by the new alternatives created through the Bosphorus Bridge and its beltways" (Tekeli, *et al*, 1992, p.83).

While evaluating the CBD development of İstanbul, Yener (*et al*, 1996) defined four successive development processes which have been effective during the transformation of the CBD: *growth, integration, accumulation, and dispersion-concentration*⁴⁴.

After the construction of Bosphorus Bridge and the peripheral highways, *business district functions expanded in the direction of Taksim-Şişli-Zincirlikuyu and Beşiktaş- Barbaros Boulevard axis*. (Cengiz, 1995). Although, the dispersion of new office uses was apparent in these axis, the central business district maintained their dominance in Eminönü, Fatih and Beyoğlu districts. *Therefore, while central business district functions were traditionally surviving in the historical core, new business district functions serving to the needs of the new business functions started to arise in the newly developed axis* (Cengiz, 1995). As Tekeli (*et al*, 1992) asserted in 1980, Eminönü was still serving as the prime site for the concentration of retailing, wholesaling, other services, and small scale manufacturing activities.

The extent of the dispersion was also apparent in the size of the CBD also. The CBD of İstanbul was 260 ha. in 1965, whereas, in 1977 its size reached to the

670 ha, together with an employment capacity of 530.000 employees. During this period, the 50% of CBD was occupied by business district functions, 25% was used for roads, 11% was devoted to social and cultural services, and 5% was used as residential area, 5% was occupied by public services, and 4% was used by other services. Between 1965 and 1977, Fatih, Kadıköy, Bakırköy, Bayrampaşa and Gaziosmanpaşa districts started to display first-tier business district area characteristics (Cengiz, 1995, p.89).

On the other hand, from 1975 to 1980, the office buildings occupied by holdings companies, multinational companies and banks were located in Mecidiyeköy and Gayrettepe areas (Cengiz, 1995). After the opening of Bosphorus Bridge and its collector roads, the flow of traffic increased on Taksim-Şişli-Mecidiyeköy-Büyükdere axis. The functional transformations began in Halaskargazi, Vali Konağı, Rumeli and Teşvikiye roads. The entrances and upper floors of residences along the main roads turned offices and shopping areas (Tekeli, *et al*, 1992).

The financial activities and control functions of companies, such as headquarters of banks and multinational companies, insurance firms were concentrated in Mecidiyeköy, Gayrettepe, and Büyükdere Boulevard during this period (Tekeli, *et al*, 1992).

In this context, the developments on Mecidiyeköy, Gayrettepe, Zincirlikuyu, Barbaros Boulevard and Büyükdere axis have emerged as new business areas developed through *growth, concentration and dispersion* as a result of the increasing range of service sector activities. During this period, as a result of the growth of Mecidiyeköy on the northern side, the impacts of the Bosphorus Bridge, housing developments in Bosphorus and Levent areas, **Beşiktaş** passed through *growth and concentration* phases (Yenen, *et al*, 1996, p.291).

After the construction of Bosphorus Bridge and peripheral motorways in 1973, the accessibility between eastern and western sides of the city increased leading to **Kadıköy** district to become an important subcentre (Akkal, 1996). During this period, Kadıköy first experienced *growth*, and then *concentration and agglomeration* phases. Finally, the *dispersion* of the activities occurred along the Bağdat Avenue and Ziverbey axis (Yenen, *et al*, 1996, p.291). Though less dominant than Kadıköy, **Üsküdar** also appeared another sub centre where 4.9% of wholesale and retail activities, and 4.7% of service sector activities were concentrated in 1980 (Tekeli, *et al*, 1992). In this period, apart from these major business centre developments, there existed smaller business centres in Büyük Çekmece, Küçük Çekmece, Bakırköy, Maltepe and Gebze (Tekeli, *et al*, 1992).

6.1.2. EVALUATION OF THE SERVICE SECTOR EMPLOYMENT IN THE CORE AREA AND IN NEW BUSINESS AREAS, BETWEEN 1970 AND 1990

As a result of the above mentioned transformations in the CBD of İstanbul, historical core area lost its weight in performing central business district functions, instead new business areas emerged as a result of the agglomeration and concentration of the core area. New areas were dispersed along the new areas in the city by depending on the changing transportation infrastructure. The following figures show the service sector employment and the corporation income taxes in districts of İstanbul (See Figure 6.3. and Figure 6.4). As it is apparent from the figures that between 1970 and 1985, while service sector employment was decreasing in Eminönü district, **Şişli's** share increased from 10% to 25%. Moreover, in 1990, Şişli district had the highest amount of collected corporation income tax with \$339 million. This amount was equal to the 28.1% of all collected corporation income tax in İstanbul (Dökmeci, *et al*, 1994, p.28).

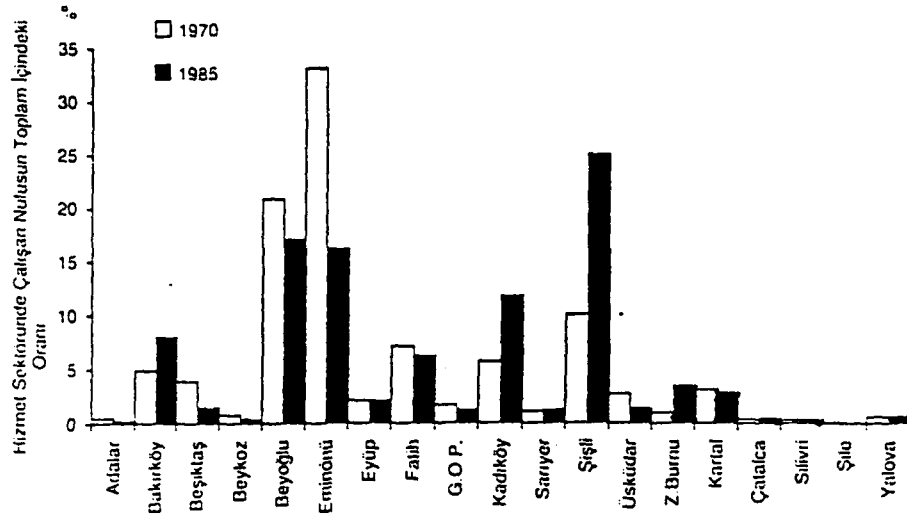


Figure 6.4. Distribution of Service Sector Employment in İstanbul, 1970 - 1985

Source: DÖKMECI, V., (et al) (1993) *İstanbul Şehir Merkezi Transformasyonu ve Büro Binaları*, Literatür Publications, İstanbul, p.28.

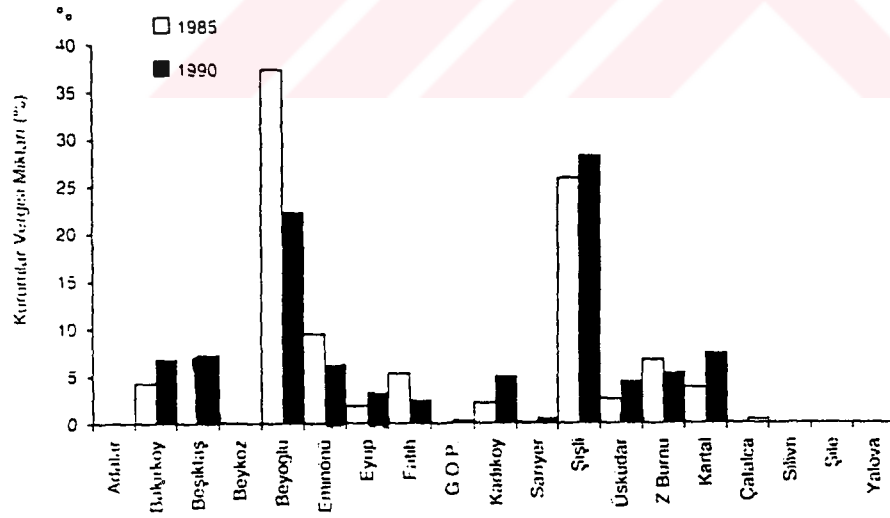


Figure 6.5. Corporation Income Tax in İstanbul, 1985 - 1990

Source: DÖKMECI, V., (et al) (1993) *İstanbul Şehir Merkezi Transformasyonu ve Büro Binaları*, Literatür Publications, İstanbul, p.29.

Eminönü from 1970 to 1985 lost its previous primacy in service sector employment. The service sector employment decreased from 33.1% in 1970 to 16.1% in 1985. Eminönü's share in collected taxes comprised 6.1% of the İstanbul total. As Dökmeci asserted (*et al*, 1993) this low rate of share indicated the *existence of small scale firms and commercial uses*, rather than big corporate firms. In 1990, the office rent was 3.5 \$/m² in Eminönü (Dökmeci, *et al*, 1994, p.28).

During the CBD transformation of İstanbul, although **Beyoğlu** has lost employment, it has still been one of the most densely populated business district areas. Despite the fact that the topography of the district became a barrier for further development, the activities in Karaköy port have been effective in continuation of the vitality of the district. While Şişli-Mecidiyeköy axis continued to grow as new business district area, Beyoğlu continued to develop through the seaside. In 1990 the rate of collected corporation income tax was 22%. Following Şişli, Beyoğlu is the second district having the highest rate of collected tax (Dökmeci, *et al*, 1994, p.29).

Kadıköy also doubled its share in employment from 5.7% in 1970 to 11.7% in 1985. In 1990, the rate of collected corporation income tax in Kadıköy was 5% of all İstanbul total. Kadıköy was a second-tier subcentre in the 1960s, the opening of the Bosphorus Bridge contributed its development as business area. (Dökmeci, *et al*, 1993, p. 31).

6.2.DISTRIBUTION OF FOREIGN DIRECT INVESTMENTS IN SERVICE SECTOR ACTIVITIES⁴⁵

Since the mid-1980s, foreign direct investment inflows in service sector activities into Turkey have increased. ***The share of İstanbul in total FDIs constituted 60% of all FDI inflows into Turkey.*** Consistent with the site selection preferences of local firms, foreign investors have also been located in the newly emerged business district areas.

At the end of 1998, in İstanbul, there were 1938 foreign firms in various subcategories of service sector. ***60% of them operated in retailing sector.*** 68% of these retailers were located in Şişli (294), Beşiktaş (165), Eminönü (124), Beyoğlu (134), and Kadıköy (83). (See Figure 6.6). Whereas on the Anatolian side, Kadıköy and Üsküdar districts started to be congested by foreign firms since 1993. Between January and March 1999, 17 new firms were opened in İstanbul. Figure 6.6. shows ***distribution of firms in retailing category as percentages.*** It is apparent from the figure that these firms have been dispersed in all districts of the city. *This indicates the lower level of concentration tendency in retailing activities as compared to the other service sector activities.* However, Şişli, Beşiktaş, Beyoğlu, Kadıköy, Fatih and Eminönü districts have been the most preferred locations for retailing activities.

As it can be observed in Figure 6.7, since the mid-1980s, Şişli has always been the most preferred district for foreign retailers, followed by Beşiktaş. The firms located in Eminönü started to decrease in the late 1980s. As it was presented in the previous section, the dominance of Eminönü started to weaken after the 1980s, therefore, the location decisions of foreign firms also were in favour of other districts.

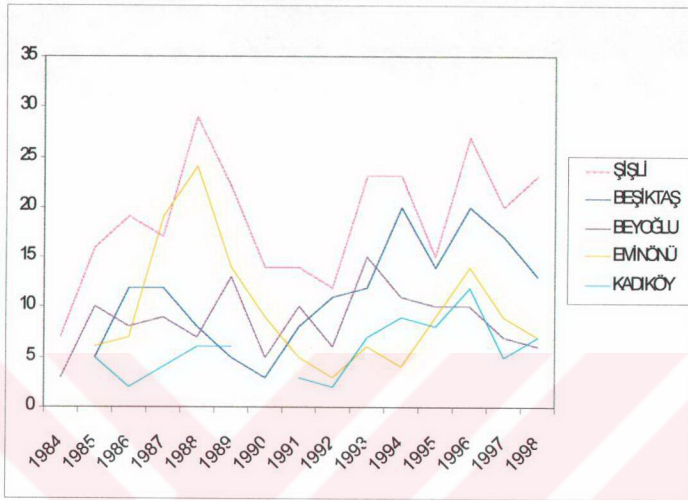


Figure 6.7. The Location Preferences of Foreign Firms in Retailing between 1984 and 1998.

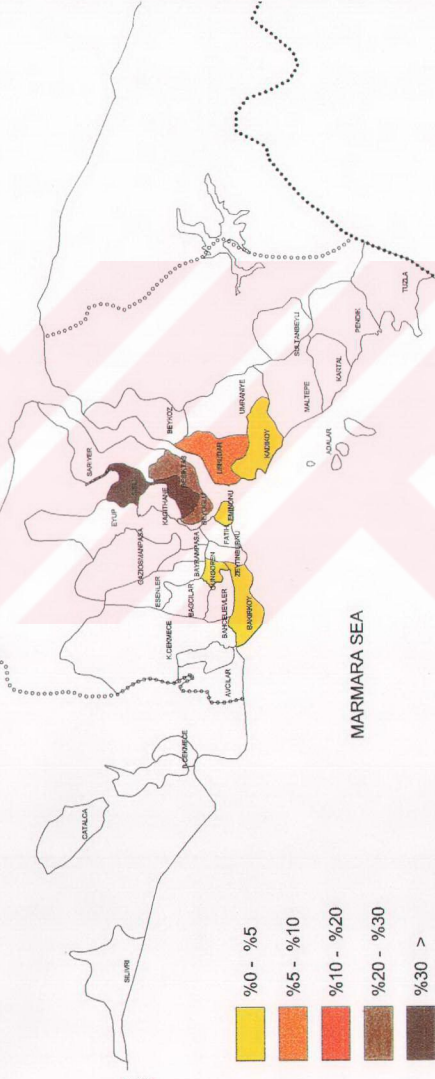
Source. Unpublished data of Undersecretary of Treasury, composed by the author.

Whereas in *banking and other financial services* category, the tendency of concentration is highest. Şişli is the most preferred district followed by Beyoğlu and Beşiktaş. In the Anatolian side, Altunizade area in Üsküdar is more congested than Kadıköy. In this respect, it appears that, foreign firms have made up their location decisions in favour of Altunizade (See Figure 6.8).

In *hotels and restaurants* category, Şişli, Beyoğlu and Beşiktaş districts are those mostly preferred by the foreign investors. However, as compared to the other service sector activities, the concentration tendency of hotels and restaurants is medium. England, Germany, the Netherlands, Italy, Saudi Arabia are the countries invested heavily more as compared to the others (See Figure 6.9).

BANKING AND OTHER FINANCIAL SERVICES

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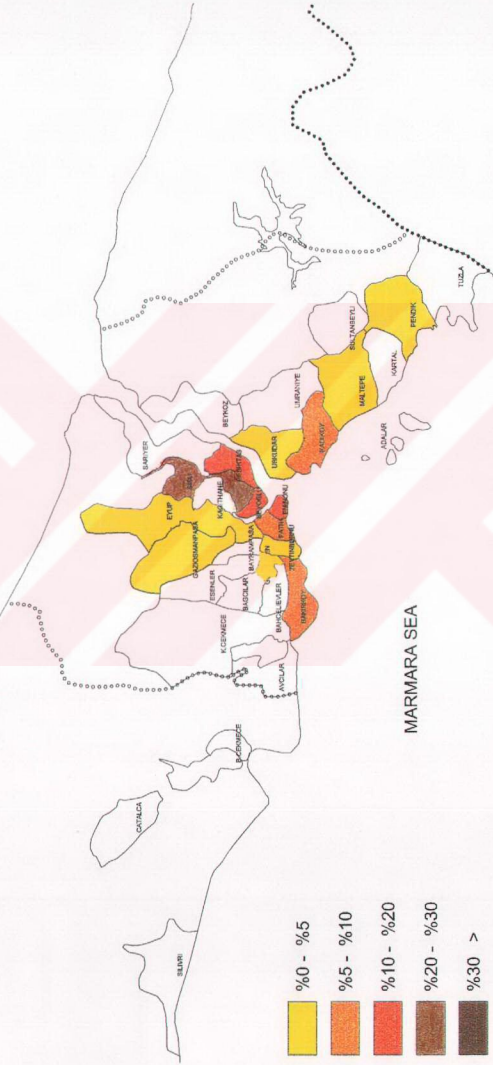
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Figure 6.8. Distribution of Foreign Firms in Banking and Other Financial Services, as of December 1998
 Source: Unpublished Data of Undersecretary of Treasury, composed by the author

HOTELS AND RESTAURANTS

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Figure 6.9. Distribution of Foreign Firms in Hotels and Restaurants Category, as of December 1998
Source: Unpublished Data of Undersecretary of Treasury, composed by the author

In **transportation and related services** category, at the end of 1998, more than 50% of firms providing transportation services were located in Şişli, Beyoğlu and Bakırköy districts⁴⁶. In air, land and sea transportation category, there were 90 firms; the 82% of these transportation firms were located in Şişli, Beyoğlu, and Beşiktaş districts. The total number of communication firms are 11 in Turkey, 9 of them were located in İstanbul. *In this category, Şişli and Beşiktaş districts have attracted the foreign investors most* (See Figure 6.10).

Social services category is comprised of Other Social Services, Private Education, Health, and Other Personal Services. The firms under the subcategory of "social services" are those specialized on advertising, media, services related with retailing and shopping centres, management, security services, real estate consultants, sales and marketing services, legal and accounting firms, etc.. As in the case of other service sector subcategories, Şişli, Beşiktaş and Beyoğlu districts are the most preferred locations for firms⁴⁷.

The investments have mostly been done by the United States, France, the United Kingdom, Germany, and the Netherlands. In health services category, there were 5 foreign firms operating in Şişli district, and 4 firms in Kadıköy district. Also, in private education service category, there was not any investment in Şişli. The health and private education firms' preferences in favour of Kadıköy (Erenköy, İçerenköy, Bağdat Avenue) might have been the result of Kadıköy's residential character (See Figure 6.11).

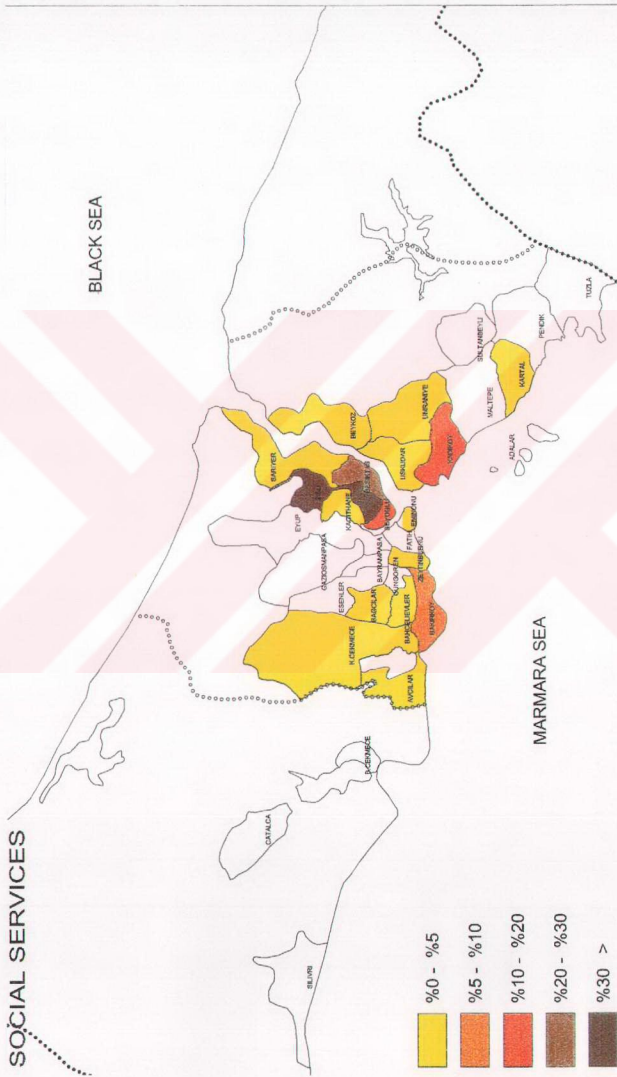


Figure 6.11. Location Preferences of Foreign Firms in Social Services Category, as of December 1998
Source: Unpublished Data of Undersecretary of Treasury, composed by the author

The firms operating in **Other Activities** started their investments in the late 1980s. Germany, France, the United Kingdom, the United States, the Netherlands, and Switzerland were the countries invested in research and development category. In other activities category, 72% of the firms were located in Şişli, Beşiktaş and Beyoğlu districts at the end of 1998 (See Figure 6.12)

Finally, in **construction activities** category, the investments started to come into Turkey in the late 1980s, but the sharp increases took place in the late 1990s. In this category, firms were mostly concentrated in Şişli, Beşiktaş and Kadıköy districts at the end of 1998. However, it must be noted that, unlike other service categories, the construction firms were also located in other districts, such as Zeytinburnu, Sarıyer, Gaziosmanpaşa, Bakırköy (See Figure 6.13).

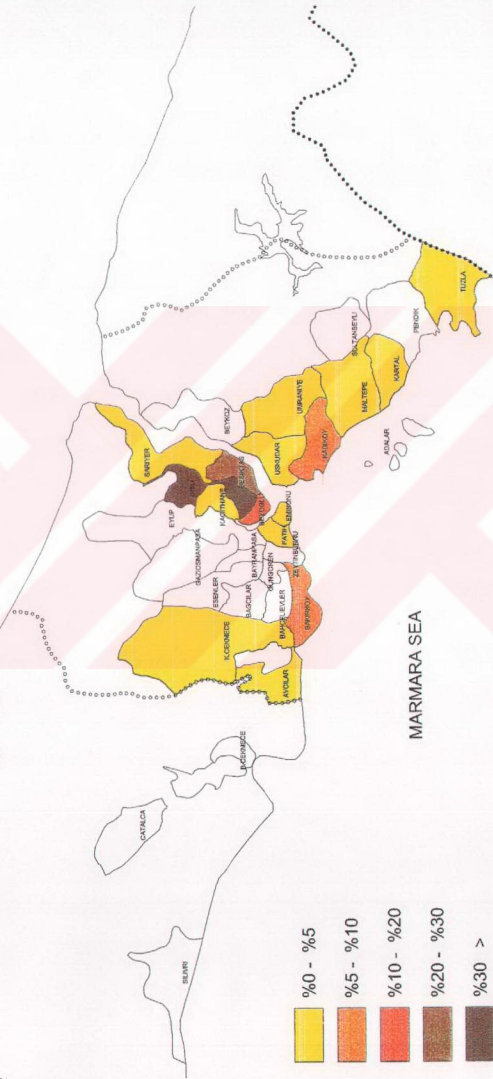
The ongoing development within these districts might become one of explanations for the dispersion of construction firms in various districts.

6.2.1.EVALUATION OF THE LOCATION DECISIONS OF FOREIGN FIRMS IN SERVICE SECTOR ACTIVITIES

The analysis of the data on foreign direct investments in service sector categories shows that among the districts in the Greater İstanbul Municipality, **Şişli, Beşiktaş, Beyoğlu, Eminönü and Kadıköy** are the most densely congested ones by foreign firms operating in service sector. Table 6.1 shows the percentage shares of service sector categories among the first four districts. **More than 70% of all foreign firms are located in Şişli, Beşiktaş, Beyoğlu and Kadıköy.** The rest of the investments are dispersed among other districts with very small shares. Therefore, they are not included in the table (See Table 6.1)

OTHER ACTIVITIES, RESEARCH AND DEVELOPMENT

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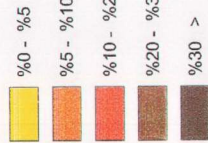


Figure 6.12. Location Preferences of Foreign Firms in Other Activities Category, as of December 1998
Source. Unpublished Data of Undersecretary of Treasury, composed by the author

CONSTRUCTION ACTIVITIES

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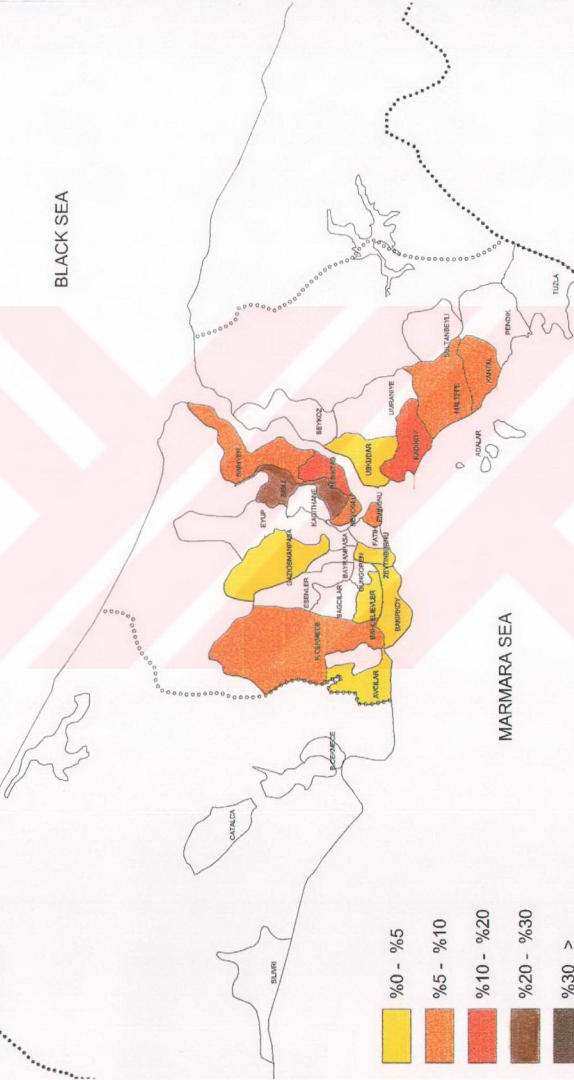
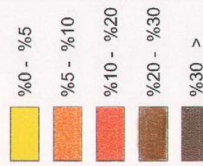


Figure 6.13. Location Preferences of Foreign Firms in Construction Activities Category, as of December 1998
Source: Unpublished Data of Undersecretary of Treasury, composed by the author

Table 6.1. Distribution of FDIs in Service Sector Activities

Service Sector Category	Şişli %	Beşiktaş %	Beyoğlu %	Eminönü %	Kadıköy %	Total %*	Other Districts (%)
Retailing	25	14	11	10	7	66	34
Banking, Finance	40	20	24	2	2	92	8
Hotel, Restaura.	20	20	20	2	6	68	32
Transport. Services	30	15	24	4	6	79	21
Social Services	35	24	10	1	8	78	22
Other Activities	30	24	16	2	9	81	19
Construct. Activities	25	15	7	7	12	66	34

*percentage sum of Şişli, Beşiktaş, Beyoğlu, Eminönü and Kadıköy districts

As of December 1998

Source. Unpublished Data of Undersecretary of Treasury, composed by the author

24% of retailing firms, 40% of financial firms, 20% of firms related with hotel and restaurants, 30% of transportation firms, 25% of construction firms, 35% of social services, and 30% of firms in other activities are concentrated in **Şişli**. In this respect, the absolute location preference of foreign firms in favour of Şişli is apparent.

Among other services, the tendency of centralization is the highest in banking and other financial services. Table 6.1. shows that in banking and other financial services category, Şişli, Beyoğlu, Beşiktaş, Kadıköy and Eminönü, respectively, are the most preferred locations for foreign investors.

According to the records of the *Istanbul Chamber of Commerce*, as of *July 1997*, the distribution of *banks, bankers and insurance companies* are located, respectively, in *Şişli, Beyoğlu, Eminönü, and Kadıköy* districts. Among these, *Şişli* gets the highest rate with 24% (See Table 6.2).

Table 6.2. Distribution of Banks, Bankers and Insurance Companies in Istanbul, as of July 1997

	Şişli %	Beyoğlu %	Eminönü %	Kadıköy %	Total %*	Other Districts (%)
Financial Institutions	24	14	8.5	7.8	54.3	45.7

*percentage sum of Şişli, Beyoğlu, Eminönü and Kadıköy districts

Source. Unpublished Data of Istanbul Chamber of Commerce, composed by the author

It is apparent from the Table 6.2. that **38% of all local financial institutions** (banks, insurance companies, bankers) **are located in Şişli and Beyoğlu districts**. In this respect, location decisions of foreign financial firms in favour of Şişli and Beyoğlu is parallel with those of local financial institutions.

As it is apparent in Table 6.1 that in the European side, **Şişli, Beşiktaş, and Beyoğlu, respectively, are the most preferred locations for foreign investors**. Although Eminönü has attracted 10% of the retailing firms, the **dominancy of Eminönü is limited with retailing**, the location decisions of foreign firms for other service sector activities are in favour of Şişli, Beşiktaş, Beyoğlu, and Kadıköy districts.

Kadıköy appears the most important district in Anatolian side of the city. It must be noted that, ***except retailing activities, the concentration of foreign firms in Kadıköy is higher than Eminönü in all service sector categories.*** Following Şişli district, Beşiktaş has attracted the foreign firms into its boundary. Whereas, in banking and transportation services categories, Beyoğlu is superior to Beşiktaş. ***It is highly probable that Karaköy port in Beyoğlu has become effective in location decisions of transportation firms.***

6.3. DEVELOPMENT OF NEW BUSINESS DISTRICTS THROUGH GROWTH, CONCENTRATION, AND DISPERSION

As it was briefly summarized in the above sections, after the 1970s, as a result of the concentration and agglomeration in the historical core, new business areas have dispersed towards new locations. During this transformation, new business areas *functionally* differed from the historical urban core. To put simply, during the 1980s and the 1990s, firms ***acting in international and national markets*** have made their location preferences by depending on the provision of transportation network and changing flows of traffic. The development of Büyükdere-Maslak axis since the 1980s, is the result of the opening of Bosphorus and Fatih Sultan Mehmet Bridges and their beltways. The changing flows of traffic, increasing accessibility to residential areas and airport has become factors causing the dispersion of the business areas towards new locations. During this period, urban core, Eminönü and Karaköy, remained dominated by the small scale retailing activities, and firms rather operating in local markets.

In the early 1980s, new office buildings started being constructed on Büyükdere Boulevard along Şişli, Mecidiyeköy, Gayrettepe and Zincirlikuyu. In the late 1980s

and throughout the 1990s, by depending on the construction of Fatih Sultan Mehmet Bridge over the Bosphorus, Zincirlikuyu-Büyükdere-Maslak axis started to be congested by the office buildings and plazas (Cengiz, 1995). The firms locating on this axis, were mainly big companies and multinationals, banking and financial services, producer services and other service firms, construction firms. After the mid-1990s, since Zincirlikuyu-Levent part of the Büyükdere axis was almost completely filled up, Maslak area started to be was congested with office buildings and plazas.

However, as a result of the concentration and agglomeration, traffic problems in rush hours appeared leading to a change in the direction of the business area development from northern side of the city towards the Anatolian side. Starting from the mid-1990s, two new business areas, *Altunizade* and *Kozyatağı*, have emerged as "leap-frog" developments on the E-5 and TEM.

6.3.1. NEWLY DEVELOPED BUSINESS CENTRE IN EUROPEAN SIDE: BÜYÜKDERE - MASLAK AXIS

The business area development on Büyükdere Boulevard started in the 1980s. Then throughout the 1990s, the developments on this axis have continued towards Maslak. Büyükdere-Maslak axis, is shared between four district municipalities, *Sarıyer*, *Beşiktaş*, *Şişli* and *Kağıthane*. As it was indicated in Cengiz's survey (1995, pp.7-10), since the area is not under the control of one body, there are various plans approved and put into use in different dates, since the 1980s up to date. Some of them were approved by the Ministry of Tourism; some were Beşiktaş, Sarıyer, Şişli and Kağıthane Municipalities. Therefore the developments on Büyükdere-Maslak axis have come into reality through a variety of different plans approved in different dates. Until 1994, the

developments were tried to be handled by the implementation of the Act of Encouragement of Tourism. So, in this period, the central government's decisions were effective in determining the developments on Büyükdere-Maslak axis.

The area between Zincirlikuyu-Büyükdere axis and 4th Levent was announced as the tourism centre by the decisions of the Council of Ministers, in 1989. Therefore, by depending on the 7th article of the Law of 3194, all plan-making and approval rights were passed to the Ministry of Public Works and Development. Later on, this decision was overruled by the court (Cengiz, 1995, p.99)

In 1991, by benefitting for the ***1/50.000 scaled Bosphorus Obscured and Interrupted Views Area Development Plan Revision***, the plots of land on the Zincirlikuyu-4.Levent axis, which were previously announced as "tourism centre", were decided to function as *urban and regional CBD*. With this plan, high rise development rights were given to the investors. The plan was approved by the Greater İstanbul Municipality on January 21, 1991 (Cengiz, 1995, pp.99-103).

The northern direction of the Zincirlikuyu-Büyükdere axis is under the control of Şişli and Kağıthane municipalities. Therefore, the developments in this area were controlled by these municipalities. On January 13, 1988, 1/1000 scaled Şişli-Büyükdere Boulevard Upgrading Plan Alteration made possible the area to develop as a new business district area *by removing the industrial uses and letting new commerce and housing functions to be settled down the area* (Cengiz, 1995, p.104).

As Cengiz (1995) asserted although there were transportation and scheme plans, the Büyükdere-Maslak axis lacked an overall plan directing the further developments. Therefore, the area developed through piecemeal planning approaches.

The ownership of land between Zincirlikuyu-Büyükdere Boulevard and Levent was comprised of large plots of land which were owned by the big holdings in Istanbul. This ownership pattern made possible the development of high rise offices and plazas (Cengiz, 1995, p.96).

According to the results of the survey done by Cengiz (1995) the Büyükdere-Maslak axis was mainly occupied by the headquarters of banking and other financial firms (46%), the headquarters of industrial firms and retailing-marketing activities (30%), hotels (11%), insurance (3%), construction activities (5%), warehousing (3%), and research activities (2%). The majority of the firms (59%) occupying the Büyükdere-Maslak axis moved to the area after 1980. 27% of these firms were established on this axis after the 1980s (Cengiz, 1995).

These firms moved to the area due to the inflexibility of their previous offices for further development, larger space requirements, parking and transportation problems in their previous locations. The need for high-grade office buildings donated with high-standard architectural interiors, the accessibility of the area due to transportation axis, the concentration of financial and banking activities in the area, the intention of locating in a prestigious business area were the reasons of preference of the area by these firms. ***Since the area was previously occupied by industrial firms, after the decentralization of the industry towards the periphery, land owners used these sites as administrative units of their companies.*** Location preferences of Turkish and foreign financial institutions to settle down in the area also motivated the other companies to move to the area (Cengiz, 1995). The results of the Cengiz's survey showed after 1980, the firms locating in this area mainly came from Eminönü, Bahçekapı, Karaköy, Beyoğlu, Harbiye, Salıpazarı, Gümüşsuyu, and Tuzla (Cengiz, 1995).

The Figure 6.14, Table 6.3 and Table 6.4 show plazas, and business centres on Büyükdere axis until 1993. ***The blue dots on the map show the buildings***

identified by Cengiz. New offices and plazas constructed after 1993 are shown as red dots, and they were identified by the author's land use in the area in April, 1999. Therefore, the buildings numbered between 1 and 92 are the ones identified in Hüseyin Cengiz's land-use survey done in 1993. In the course of time, there have been changes in these buildings, either functionally or physically. Such buildings are not given a new number, but are written in italic letters near to the old ones in order to indicate the change. It is apparent from the Figure 6.14 that the agglomeration in the Maslak area has continued since 1993.

Table 6.3. Office Buildings on Büyükdere-Maslak Axis

1. Bayındırlık ve İskan Müdürlüğü
2. Emlak Bank Headquarters (newly started to be used)
3. Şişe Cam
4. Cihan Group (under construction) // *Yaşarbank Headquarters*
5. Dışbank
6. Anadolu Insurance (Unilever)
7. Esentepe Primary School
8. Dedeman Business Centre
9. Dedeman Hotel
10. Dedeman İşhanı
11. Gayrettepe Telephone Management // Head Office of Turk Telekom *European side*
12. Tütünbank // *Yaşar Data-processing-Yaşar Investment+Yaşar leasing and factoring*
13. Türk Boston Bank // *Türkbank*
14. Yapı Kredi Gayrettepe Branch (under construction) // *in use*
15. Türk Ticaret Bank
16. Deva Holding A.Ş.
17. Büyük Sürmeli Hotel
18. Pamukbank Headquarters
19. Albaraka Turk
20. Tekel Liqueur Factory
21. Akabe Trade Centre
22. Körfezbank // *not in use*
23. Turk İmar Bank Headquarters
24. Adabank Headquarters
25. Pekintaş+Shell
26. Şişli Culture and Trade Centre (land) // *now under construction*
27. Beytemhan
28. French Lape Hospital
29. Şişli Business Centre (construction done)

Table 6.3. (continued) Office Buildings on Büyükdere-Maslak Axis

30. Golden Plaza Business Centre
31. Eczacıbaşı (Nova Baran Centre)
32. Mecidiyeköy Business Centre
33. Polat Celil Ağa Business Centre
34. B.A.K. Business Centre (construction done)
35. Garanti M.K.A.Ş.+ Feniş
36. İ.Polat Holding
37. T.Vakıf Bank Headquarters+Kuwait Turk
38. Ray Menkul Değerler A.Ş.
39. Ram Koç Investment
40. Toprakbank Main Branch // *Toprakbank Headquarters*
41. Türk Eğitim Vakfı (Kocabaş İşhanı)
42. Garanti Bank 2.Regional Direction // *Toprak Holding Headquarters' construction*
43. Türk Ekonomi Bank
44. Finansbank
45. TATKO // *old plaza was demolished, new building is under construction*
46. Sınai Yatırım ve Kredi Bank. Headquarters (land) // *in use*
47. Egebank headquarters (under construction) // *in use*
48. Maya (2 blocks)
49. Turk Sakura Bank+ENKA+Interbank
50. Kentbank
51. Boğaziçi M.D.A.Ş.+Impex bank
52. İmtaş Insurance Headquarters
53. Demirbank Headquarters
54. Özsezen Business Centre
55. Halk Insurance Headquarters
56. İktisat Bank Headquarters
57. Bank Mellat
58. Renault
59. Eczacıbaşı
60. Roche
61. IBM
62. IBM+YKB
63. Yapı Kredi Headquarters
64. Kalebodur Ceramics
65. Tekfen
66. Fako
67. Akbank
68. Sandoz
69. Turk İş Bank, Şişe Cam Factory Management and Business Centre (construction) // *construction is about to finish*
70. Deva Holding
71. Sela
72. Eczacıbaşı
73. APA
74. T.C. Central Bank (land)
75. Gümüşsuyu
76. Özköseoğlu Group (Özen iş merkezi)
77. Üçem Centre (under construction)

Table 6.3. (continued) Office Buildings on Büyükdere-Maslak Axis

78. TYT Bank
79. Maslak Business Centre
80. Emlak Bank
81. Spring Giz Plaza
82. Mövenpick Hotel
83. Noramin Business Centre + Çarşı
84. Hema Hydrolics (construction is about to finish)
85. Paşabahçe
86. U.S.O. Centre (under construction)
87. Jumbo Business Centre
88. Garanti Bank Headquarters
89. İşikev Sosyal Tesisleri
90. Ayazağa Işık Private Highschool
91. Akmerkez (under construction) // *construction was finished in 1993*
92. D.İ.E.

Source. CENGİZ, H. (1995) *İstanbul'un Çağdaş Metropoliten Kent Merkezi Oluşumu: Büyükdere Caddesi Aksı*, Yıldız Teknik Üniversitesi Publication, MF-ŞBP 95.072, İstanbul.

The Table 6.4 shows the offices constructed after 1993. Red dots indicate the plazas constructed after 1993. As it can be observed in the Figure 6.9 that after 1993 Maslak area has been congested with A-grade plazas.

Figures 6.15, 6.16, 6.17 shows some examples of office blocks located on Büyükdere -Maslak axis. The offices in Figure 6.15, are lined along the "Eski Büyükdere Boulevard" which was developed throughout the 1980s. However, Büyükdere-Maslak axis developed throughout the 1990s. Therefore, as it can be observed in Figure 6.16 and 6.17, these plazas, such as İş Bankası Headquarters, Yapı Kredi Blocks, and all buildings in Figure 6.16 are architecturally different than the office blocks on Eski Büyükdere Boulevard (See Figure 6.15, 6.16, 6.17).

Table 6.4. Office Buildings On Büyükdere-Maslak Axis After 1993

93. *Interbank + Plaza Hotel*
94. *Oyak Bank (OB menkul Değerler)*
95. *SOYAK*
96. *Garanti Insurance Headquarters*
97. *Anadolu Insurance*
98. *Bayındır Menkul*
99. *Show TV Headquarters*
100. *Metrocity (under construction, opening 2000)*
101. *1.Levent Plaza (under construction)*
102. *Maliye Bakanlığı İstanbul Defterdarlığı Finans Vergi Dairesi (under construction)*
103. *Business Centre (construction is finished)*
104. *Ekinciler*
105. *Ayyıldız Business Centre*
106. *Demirbank (construction just finished)*
107. *MD Plaza*
108. *Aktif Finans*
109. *Arı Menkul Kıymetler*
110. *A business centre (completely finished and empty)*
111. *An additional office tower to Yapı Kredi Headquarters*
112. *Ceylan Holding + Bankapital Headquarters (Const. completed)*
113. *Garanti Bank Headquarters+Doğuş Holding (basement level)*
114. *Tekfen Menkul Kıymetler*
115. *Tat Towers (2 buildings under construction)*
116. *Vakıf Leasing*
117. *Bankapital Headquarters*
118. *Denizbank Headquarters*
119. *Honda Plaza (under construction)*
120. *Nurol Plaza -Bayındır Holding*
121. *Ata Center (construction just finished)*
122. *İstanbul Çorap (under construction)*
123. *Bosch (construction just finished)*
124. *Atatürk Oto Sanayi Sitesi Nazmi Akbacı Business Centre*
125. *NTV - Olay TV (construction is about to finish)*
126. *Beybi Giz Plaza*
127. *İstanbul Bilgi University*
128. *Şişecam*
129. *Balkaner Plaza*
130. *Ayazağa Business Centre (construction is about to finish)*
131. *Doğuş Group*
132. *Sümerbank Headquarters*
133. *Giz Plaza (construction has just finished)*
134. *Park Plaza*
135. *Osmanlı Bank Headquarters*
136. *Korkmaz Yiğit Business Centre (empty)*



Figure 6.15. Office Developments on Eski Büyükdere Boulevard



Figure 6.16. Plazas on Büyükdere-Maslak axis

Top: (left to right) : Sabancı Holding, İş Bank Headquarters, Yapı Kredi Bank on Büyükdere Boulevard, Levent, Beşiktaş

Bottom :Yapı Kredi Bank on Büyükdere Boulevard, Levent, Beşiktaş



Figure 6.17. Plazas on Büyükdere-Maslak Axis, Maslak, Şişli.

6.3.2. NEWLY DEVELOPED CENTRES IN ANATOLIAN SIDE: KOZYATAĞI AND ALTUNİZADE

Whereas, in the Anatolian side, in the late 1990s, Kozyatağı and Altunizade have become prestigious areas for newly developing plazas. The proximity to the E-5 and TEM, and comparatively lower rents have become effective in firms' decisions in favour these areas. Therefore, new business areas hosting service sector firms in İstanbul have emerged as a result of the changes in flow of traffic. Administrative units of the international construction firms were located themselves in Altunizade, and administrative units of the firms in otomotive industry were settled in E-5 corridor (Cengiz, 1995).

Altunizade became the first area developed as new business centre of the Anatolian part. Location preference of Koç Holding for its headquarters in Nakkaştepe encouraged prestigious CBD development in Altunizade. Then, Şark Sigorta, Uran Holding, Shell, Garanti Koza, Mobil, Commercial Union Insurance, L'oreal, Schering, Asya Finans moved to the area (Demirel, 1998).

Initially the factors such as being close to their factories in the Anatolian part, benefitting from lower rents, and having their own buildings, etc. became effective in the development of the area. The majority of the parcels were bought very low prices in the 1970s (Demirel, 1998). Also, comparatively less traffic congestion, proximity to employees homes were the reasons in preferences of Altunizade by foreign and local firms. However, during the course of time, office rents have reached to same levels with those offices in Büyükdere Boulevard. By following the office developments, the middle and upper-middle class houses, such as, Bağlarbaşı Soyak Houses, Mesa Konakları, Adıgüzel Villaları have displaced two-floor houses in the area (Demirel, 1998) (See Figure 6.18 and Table 6.5).

**İSTANBUL
ALTUNİZADE**



Figure 6.18. New Business Area in Altunizade

Table 6.5. Business Centres in Altunizade

1. Sultanlar Gıda Kozmetik
2. Bank Kapital
3. Şekerbank
4. Asya Finans
5. Volkswagen
6. Business Centre (for rent)
7. Business Centre
8. Business centre (under construction)
9. İsmetbey business centre
10. Knoll/Demirbank/İş Bankası
11. Renk Tekstil /Osmanlı Bankası

Table 6.5 (continued). Business Centres in Altunizade

12. Cengiz Group / Egebank
13. Uran Holding– Culture and Art Centre
14. Yurtbank
15. Toyota
16. Alstom İst. Headquarters./Benkar International Trade.
17. Set Group Holding
18. Arduman Business Centre
19. Ahmet Nihat Özsan İnş.San.A.Ş./Yapı Kredi Altunizade Branch
20. Emek Insurance
21. Nippon Business Centre
22. Denizciler Business Centre
23. Residences
24. Aköz Business Centre (Sony/ Demirdöküm)
25. Emlak Bank
26. Business Centre
27. Setur/ Divan
28. Garanti Koza
29. İsviçre Sigorta
30. Maktel / Yolkan İnş. Tic.A.Ş.
31. Şekerbank
32. İhlas Pazarlama Headquarters
33. Business Centre
34. Koç Allianz
35. Toprak Bank
36. Ford Galeri
37. Kutay Business Centre
38. Mitsubishi Motors / Pilsa
39. Finans Bank
40. Honda Ayışığı Plaza (Schering)
41. NCR
42. Saray Hali
43. Commercial Union (Hayat Insurance)
44. Capitol Shopping Centre
45. Kodak
46. Canon
47. L'oreal
48. Akaş Business Centre

Apart from the development of Altunizade as new business centre, **Kozyatağı** has also been developed at the junction of TEM highway and E-5. The presence of CarrefourSa stimulated this growth. Procter & Gambler, Colgate-Palmolive, Anadolu Group, Unilever, Citibank are the companies moved into the area. The permission of high rise development and large plots of land have given way to the development of this area. Similar to Altunizade, following the development of the

area, high income housing projects, such as Ataşehir, were initiated. So, Kozyatağı has gradually turned from a middle-income to high income area. Ataşehir, currently 5000 out of 20000 houses were built, was also planned to become a satellite city which stimulated the growth of Kozyatağı (Demirel, 1998) (See Figure 6.19, 6.20, 6.21 and Table 6.6)

6.4. HIGH PRICE REAL-ESTATE MARKETS IN İSTANBUL

As it was analysed in the previous chapter, since the 1980s, except from the central government or metropolitan government-led projects, most of the developments taking place in İstanbul have been the private-sector led site-specific, shopping centres and office buildings. The leading actors of these projects were big capital holders and/or multinational firms acting in various other sectors of the industry. Similar to the other financial

Table 6.6. Office Buildings in Kozyatağı

1. Toyota Plaza
2. Şişikler Business Centre (under construction)
3. Zitaş Business Centre
4. Daloğlu Plaza
5. Daka Business Centre
6. Yolbulan Plaza
7. Çolakoğlu Plaza
8. Bayraktar Business Centre
9. Hayriye Business Centre
10. Unilever
11. Bostancı Shopping Centre (under construction)
12. Yataş Business Centre
13. Anadolu Group
14. Üçem Plaza (under construction)
15. Nora Centre
16. Kar Plaza
17. Eston Çamlı Houses
18. Bauhaus
19. Üçgen Business Centre
20. CarrefourSa
21. Metro

İSTANBUL KOZYATAĞI

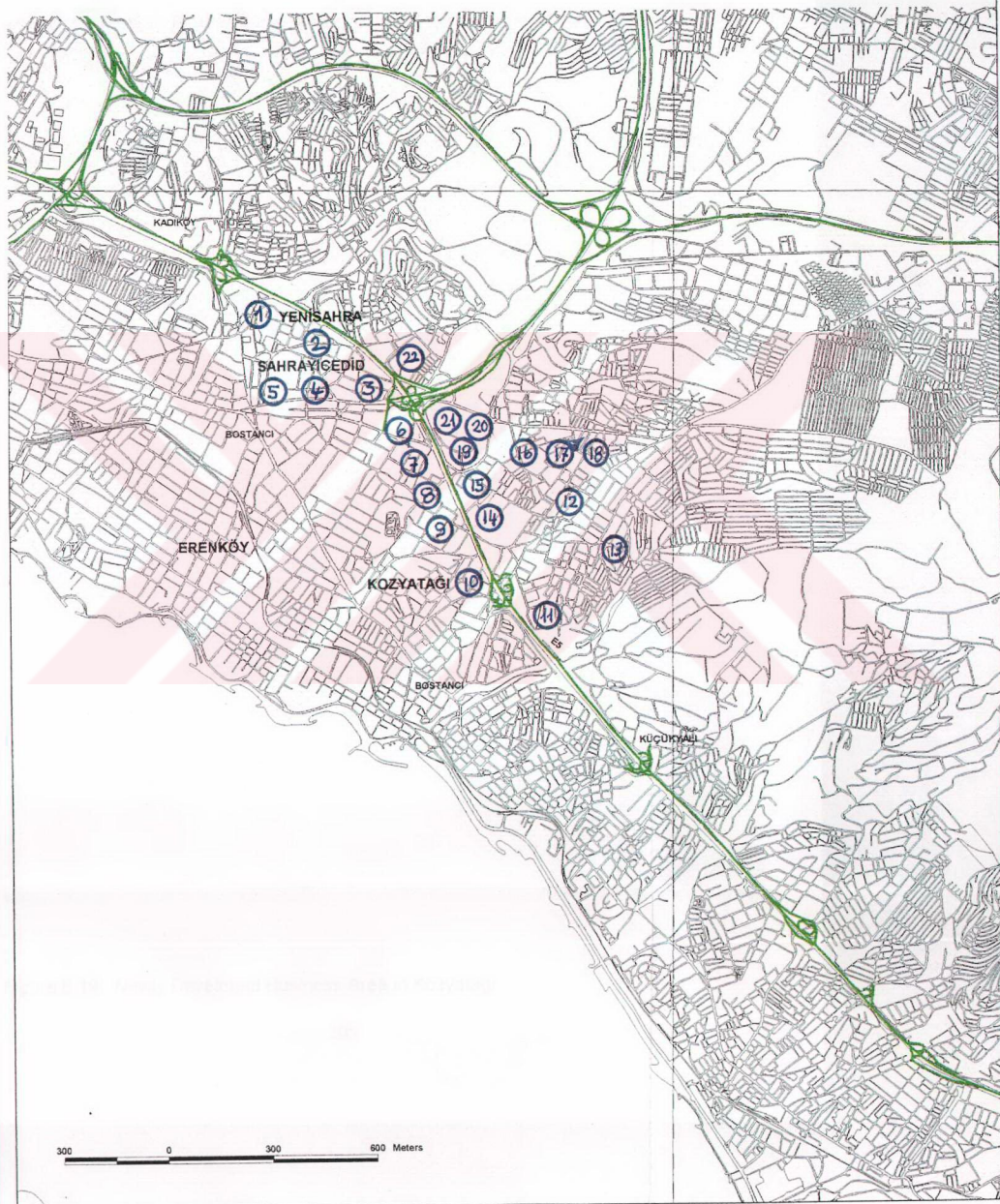




Figure 6.20. Plazas in Kozyatağı

Top: (left to right): Kar Plaza and Eston Çamlı Houses,

Bottom: Zitaş Kozyatağı Business Centre



Figure 6.21. Business Centres in Kozyatağı

centres or the world cities, a highly speculative real-estate market has become a predominant feature of İstanbul. High prices were not only confined to *housing*, but also the price of *commercial property*, such as *shopping centres; plazas and business centres*; and *hotels* reached high level of real estate prices (See Table 6.7 and Table 6.8).

The only turning point in this period, 1994 economic crisis that affected all sectors of the economy. The economic regulations realized in 1994 caused sharp decreases in almost every sector of the economy, except the real estate market.

Therefore, in this period, the reproduction of capital was realized by investing into the real estate (See Figure 6.22).

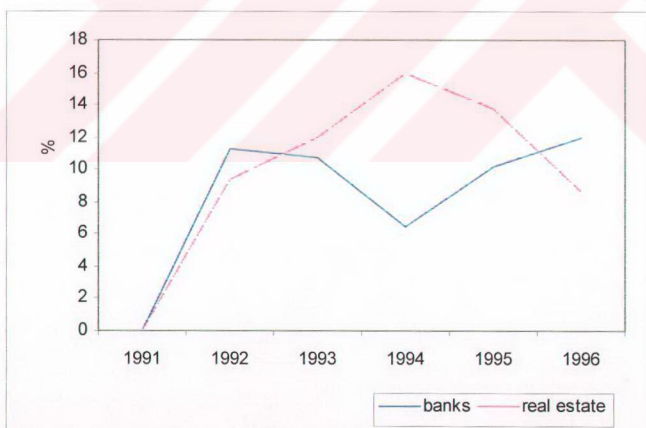


Figure 6.22. "Banks, Bankers and Insurance Companies" and "Real Estate Agents", Between 1991 and 1996

Source. Unpublished Data of İstanbul Chamber of Commerce, composed by the author

Table 6.7 Real Estate Market Prices in Different Areas of İstanbul

Area	Price of Real Estate (US\$)
Fenerbahçe	250.000 - 1.250.000
Kozyatağı	100.000
Suadiye	1.000.000 - 1.250.000
Beylerbeyi	100.000- 3.000.000
Arnavutköy	800.000 - 2.000.000
Bosphorus area	1.000.000 - 8.000.000
Levent	300.000
Etiler	400.000 - 1.000.000

Source: ACAR, I. (1998) "İstanbul, Florida'yı Salladı", *Yeni Yüzyıl*, July 13.

Table 6.8. Prices of Some Selected Villa-sites

Projects	Location	Price (US\$)
Alarko 4 Seasons	Sarıyer	300,000 - 750,000
Alkent 2000 1 st phase	Büyükkçekmece	450,000 -1,350,000
Demirciköy Houses	Sarıyer	425,000 - 575,000
Kemer County	Kemerburgaz	350.000 - 800.000
Residence 9 Palmiye	Kartal	90,000 - 290,000
Saklı Koru	Bahçeköy	700,000-1,000,000
Mercansaray Houses	Tuzla	400,000-1,200,000
Zekeriyaköy Mansions	Zekeriyaköy	561,000 - 750,500

Source. SEÇKİN, S. (1997) "Villa nüfusu 60 bine ulaştı", *Capital*, No.9, p.114.

The high-price real estate market is not only confined to high-income housing areas. The shopping centres, business centres and five-star hotels also have had the high price real markets (See Table 6.9).

Table 6.9. Price of Property Markets for Shopping Centres, Business Centres, and Deluxe Hotels , 1998

Shopping Centres	TL/m²
Marina Regatta	350.000
Galleria	300.000
Carousel	120.000
Akmerkez	200.000
Business Centres	TL/m²
Sabancı Centre	200.000
Yapı Kredi	200.000
Çanakkale	200.000
Vakko	600.000
Hotels	TL/m²
Hyatt Regency	300.000
Holiday Inn	300.000
Conrad Hotel	200.000
Swissotel	200.000
Çırağan Palace	200.000
Plaza Hotel	150.000
Princess Hotel	150.000
Hilton Praksa	150.000
Dedeman	150.000
Büyük Sürmeli	150.000

Sources: *Dünya Newspaper*, Jan 12, 1998 and *Macro*, February, 1998

Since the European real estate markets in which only 8% of rate of profit can be obtained, are saturated by the investments, İstanbul has become an attractive market for foreign investors planning to invest in shopping and entertainment centre investments. The speculative real estate market in İstanbul has led foreign investors from the United States and Europe to look for investment opportunities (Tüzün, 1998).

Table 6.10. A-grade Office Market Distribution of Current Tenants

1. Banking, insurance and financial services	49%
2. Industrial	15%
3. Information technology	7%
4. Holding company	7%
5. Construction	6%
6. Other services	5%
7. Government	5%
8. Professional	3%
9. Foreign trade and transportation	2%
10. Media	1%

SOURCE: Property News (1998) DTZ Pamir & Soyuer International Property Advisers, January, Vol.2.1.

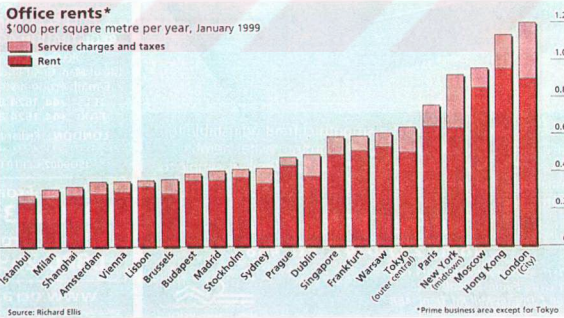


Figure 6.23. Average Office Rents in World Cities

Source. The Economist (1999) March 13-19, p.136.

6.4.1. CURRENT OFFICE STOCK IN İSTANBUL: QUALITATIVE AND QUANTITATIVE PROPERTIES

According to Ercan (1996, p.85) during the 1980s, the difficulties faced in restructuring of capital forced capital owners to invest in urban land. In this process, the areas previously used as production sites were rapidly turned into financial and commercial areas where higher rents could be achieved. Also, parallel to the decentralization of industry towards the periphery of İstanbul and Marmara region, the headquarters of these firms have made their location decisions in favour of newly developing business areas in the city (Sönmez, 1996), such as Büyükdere-Maslak axis, Kozyatağı and Altunizade areas.

Similar to the developments observed in London, the spatial requirements of these firms are generally "A-grade" offices, equipped with the latest technology. The rents are determined in accordance with the size and location of offices and paid as dollars. Generally, foreign firms required A-grade office buildings. The office supply in 1997 reached to 400,000 m² (Property News, 1998). Nevertheless, as compared to the other global cities the average office rent in Turkey is the lowest (See Tables 6.10, 6.11. and 6.12).

According to *DTZ Pamir & Soyuer* real estate firm, approximately 89,000 m² of new A-grade office space was constructed in İstanbul in 1998. The biggest occupiers of the A-grade office market are *banks* and *financial institutions*. In December 1997, the total A-grade office supply in İstanbul CBD reached 485,000 m². The average rent for A-grade offices (without tax) was \$ 16.21/m²/month in December 1997 (Property News, 1998). Nevertheless, as compared with the office rents of other European cities, the prices in İstanbul are the lowest (See Figure 23).

Table 6.10. A-grade Office Market Distribution of Current Tenants

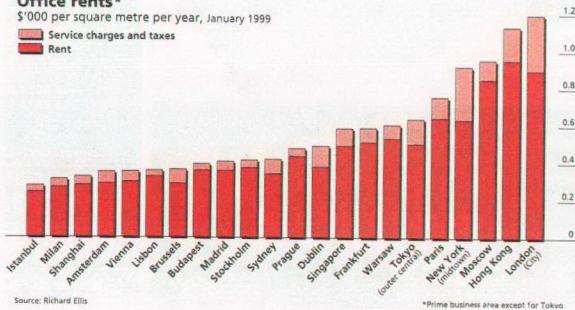
1. Banking, insurance and financial services	49%
2. Industrial	15%
3. Information technology	7%
4. Holding company	7%
5. Construction	6%
6. Other services	5%
7. Government	5%
8. Professional	3%
9. Foreign trade and transportation	2%
10. Media	1%

SOURCE: Property News (1998) DTZ Pamir & Soyuer International Property Advisers, January, Vol.2.1.

Office rents*

\$'000 per square metre per year, January 1999

Service charges and taxes
Rent



Source: Richard Ellis

*Prime business area except for Tokyo

Figure 6.23. Average Office Rents in World Cities

Source. The Economist (1999) March 13-19, p.136.

Table 6.12. Current Office Building Stock

OFFICE BUILDING	DISTRICT	PRICE FOR SALES (\$/m ²)	PRICE FOR RENT (\$/m ²)
ACARLAR PLAZA	MASLAK	1500	---
INCO MASLAK PLAZA	MASLAK	1750	---
JUMBO BUS.CENTRE	MASLAK	1750	---
ALARKO ALSİM-OSMANLI B.	MASLAK	1800	---
AYAZAĞA COM.CENTRE	MASLAK	---	9
MASLAK TOWER	MASLAK	1750	16
MASLAK TRADE CENTRE	MASLAK	1400	---
NUROL MASLAK PLAZA	MASLAK	---	16
ÖZEN BUS.CENTRE	MASLAK	2000	---
SPRING GİZ PLAZA	MASLAK	1600	14
NORAMİN BUS.CENTRE	MASLAK	---	9
YAPI KREDİ PLAZA (A-B)	LEVENT	---	17
YAPI KREDİ PLAZA (C BLOCK)	LEVENT	2000	17
POLAT LEVENT (A-B BLOCK)	LEVENT	1850	---
MERİDYEN BUS.CENTRE	LEVENT	1800	17
AKMERKEZ (ETİLER)	ETİLER	2000	18
AKMERKEZ (LEVENT)	ETİLER	1750	17
BEYTEM HAN	ŞİŞLİ	---	11
ŞİŞLİ CEM PLAZA	ŞİŞLİ	---	15
GOLDEN PLAZA	ŞİŞLİ	---	16
NOVABARAN CENTRE	ŞİŞLİ	1600	15
AKABE BUS.CENTRE	GAYRETTEPE	---	11
BEYAZIT BUS.CENTRE	ESENTEPE	---	15
ENKA HAN	ESENTEPE	---	15
MAYA AKAR CENTRE	ESENTEPE	2250	---
ÖZSEZEN (A-B BLOCK)	ESENTEPE	---	16
ATAKULE (B BLOCK)	BALMUMCU	---	16
BARBAROSKULE (C BLOCK)	BALMUMCU	---	16
KOZA BUS.CENTRE	BALMUMCU	---	12
GALLERIA ATAKÖY	ATAKÖY	---	17
POLAT GÜNEŞLİ	GÜNEŞLİ	1000	7
BJK PLAZA	BEŞİKTAŞ	---	16
SİDDİKLAR BUS.CENTRE	KOZYATAĞI	---	12
YOLBULAN PLAZA (A-front)	KOZYATAĞI	---	18
YOLBULAN PLAZA (A-back)	KOZYATAĞI	---	18
İLİM YAYMA VAKFI BUS.CEN.	ALTUNİZADE	---	20
AKÖZ (A-B BLOCS)	ALTUNİZADE	---	20
NORA BUS.CENTRE	İÇERENKÖY	---	14

SOURCE . AKBULUT, S. (1997) "İş Merkezleri", *Para*, August 24-30,

6.5. 1/50.000 SUB-REGION MASTER PLAN AND THE PROPOSED DEVELOPMENTS FOR BUSINESS AREAS

The 1/50.000 scaled master plan of İstanbul done by the İstanbul Metropolitan Area Master Plan Bureau in 1980 was proposing a linear macroform for İstanbul. However, the 20-year period from 1980 to 1999 have resulted in expansion of İstanbul not only in east-west direction, but also to the northern side of the city, towards forests and water basins.

The 1/50.000 sub-region master plan of the Greater İstanbul Municipality in 1994, similar to the 1980 plan, proposes a linear macroform for İstanbul (See Figure 6.24). In this plan, central business district extending from the historical area *in Eminönü, Fatih-Aksaray, Beyoğlu (historical Pera) and Galata* was decided to be preserved areas by keeping commercial, service, and touristic characteristics. On the other hand, **Şişli-Beşiktaş** was declared as business district areas needed **rehabilitation** by encouraging differentiated and specialized service sector and commercial activities without disturbing the existing residential uses. Whereas, the future developments on **Levent-Maslak axis towards the Bosphorus** were determined to be prohibited in order to preserve the silhouette of the Bosphorus.

The industrial areas in Topkapı, Maltepe and Rami areas would be the service areas transformed from the industrial uses; and Ferhatpaşa would be development area for prestigious service areas.

In the Anatolian side, **Kadıköy**; and in the European side, **Bakırköy** are the first-tier central areas that would relieve the pressure on the central business district.

Üsküdar and Kartal on the east, and **Avcılar** on the west are the second-tier subcentres to be developed.

Ümraniye, Maltepe and Pendik on the Anatolian side, and **Büyük Çekmece and Bağcılar** on the European side would be the third-tier subcentres which would serve the surrounding areas.

And also, linear development of the city through the eas-west direction would be encouraged by creating **growth poles** on each edge of the city, **Gebze** and **Ortaköy-Kavaklı**. The business district developments on these areas would relieve the pressure on the central business of the city by hosting a variety of specialized service and commercial functions, administrative, control and coordination functions of financial firms. So, the industrial activities in Kurtköy, Maltepe and Kartal would be removed outside of Greater İstanbul Municipality territories.

6.5.1. NEW PROJECT IN ANATOLIAN SIDE: KURTKÖY

Kurtköy, in boundaries of Pendik municipality, was almost unknown to many people before the HTIP project was initiated. The area gained importance after the start of the airport project which is accepted as the second big project following the GAP. The airport project is part of the "*High Technology Institute Park (HTIP)*" project realized by the Undersecretary of Defence Industry. HTIP mainly consists of four distinct projects, *industrial park*, *international airport*, *high technology centre*, and *aeronautical centre*. It is financially supported by the state funding (760 million dollars); Defence Industry Subvention Fund (200 billion dollars); and domestic and foreign private sectors (for the rest of 9.1 billion dollars). The first phase of of the project, infrastructure premises construction, will

be completed by December 31, 1999. Kurtköy Airport, was planned to be 3 times bigger than Atatürk Airport and 4 times bigger than Esenboğa Airport. The airport covers an area of 13 km². As a part of the project, a finance centre consisting of 293 high rise buildings, and 93925 houses will be constructed, together with shopping centres, sports and social complexes. It will provide employment opportunities for 125.000 people. After the completion of the whole project, the flow of capital is expected to be \$ 2 billions/year, of which 100 millions of dollars from the airport, 250 millions of dollars from the technopark, and 300 millions of dollars from the commercial area will be accrued (Gönel, 1998).

In the area there will various mass housing projects, such as :

- *Kurtköy mass housing project*: 700 hectares, 40.000 houses, 250.000 people
- *Yaylalar mass housing project*: 241 hectares, 8.500 houses with 35.000 people
- *Şeyhli mass housing project*: 7,5 hectares, 1.200 houses (Gönel, 1998).

6.6. EVALUATION OF THE TRANSFORMATIONS OF THE CBD

Until the 1970s, İstanbul was a *mono-centric city* in which the offices, retailing and wholesaling, banking, insurance activities were concentrated in Eminönü and Karaköy (Dökmeçi and Berköz,1994). In the early 1970s, due to a variety of reasons the transformations in the CBD of İstanbul came into reality. Traffic congestion, parking problems and inadequate public transportation were the main reasons related with transportation and accessibility. During this period, increasing population in the city led to the demand for more offices. However, due to the diseconomies of agglomeration, it was not possible to satisfy these demands in the CBD. Being accompanied by the strict building regulations in the

area, the demand for spacious offices could not be met. Therefore, the inflexibility of urban fabric for further development caused investors and firms to look for other areas outside of the urban core. In 1973, the construction of the Bosphorus Bridge and provision of peripheral highways made possible the dispersion of new business areas towards Taksim-Şişli-Zincirlikuyu axis (Dökmeçi and Berköz, 1994).

To some extent, this is similar to that of the CBD developments in London and Paris. In London, in the mid-1980s, foreign firms and their British partners were demanding new office buildings suitable for setting up telecommunication systems. Although a draft local plan had been prepared by the City of London, it was not possible to meet the new office space requirements with this plan. Impossibility of providing new offices in the old urban fabric resulted in *pressures* to open up new areas for development.. Therefore, the regeneration of London's docks was realized as a response to meet the demand for offices and to strengthen London's position in the global financial markets. Similarly in Paris, the increasing traffic problems and pressures of retailing activities in the centre, the efforts for attracting firms from Brussels, London and New York, etc., and rigidities of the urban fabric for buildings with high-tech architectural qualities, resulted in the realization of La Défense (Savitch, 1988).

It appears that in both cities, the demand of new office spaces for the developing financial and services activities, inflexibility of the urban core for expansion, the growth of international relations, the concentration and agglomeration in the urban core led the dispersion of the CBDs towards new sites available for further development

After the construction of the Bosphorus Bridge, the spatial transformations in the city accelerated. With the 1966 Industrial Master Plan, industrial plants were moved to the areas between Büyük Çekmece Lake and Küçük Çekmece Lake,

and İkitelli in the European side of the city, and in the eastern part, between Ümraniye and Gebze. These plan decisions also affected the population distribution in the city (Bölen, *et al*, 1996, p.223). Therefore, the Bosphorus Bridge and the peripheral highways turned into *inner-city roads* within a short time. The provision of two parallel highways between east and west sides of the city stimulated the growth of residential areas along the highways. Especially increasing rate of private car ownership and relatively cheaper land prices as compared to central areas encouraged this trend (Akkal, 1996, p.325). As a result of the continuous population growth, expansion of the city towards east-west direction as well as northern direction, İstanbul changed from a *mono-centric city* into a *multi-nucleated city* in which new business district areas were developed along the major transportation routes connecting the Anatolian and European sides of the city. During this period, Eminönü-Sirkeci, and Beyoğlu areas were relieved from warehousing activities and industrial firms by the decentralization decisions of the metropolitan municipality. The growth of business district functions in *Şişli and Beşiktaş* came into reality with the provision of peripheral highways (Akkal, 1996).

From 1975 to 1980, the office buildings occupied by holding companies, multinational companies, and banks were located in *Mecidiyeköy and Gayrettepe*. Since the mid-1980s, new office buildings started to be located on Büyükdere Boulevard through *Zincirlikuyu, Levent and Maslak*. In this period, the historical core of the city faced with severe employment losses. *To illustrate, between 1970 and 1980, the service sector employment in Eminönü decreased from 33.1% to 16.1%* and the share of corporation income tax collected remained 6.1% of İstanbul total. This low rate of tax return is an indication of the existence of small scale firms and commercial uses, rather than big companies. In the same period, on the other hand, the share of Şişli in corporation income tax

reached to 28.1%, which was the highest rate in İstanbul (Dökmeci, et al, 1994, p.28).

In terms of office rents, the difference between Şişli and Eminönü is sharp. In 1990, while average office rent in Eminönü was 3.5 \$/m², average office rents in Şişli was 25 \$/m. On the other hand, in 1991 in London, the office rents ranged between \$500-1000 m²/year *in the City*, and in the *back offices in Docklands* rents were \$ 325 m²/year. In *Paris*, in 1991, average office rent was \$ 800 m²/year, *in the city*, whereas in *La Défense* it decreased to \$ 500 m²/year (Bosman and de-Smidt, 1993). This indicates that the urban cores in Paris and London can compete with the new business district areas.

In the 1980s, Fatih, Eminönü, Beyoğlu districts that had previously been the concentration and agglomeration places of industrial and service sector activities, faced with population losses (Greater İstanbul Municipality Master Plan Report, 1995, p.31). Service sector activities started to concentrate in Kadıköy and Üsküdar districts in the Anatolian side; and, Beşiktaş, Şişli, Bakırköy districts in European side. During this period, in the Anatolian side, along the highways Maltepe, Kartal, Soğanlı, Dolayoba, Pendik population increases were observed (Bölen, et al, 1996).

The developments on Büyükdere axis continued in the late-1980s and throughout the 1990s. Although there was not any declared "business district area", developments were directed by either the central government's decision as "tourism centre", or district municipalities' plans. During the development of this axis, 1/1000 scaled Şişli-Büyükdere Boulevard Upgrading Plan Alteration, dated in 1988, removed the industrial uses from the area (Cengiz, 1995). Therefore, ***decentralization of the industry towards periphery resulted in large plots of vacant land to be developed as offices and plazas.*** Since industry was decentralized towards periphery, big companies and/or capital holders utilized

these areas as headquarters of their companies by benefitting from the either the Act of Encouragement of Tourism, or the building permissions given by the district municipalities (Cengiz, 1995).

During this period, banking and other financial activities have been concentrated along the Büyükdere-Maslak Boulevard. Since **banking and financial activities has the highest tendency of concentration**, *Şişli district has become the most preferable location for both foreign and Turkish financial institutions* (İstanbul Chambers of Commerce, Undersecretary of Treasury). During this period, the Büyükdere-Maslak axis has continuously been congested by the headquarters of large companies/multinationals, banks, and firms providing producer services.

When the 1/50.000 scaled İstanbul Metropolitan Area Master Plan was put into implementation in 1980, the main objectives were the preservation of agricultural land together with forests and water basin in the northern part of the city; providing a linear urban development in the east-west direction; and realizing a light rail transit connecting the Anatolian and European sides (Ekinci, 1994). However, during the 20-year period, the city has continued to grow in the **northern direction** as well as east and west. The opening of Fatih Sultan Mehmet Bridge has driven the development towards the northern side of the into the forests and water basins. Whereas, the decentralization of the industry have stimulated the expansion towards east-west directions. In this sense, the changes in the provision of transportation network, opening of Fatih Sultan Mehmet Bridge and TEM (Trans-European Motorway), have resulted in the changes in "flows of traffic" that affected the location pattern of housing, employment and services. As a result, the proposed business district developments in the 1/50.000 scaled İstanbul Metropolitan Area Master Plan, dated in 1980, was not realized (See Figure 6.25).

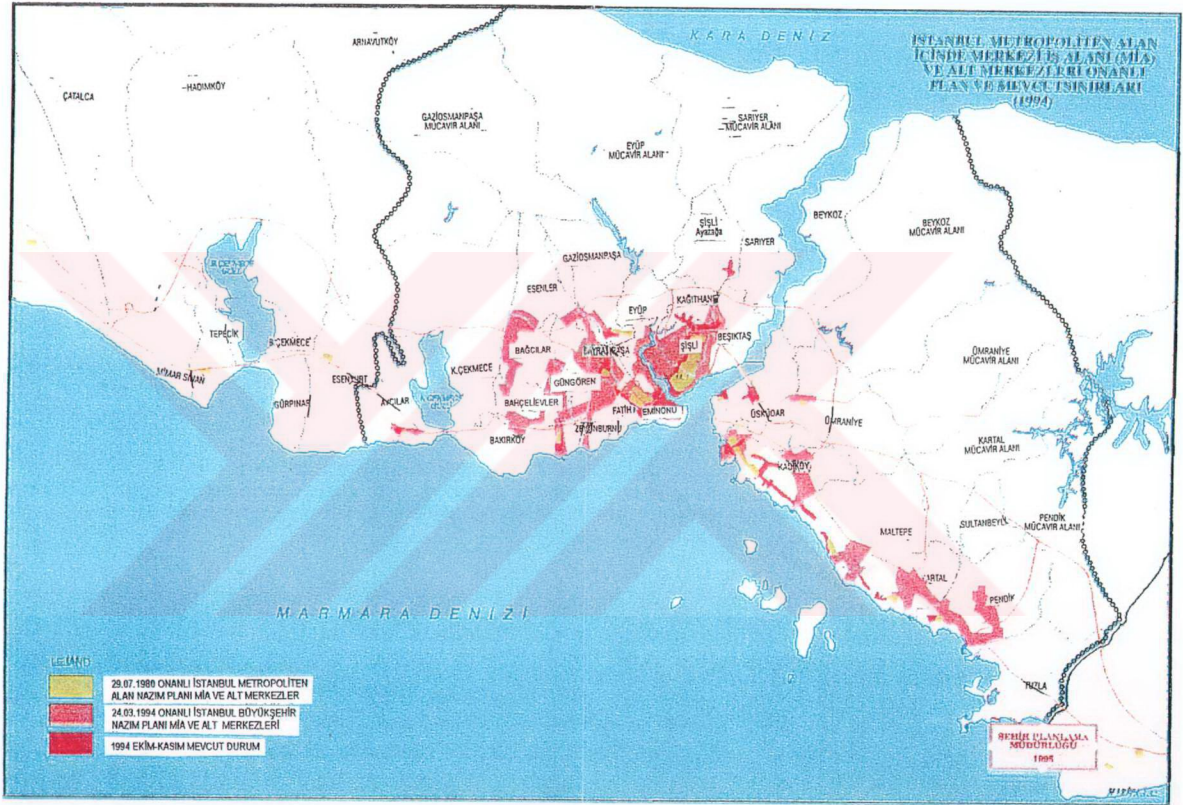


Figure 6.25. The Proposed CBD Developments for İstanbul in 1/50.000 Scaled Master Plans, dated 1980 and 1994.

Source. Greater İstanbul Municipality, 1/50.000 Sub-region Master Plan Report, (1995), map no.3.32.

In the 1990s, the macroform of the İstanbul metropolitan area was shaped by the dispersion of housing areas towards the periphery by depending on the provision of transportation network. While the historical urban core has been slowly experiencing transformations in itself, the peripheral areas have developed rapidly without planning decisions and adequate provision of infrastructure. In the western side, Bakırköy and its periphery have grown sharply as a result of the availability of rural land, existence of industrial and other employment opportunities together with the transportation network. In the east-west direction the areas on the north of the E-5 motorway have been congested with the residential and industrial areas. During this period, while Gaziosmanpaşa and Sarıyer areas have been growing continuously, Eminönü have experienced population losses. Beyoğlu turned into a depressed area by losing its residential character. In the eastern side, Kartal and Üsküdar continued to grow. Along the E-5 concentration of industrial activities have been observed together with the illegal housing areas (Greater İstanbul Municipality Master Plan Report, 1995).

High price real estate markets have become a dominant characteristic of during this period. The speculative real estate markets for housing, shopping areas and offices have stimulated investors to invest on real estate for the seek of higher rents in return. Meanwhile, in and around the city, high price residential areas, such as villas, high-rise residences, for upper income groups have appeared. The peripheral areas in the north, east and west, Sarıyer, Büyük Çekmece, Kemerburgaz, Kartal, and Tuzla, the high price housing areas, away from the traffic problems, congestion, noise, etc., have been scattered. The high price real estate housing market has also been evident in the central areas, such as Fenerbahçe, Kozyatağı, Suadiye, Levent, Etiler. This speculative real estate market has led the central areas to become unaffordable places to live for the

majority of population, resulting unauthorized housing areas in the periphery of the city.

After the mid-1990s, the continuous proliferation of offices and plazas in Maslak area turned out to be a disadvantage due to the traffic problems in rush hours. Therefore, following the agglomeration in Büyükdere-Maslak axis, the direction of business district development has changed and leaped to the Anatolian side of the city, through the major highways, E-5 and TEM. In this respect, the development of Altunizade and Kozyatağı has partly been caused by problems of traffic congestion and lack of easy accessibility. Therefore, these areas have come into the reality as a result of the firms' intention to reduce commuting time and distance.

Relatively lower rents and easy access to the Bosphorus Bridge have stimulated the development of Altunizade as a business district area. Within a short a time, Altunizade, by losing its residential character, turned into a business area and occupied by the foreign and Turkish banks, headquarters of larger companies, showrooms, etc. (Demirel, 1998) In this respect, the growth of Altunizade can be evaluated as a "leap-frog" development that came into reality due to the diseconomies of agglomeration in Büyükdere-Maslak axis.

Due to building regulation constraints and small size of plots, Altunizade has emerged as a low-rise, low-density, high price business centre comprising business district functions similar to that of the Büyükdere axis, such as banking and insurance activities, headquarters of big firms.

With the opening of Carrefour and Metro at the crossroads of E-5 and TEM and larger plots of land available for further development have stimulated the emergence of **Kozyatağı area**.

As it was mentioned in the chapter four, the growth of retailing industry in the 1990s has resulted in the proliferation of shopping centres and hypermarkets in

Istanbul. Decreasing rates of profits and high competition in the European and American retailing industry have led foreign investors to invest in Istanbul where the opportunity of obtaining higher rates of return is possible. The partnerships between powerful Turkish holdings and foreign investors resulted in opening of hypermarkets and supermarkets in Istanbul (See Figure 6.26).

This trend is also evident in the changing structure of retailing industry and changing shopping behaviours of Istanbulites (See Table 6.13 and Table 6.14). While the number of hypermarkets and supermarkets have been increasing, the number groceries and small-sized markets have decreased.

In this respect, the location preferences of hypermarkets and multiples, along the E-5 and TEM, have also become a pull factor attracting other developments.

Table 6.13. Distribution of Hypermarket Customers in Various Districts of Istanbul

<u>Area</u>	<u>Percentage</u>
Üsküdar	3,5
Ümraniye	1,5
Tuzla	0,8
Şişli	2,8
Sarıyer	0,8
Pendik	2,0
Maltepe	5,0
Kartal	1,8
Kadıköy	49,1
Fatih	1,0
Eyüp	0,3
Eminönü	0,8
Beşiktaş	3,0
Beykoz	3,0
Bakırköy	3,8
Bayramoğlu	0,5
Bahçelievler	4,5
Bağcılar	1,0
Avcılar	1,0
Adalar	0,3

Source. SERPİL, A. (et al), (1998) *Bakkaliye Sektörünün Profili ve Rekabet Olanakları*, İstanbul Chamber of Commerce, No:1998-4, p.38.

İSTANBUL BÜYÜKŞEHİR SINIRLARI
İÇİNDE MERKEZİ İŞ ALANI (MİA) VE
ALT MERKEZLER MEVCUT DURUM
(Eylül, Ekim, Kasım 1994 Arazi Tesbitleri)

ŞEHİR PLANLAMA
MÜDÜRLÜĞÜ
1995



Figure 6.26. The Morphology of Central Business District in Istanbul

Source for Base map. Greater Istanbul Municipality, 1/50.000 Sub-region Master Plan Report, (1995), map no.3.30.

*shopping centres, hypermarkets and department stores were added by the author.

Table 6.14. Distribution of Multiples Customers in Various Districts of İstanbul

<u>Area</u>	<u>Percentage</u>
Zeytinburnu	2,0
Pendik	1,0
Maltepe	0,5
Küçükçekmece	1,5
Kartal	6,0
Kadıköy	30,2
Güngören	0,5
Gaziosmanpaşa	0,5
Beşiktaş	0,5
Bakırköy	40,2
Beykoz	0,5
Bayrampaşa	0,5
Bahçelievler	8,5
Bağcılar	0,5
Avcılar	0,5

Source. SERPİL, A. (et al), (1998) *Bakkaliye Sektörünün Profili ve Rekabet Olanakları*, İstanbul Chamber of Commerce, No:1998-4, p.46.

⁴⁴ Yener (*et al*, 1996) also asserted that, CBD development of İstanbul could be explained by considering two different transformations simultaneously; centres developed through the provision of infrastructure; and the centres developed themselves by creating their own infrastructure requirements. The centres developed in the context of the first type have been expected in consensus with the planning decisions, the second type of centres, have their own inner dynamics developed independently from planning decisions.

⁴⁵ The data presented in this section was obtained by analysing the firm addresses in the file of Undersecretary of Treasury.

⁴⁶ Between January and March 1999, there were 2 new entries in land, air and transportation category; and one in transportation services category.

⁴⁷ In Other Social Services subcategory, between January and March 1999, there were 4 new firms added to the total number of this category. Before 1980, there was only one firm operating in this category.



CHAPTER 7

7. CONCLUSION

Throughout this work, the politics of urban development in the context of globalization is analysed in order to identify the reasons of transformations taking place in central business districts of metropolitan areas, mainly by looking at the global trends and searching out the characteristics of the development coalitions taking place in since the 1980s. Therefore, the studies on *globalization* and world cities; and *development coalitions/growth machine politics* have been evaluated together in order to find out the driving forces behind the transformation of urban space in cities.

Since the mid-1980s, articulation to the global dynamics have been realized through development coalitions. The nature of these development coalitions varies with a number of factors ranging from impacts of global dynamics to nation-state and metropolitan city dynamics. More specifically, *nation-state dynamics* cover neoliberal policies adapted by nation-states in articulating to the global dynamics; existing central-local government relations historically sedimented by the interactions of administrative, economic, social, and political dynamics; decentralization policies with regard to central-local government relations; the existence of institutionalized sub-national agents; planning practice and legislation. *Metropolitan city dynamics* include the place of city/metropolitan area within the new hierarchy of cities; the political, social, economic conditions, natural resources, and organization of production in city;

existing administrative structure of local government; the entrepreneurial ability of administrative agents/elected officials in getting resources from central government; the ability of local governments' officials to utilize existing local, natural, economic and human resources of city; dependence of private sector in development politics; existence of public participation, interest groups, existence of anti-growth coalitions.

Since the 1980s, the developments in production, transportation and communication technologies have constituted the new dynamics of globalization. Following the crisis in the 1970s, larger companies, multinationals, and transnationals started to move their production units towards newly developing countries like Taiwan, South Korea, Brazil, Mexico, etc., by benefitting from the developments in transportation and communication technologies. Meanwhile, metropolitan areas in the developed countries were suffering from disinvestment in manufacturing that led to plant closures and severe unemployment in the sector. In the late 1970s and the early 1980s, while manufacturing activities were declining, financial and producer services gained weight in the economies of metropolitan cities. As new production sites as have been opened up, producer services, such as legal and accountancy firms, advertising, management and consultancy services, marketing/sales services have followed these production sites.

World cities are those where major control and command functions of industrial and financial corporations are concentrated; financial and producer services are agglomerated; they are the cities that dominate and control their periphery through major strategic decisions (Sassen, 1995; Ercan, 1996; Tekeli, et al, 1996; Amin and Thrift, 1992; Short, et al, 1996). **Therefore, increase in producer services across the globe has been a dominant feature of this period.** These producer services have been located in central areas of large cities and

metropolitan areas. The work analysing the CBD of New York showed that producer services have had the highest tendency of centralization (Markusen and Gwiasda, 1994). Among other world cities, New York is the leading provider of producer services in the world. In London, producer services have also had the highest rate of increase between 1981 and 1987. The shares of business services and personal services in total employment became 30% and 20% respectively (Sassen, 1991). Both in London and in New York, the share of producer services have exceeded total national employment averages. Whereas in Istanbul, between 1980 and 1990, the growth rate of producer services and personal services increased, respectively, 170% and 62%. In 1990, the percentage share of producer services in employment was 13.9%, and the share of personal services was 11% (Aksoy, 1996).

During this era, developments in information technologies have encouraged the worldwide growth of financial operations. The creation of "cyber-space" has enabled huge volume of information exchange and financial transactions to be transmitted across the globe. The incredible speed of information transfer on cyber-space has led to the emergence of a "virtual economy" (Yıldızoğlu, 1996). Especially *short-term capital movements* have emerged as an important parameter of these new dynamics. Since the 1980s, neoliberal policies of nation-states have resulted in deregulation of financial markets all over the world. The deregulation have also been the result of the increasing competition among world cities. Therefore, in the 1980s, financial activities, banking, insurance, leasing, investment financing, stock exchange operations have largely benefitted from the developments in communication technologies.

In this context, nation-states policies are important since they determine the type of integration to the global dynamics. Both in England and Turkey, central

governments adapted neoliberal policies integrating to global relations. Therefore, place of cities within the global hierarchy also defines the possible development strategies. ***In adaptation of neoliberal policies, changes in existing legislation are very important in the sense that they determine articulation types that are likely to occur.*** To illustrate, throughout the 1980s, the United Kingdom realized deregulation in financial markets, *big bang*, in order to enforce London's dominance in stock exchange turnover and equity trading (outside country of origin) in world markets. After the *big bang*, currency trading in London increased from \$90 billion to \$303 billion, between 1986 and 1992 (Lee and Schmidt-Marvede, 1992). In stock exchange markets, London, Tokyo and New York have taken the highest shares. They have been followed by the Zurich, Singapore, Hong Kong, Sydney, and Paris. However, the shares of these cities have not been as high as the first tier cities. There have also been other cities across the globe joining into global stock markets (Sassen, 1995). ***The increasing number of deregulated financial markets has been a sign indicating the integration of global economy in which short-term capital movements have constituted an important portion.*** As compared to the foreign direct investments, the share of short term capital movements has continuously been increasing (Berksoy and Saltoğlu, 1998). This is also an indication of the above mentioned worldwide capitalization of stock exchange markets.

The increasing mobility of capital has also become apparent in increasing rate of foreign direct investments from developed countries to developing countries. The mobility of capital across the globe has continuously been strengthened by mergers, acquisitions, joint ventures, and foreign direct investments. Between 1972 and 1987 the estimated world stock of foreign direct investments increased from \$213 billion to \$962 billion (Sassen, 1991). ***This***

tendency should also be interpreted as the increasing range of existence and power of large companies, multinationals/transnationals within the boundaries of other countries. To illustrate, the United Kingdom and the Netherlands were the leading investors in the United States (Sassen, 1991). Whereas, the investments of France, the United States, Germany and the Netherlands have had the prime weight in FDIs inflows in Turkey, especially in Istanbul (Undersecretary of Treasury). As a result of the substantial amount of foreign direct investment inflows, more than half of the Los Angeles' CBD was owned by the foreign investors (Soja⁴⁸ 1987, cited by Ercan, 1996).

Between 1990 and 1996, foreign direct investment inflows into developing countries reached from \$23.7 billion to \$119 billion (Berksoy and Saltoğlu, 1998). Although foreign direct investments have largely been dominated by industrial activities, the share of producer services has continuously been rising all over the world (Sassen, 1991). Similar tendencies have also been valid for Turkey, the share of service sector in total foreign direct investment inflows into Turkey has been reached considerable levels since the 1980s. Although, the foreign investments in manufacturing activities in terms of \$ currency have still constituted the largest share, *the share of foreign investments in service sector has reached from 8.49% in 1980 to 40.17% in 1999; while the share of manufacturing has been decreasing from 91.51% to 57.24% in the same period.* As Sassen (1995) correctly stated in terms of economic dynamics of the nation-states, there is only one *dominating city* that has been the focus of concentration of financial activities, such as Paris in France, Amsterdam in the Netherlands, London in the United Kingdom, Toronto in Canada, etc.⁴⁹ (Sassen, 1995). Istanbul historically has always been the most important city hosting both industrial activities and service sector activities. In this context, after 1980, central government targeted to articulate into international relations by deregulation in

banking sector and other financial operations, encouraging exportation and importation, supporting foreign investment inflows, etc. During these integration efforts, central government presented Istanbul as a "world city", a stage in articulation to international relations. Therefore, Istanbul apart from its predominant role in industrial production, strengthened its position as a hosting city for the producer services. Foreign firms engaged in service sector activities, such as retailing, banking and other financial services, producer services, transportation services, etc., have been concentrating in Istanbul since the mid-1980s. As of April 20, 1999, *60% of the foreign firms operating in Turkey has been located in Istanbul*. Among the firms located in Istanbul, banking and other financial services have the highest share with 95%. The share of foreign direct investments in banking and financial services category, has constituted 1/5 of all foreign direct investments inflows into Turkey (in TL currency), in service sector category as a whole. Firms operating in retailing, social services, other activities have constituted 65% of foreign direct investments in Turkey. Whereas, 78% of the firms operating in transportation and related services have been settled down in Istanbul as of April 1999.

As Markusen and Gwiasda (1994) noted world cities are the ones which are able to fulfill at least of one global city functions. So, the concentration of headquarters of major banks and industrial corporations are considered, it is apparent that while London and New York have been slightly losing their importance, Paris, Osaka, Frankfurt, Seoul have strengthened their positions, together with the absolute rise of Tokyo (Short, *et al*, 1996). In this context, ***the ranking of world cities has displayed slight changes in favour of other cities in Europe and Far East.***

New economic tendencies in the dynamics of globalization have reflected in the nation-states policies and strategies. In brief, since the 1980s, as a result the

increasing mobility of capital, large companies, multinationals/ transnationals have increased their operational power throughout the world via mergers, joint ventures, acquisitions, and foreign direct investments (Sassen, 1995). Simultaneously, nation-states have moved away from the traditional welfare policies towards neoliberal strategies by implementing decentralization policies that have forced local governments to deal with the problems of growth and regeneration.

In Europe, until the 1980s, there was not any strong dependence on private sector due to welfare state policies. Therefore, both in France and in the United Kingdom, local government and private sector relations were weak and centrally-controlled. As a result, private sector involvement in development politics was not higher. To illustrate, in France, there existed sub-national state organizations and influential political-administrative bureaucrats. In Britain, local government has traditionally had a lot of responsibilities, but had little influence in directing development politics. Until the 1980s, both in France and in the United Kingdom central governments were supporting the depressed regions and trying to relieve congestion in developed areas. So, local governments were only responsible of providing infrastructure and other municipal services. Distribution of investments were coordinated by the state agencies. In this process the role of private agents or other organizations was very limited. For example, the chambers of commerce have not developed as an influential agent actively participating the development coalitions in Britain. The dominance of chambers of commerce has been stronger in France as compared to the United Kingdom. Whereas, chambers of commerce in Turkey has little direct interest in establishing development coalitions, although their members are individually the active participants of development coalitions. Unlike France, Britain, and Turkey, the nature of the distribution of the investments in the United States has led to chamber of

commerce to become an active player of the machine politics (Wood, 1996; Barlow, 1995; Keating, 1993; Preceteille, 1990).

As a result of the economic problems, competition between European cities in national and global levels, regional pressures due to increasing unification of Europe, etc., **France** moved away from its traditional statism towards a new politics of local economic development. In France, the 1980 Decentralization Reforms increased the powers and responsibilities of mayors. These mayors became powerful actors in negotiating with the private sector interests. In metropolitan government model of France, mayors could be assigned to double-positions in bureaucratic levels that resulted in strengthening of their positions in administrative levels. Since traditionally there has been high level of state intervention and extended provision of financial resources to local governments, the business dependence of French local governments have not high as compared to their American counterparts. Though in some of the medium-sized French cities, development coalitions have been established between various agents of the localities; these coalitions cannot be considered as outcomes of machine politics similar to that of the United States (Levine, 1994)

Similar to France, in **the United Kingdom**, Thatcher government implemented neoliberal strategies and a number of relaxations in planning legislation. The decentralization strategy of the central government was similar to the US-style urban development strategies, due to the success of American cities in creating growth. During this period, the while the public sector has been weakening, private sector has been encouraged. In order to promote private sector involvement in development process, various measures and organizations, such as enterprise zones, urban development grants, urban development corporations were activated. Meanwhile, local governments have had severe reductions in their budgets. The erosion of financial resources of local governments was also

resulted from the central government's opinion about failure of local governments in creating economic regeneration (DiGaetano and Klemanski, 1993; Parkinson, 1990a).

During the Thatcher governments, a number of relaxations in planning legislation was realized. In this context, The Local Government and Planning Act, 1980 was put into implementation in order to realize alterations in the planning system. This Act provided a legal base for establishment of *Urban Development Corporations* and *Enterprise Zones*. After the implementation of this Local Government Act 1980, the planning powers remained in local authorities, but the control power was passed to central government. The two-tier administrative system aimed to provide coherence between local plans and structure plans. So, local plans were prepared in accordance with structure plans; and local authorities were made responsible of plan making. But the Department of Environment had the right to intervene on plans. This state intervention was an indication of centralization of planning process (Thornley, 1991).

So, after the decentralization policies of the central government, the roles of local governments were redefined in the United Kingdom. However, due to a number of contingencies, this was resulted in centralization rather than decentralization. To illustrate, in the United States interest groups have been influential agents of machine politics, whereas in the United Kingdom political parties have been major decision makers of the development politics. As a result of the strong Labour Party tradition in England, local governments have had much more substantial provisions of housing, education etc. than their counterparts in the United States. Moreover, since financial resources of British local governments have been low, they have received more support from the central government (Parkinson, 1990a). Another contingent matter has lied in the ownership of land, in England, most of the time land, has been owned by the institutions that have

had little interest in growth politics, such as Royal Family, Churches (Harding, 1994).

The development coalitions transforming the CBD developments of Paris and London, display similarities and differences from each other. In both cities, the inflexibility of historical urban core for further expansion and transportation problems were the major *physical drawbacks* leading to the mobilization central governments. In La Défense and Docklands, the central governments have been the prime decision makers of the development projects.

The development of La Défense, as compared to London and İstanbul, is a well-organized collaboration with regard to mobilization of various agents, from private sector agents to state banks and subnational administrative agents. The subnational organization, EPAD (l'Etablissement Public d'Aménagement de La Défense) coordinated the relations among local government, ministries, and private developers. Similar to the Docklands project, in order to attract private sector into the area, substantial amount of state funds was used in order to create infrastructure. The strict state intervention was also apparent in restrictions on development permissions for office construction in the historical core area. In the mid-1970s, when the crisis in construction industry hit La Défense, the central government intervened by providing financial support from the state banks; and applied taxes to developers planning to operate in the core area (Savitch, 1988). ***Therefore, La Défense is dissimilar to Docklands in the sense that, although the private sector attraction to the area was the main target, private sector involvement was directed and coordinated by the central government.***

As compared to Paris, however, İstanbul and London have displayed similarities in terms of planning policies since both countries have applied neoliberal strategies in articulating to the international relations. At the metropolitan level,

deregulation in planning legislation was a means to reach the ends providing freedom to market forces to operate. In this context, Thatcher government aimed to get private sector involvement in local economic development. Therefore, modifications in the planning system were realized by the approval of "Local Government, Planning and Land Act 1980". In the context of this Act, Greater London Council was abolished. The outcome was the emergence of various subnational agents and institutions responsible of carrying specific tasks.

The Local Government, Planning and Land Act, 1980, made possible the establishment of The Urban Development Corporations (UDCs) and Enterprise Zones (EZs) (Thornley, 1991). The UDCs were the most important organizations reflecting the approach of Thatcher government into planning system. The main target of this ideology was to promote growth in urban areas by mobilizing private sector capital (DiGaetano and Klemanski, 1993). Although both local authorities and private sector were represented within the UDCs, as it was mentioned by various authors (Harding, 1991; Keating, 1993; Keith and Pile, 1993; Barnes, 1990) private sector was the key player in leading the operations of the UDCs.

In fact, the functions of the UDCs were limited in their given areas, but their powers were extensive, such as, compulsory acquisition of land, giving planning permissions for development, building infrastructure and physical development (Keating, 1993). Similar to La Défense, in order to attract private sector investments substantial amount of public funds were transferred to the Docklands which was controlled by the DoE (Barnes, 1990; Deakin and Edwards, 1993). LDDC replaced the local authorities in Docklands area, and acted as a local authority (Thornley, 1991).

Both Docklands and La Défense were the flagship projects of French and British governments. During realization of the projects, the subnational institutions (UDCs and EPAs) coordinated the development under the patronage of central

governments. Although the main objectives of UDCs and EPAs were similar, they differed from each other in terms of private sector involvement and state intervention. Docklands erected as a site-specific flagship regeneration project of central government to promote the status of London within global dynamics; whereas La Défense was planned to become a part of a strategic plan developed to decentralize the Parisian region as a whole (Husson and Halais, 1990).

In brief, the decentralization of planning legislation and reorganization of central-local relations in France and Britain have ended up with different outcomes. In France, the three-tier metropolitan administrative structure was strengthened, and mayors were given extended powers enabling them to act within the dynamics of heightened competition in the EC. In Britain, on the other hand, the two-tier administrative structure was kept, and the plan-making rights remained in the hands of local authorities, but the control of the central government on development was increased.

As Mayer put forward (1995) redevelopment projects in central areas may lack social, environmental, and historical considerations. In this respect, both in Docklands and La Défense projects, inhabitants of the sites were either excluded from the development process, or negatively affected by the outcomes. Similar to Paris and London, the development coalitions in İstanbul ignored social inclusiveness of interest groups or bypassed planning legislation by overriding environmental and historical assets of the city.

In Turkey, after the 1980s, a number of legislative, institutional and financial regulations were realized. The 1982 Constitution made possible the implementation of a *metropolitan government model* for metropolitan cities. The two-tier metropolitan government model was put into use in 1984, with regard to the "Act on Metropolitan Municipalities", No.3030. The approval of this Act, can be regarded as the intention of "decentralization" of planning powers of central

government towards local authorities (Keleş,1992). Before *Act on Metropolitan Municipalities*, No.3030, decision making right for planning and development of cities were in the hands of central government. The plans prepared by the "metropolitan area master plan bureaus" were approved by the Ministry of Public Works and Development.

The two-tier local administrative system in the metropolitan city is made up of *Greater City Municipality* and *district municipalities*. The Greater City Municipalities are comprised of three bodies, *metropolitan mayor*, *metropolitan council*, and *metropolitan executive committee*. Unlike France, the elected mayors are not allowed to become members of political parties. **Metropolitan mayor** is in charged with applying decisions of central government; carrying his duties in metropolitan government; managing properties of metropolitan government, and directing revenues and expenditures, signing agreements. Mayors were given the veto right for the decisions taken in the metropolitan councils and in district municipal councils. District councils could only undermine mayor's veto, if 2/3 of majority votes are guaranteed⁵⁰ in the second voting. This *veto right* have provided "control power" to mayors on the actions of district municipalities. The rights of mayors to approve development plans and budgets of district municipalities have also indicated the extents of their powers (Erten, 1999; Greater Istanbul Municipality web page).

According to the *The Act on Metropolitan Municipalities*, No.3030, greater city municipalities have the right of preparing, approving and implementing master plans. Whereas, district municipalities are in charged of preparing development plans that have to be coherent with master plans of greater city municipalities. Metropolitan municipalities, have the right of controlling and approving plans and budgets of district municipalities.

The plan making rights given to greater city municipalities and district municipalities, to some extent, is similar to the British planning system in which the coherency of local plans with structure plans is a prerequisite. However, in terms of central government control on plans, British system is more centralized.

Apart from the decentralization efforts in planning system, especially in the period between 1984 and 1989, metropolitan municipalities were substantially supported by the financial revenues transferred from the central government.

Before 1981, the Municipal Revenues Law, No. 5237, dated in 1948, had been in use. In practice, the implementation of this Act brought about financial dependency of local authorities to the central government (Keleş, 1992).

During Özal governments, metropolitan city municipalities and district municipalities were benefitted from various financial instruments transferred into their budgets. For example, according to the Act on Municipal Incomes, No.2464, Council of Ministers decided to transfer 30% of tax revenues of the general budget to the greater city municipalities, in the period between 1984 and 1985; this ratio was risen to 35% in 1986 and 1987. Moreover, 50% of the revenues accrued from the municipal service taxes was transferred to the greater city municipalities. In addition, the Act on Property Tax (No.1319) enabled authorities to collect taxes from real estate. Before 1985, the share of collection of revenues on general budget which had been transferred to the municipalites was 1%. With the introduction of The Act on Metropolitan Municipalities, No.3030, this share was increased to 3%. In 1985, this ratio was increased to 5% by the decision of Council of Ministers (Keleş, 1990, 239). In short, after 1985, metropolitan governments were financially supported by the central government.

In the context of İstanbul, these financial improvements in metropolitan government's resources brought about opportunities to realize large scale projects in city. Also, during the period between 1984 and 1989, the Greater

Istanbul Municipality obtained credits from foreign markets to be spent for large scale development projects. As Keyder and Öncü (1993b) stated, in this period, the credit borrowed from foreign markets was \$ 900 million.

In summary, the legislative and financial regulations were resulted in strenghtening of metropolitan government in İstanbul. When these transformations were accompanied with the neoliberal economic policies of the central government to articulate to the global dynamics, profound transformations have taken place in İstanbul since the mid-1980s. During this period, the development coalitions emerged in İstanbul can be grouped into five categories:

The central government-led development projects realized through the collaboration between sub-national institutions, local government and private sector. This type constitutes the example of central government's desire to integrate Turkey into international dynamics by creating a flagship project. In this work, our case study is the "Galleria Shopping Centre. Since the project was a central government-driven one, the area in which the project would be implemented was declared as "tourism centre" by the decision of Council of Ministers, depending on the Law of Encouragement of Tourism. Although, planning decisions on metropolitan cities had been left to the local authorities, the Law of Encouragement of Tourism, No.2634, enabled central government to intervene the planning decisions of local government through the decisions of Ministry of Tourism and Council of Ministers. Therefore, in areas where Law of Encouragement of Tourism was applied, planning decisions of local authorities were passed to central government. This is similar to the operations of EPAD and LLDC, in Paris and in London.

Since the project was a central government-driven one, technical and bureaucratic guidance, financial support, legislative relaxations, provision of land and other infrastructure were provided by state banks and metropolitan

government sharing similar vision with the central government. The organization responsible of development of Ataköy Tourism Complex, Ataköy Turizm Tesisleri ve Tic. A.Ş., displayed similarities with London Docklands Development Corporation. Although the project was realized through the *build-operate-transfer model*, financial support from the state banks reached to a considerable level in the final phase of the project. This also recalls the financial difficulties experienced in Docklands and La Défense projects. Similar to these examples, state funding was used to overcome the financial crisis.

Large scale local government-led development projects aiming to realize transformations in deteriorating areas of the city. *Perpa Trade Centre* and *İkitelli Organized Industrial District* are the projects realized in the context of a larger scale metropolitan government-led project, *The Development of Haliç and Its Environs*. Haliç Project targeted to remove the industrial uses located in and around the historical core of the city in order to relieve congestion. In both projects, wide range of small-sized industrialists and retailers were mobilized through the planning decisions of metropolitan municipality. As a result of the İkitelli Organized Industrial District, small-sized industrial uses causing environmental pollution in Haliç and the old historical core of the city were moved outskirts of the city.

In realization of Perpa Trade Centre, metropolitan government, as a land owner, established relations with private sector. Whereas, the district municipality appeared rather as a passive party whose role did not go beyond providing permissions, and making revisions in plans. During this project, 2500 retailers located in the historical core came together to set up the Perpa Cooperative; and constructed the world's single biggest monoblock building in Şişli district.

Developments realized by multi-partnered enterprises of big capital holders and/or multinational holdings. Such developments are the ones generally

realized by benefitting the Law of Encouragement of Tourism. In this type of developments, the role of metropolitan municipality and/or district municipalities were only confined to giving development permissions, and providing bureaucratic/legislative relaxations. Whereas, the provision of technical resources and capital investment were realized by private sector. Such developments were generally realized by the big capital holders and/or multinational companies operating in various other sectors of industry. In this type of developments, although public participation and/or involvement of interest groups were low, the location decisions for such projects were in consent with the type of development and income group settled around. These projects were mainly shopping centre investments and they were located in both in Anatolian and European sides of the city.

The partnerships between foreign firms and Turkish private sector throughout the 1990s. These investments have mostly been realized between foreign multinational firms and powerful Turkish holdings that have reached a considerable size and operational experience in international markets. The promotion of foreign direct investments after the 1980s, prepared the ground for establishment of these coalitions. After the foreign direct investment incentives had been put into use, various partnerships were established between foreign investors and local private sector. However, the development coalitions concerned in our analyses are the ones that have been the most influential in changing the morphology of the city. These are the five-star hotels in Beşiktaş and shopping centre developments in Anatolian side of the city. The hotels were located near to Dolmabahçe Palace and Çırağan Palace, whereas the shopping centre, in our case, CarrefourSa, was constructed on E-5 provides easy access to both residential areas and the Bosphorus Bridge. Since such developments

have completely been realized by private sector capital, active involvement of metropolitan municipality and/or district municipalities have not existed.

The developments realized by single private sector agents, either foreign or Turkish companies. These are the most common partnerships during the transformation of the morphology of İstanbul. In such developments, while private sector was acting as provider of technical and financial resources, the role of metropolitan government and/or district municipalities became limited in giving buildings permissions, making planning revisions for the buildings constructed within their territories. These developments were generally shopping centres, five-star hotels and business and shopping centre complexes. The A-grade business centres on Büyükdere-Maslak axis, Kozyatağı and Altunizade area were realized by such enterprises of big holdings and companies of the İstanbul. Although public participation was limited during implementation of projects, in some of the cases interest groups intervened through legal ways.

In summary, as a result of the neoliberal economic policies implemented in Turkey in the 1980s, banking and financial services started to increase their weight in İstanbul's economy. Together with the promotion of foreign direct investment inflows into Turkey, the foreign service sector investments started to be concentrated in İstanbul substantially. These economic transformations were also accompanied by the adaptation of a new two-tier metropolitan government model reflecting the decentralization policy of the central government. In this context, Greater İstanbul Municipality and district municipalities were given the right of preparing master and development plans of İstanbul. The content of the Act on Metropolitan Municipalities, No.3030, also provided opportunities to the metropolitan municipality and mayor to decide on future prospects of the city. Being supported by the increases financial revenues, the power of Greater İstanbul Municipality was strengthened. During this period, central government's

neoliberal policies were aiming to present Istanbul as a "world city" by liberating foreign and domestic private sector investments. The planning powers in the hands of metropolitan government, and financial support coming from the central government made possible the achievement of this target. During this period, generally private sector played a leading role in realization of site-specific projects. ***The powerful holdings and/or multinational firms operating in various other sectors of the economy were the leading actors of these coalitions.*** Similar to the other financial capitals in Europe, ***high price real-estate markets*** have come into reality during this period. ***In a majority of these development coalitions, powerful capital holders and/or multinational firms have invested into real-estate development projects since the achievement of higher rents has been possible. The encouragement of foreign direct investments has also been resulted in developments realized through either single investors or partnerships between local and foreign private sector agents.***

During this period, the attractiveness of high price real estate market and changing structure of retailing have led both foreign and Turkish developers to invest into shopping centres and other retailing formats, hypermarkets, supermarkets, etc. The location decisions of such developments have stimulated other developments to concentrate, such as the influence of Carrefour, Metro, Bauhaus in the development of Kozyatağı.

In this period, while metropolitan government and central government have been affecting the macroform of the city with planning decisions, such as, decentralization of industry, tourism and business centre announcements, provision of new highways, etc., private sector-led developments have become effective in transforming the macroform of the city.

In this type of developments, while multi-partnered investments were being realized by private sector agents, the role of metropolitan government and/or district municipalities were confined to giving building permissions and/or making revisions on plans. During this period, revenues of metropolitan government was mostly spent for infrastructure investments. ***The limited amount of land left in the metropolitan municipality and district municipalities in central areas, and high costs of expropriation have also restricted local authorities' active participation in development coalitions. Moreover, the lack of subnational administrative organizations, like EPAs or UDCs, to coordinate works with private sector; and substantial amount of financial revenues transferred from the central government may have reduced metropolitan government's will to collaborate with private sector.***

Since the decisions for development have rather been determined by the metropolitan municipality and single investors, the agents participating the development coalitions in İstanbul, are limited as compared to the US-style growth machine coalitions. So, in İstanbul, the development coalitions have not been led by the actively participating agents, such as chambers of commerce, universities, media, and other interest groups.

Similar to the London and Paris, due to the concentration and diseconomies of agglomeration in old core area; and inflexibility of building stock in historical core area for further development; new business district areas have been emerged through the major axis by creating their own environments which were developed independently from the zoning regulations of the master and development plans. Therefore, in the late 1980s and throughout the 1990s, Büyükdere-Maslak axis, Kozyatağı and Altunizade have become the new business district areas providing hosting environments to foreign and local companies operating in financial and service sector activities. Both in London and Paris the location decisions for new

business district areas were determined by the central government, whereas in Istanbul, developments have taken place as *tacit understandings* between local authorities and private sector, without any declaration of a specific "business district area".

Following the decentralization of industry towards the periphery of İstanbul and Marmara region, the headquarters and administrative units of these corporations have been concentrated in newly developed business areas. These areas hosting the finance and producer services and headquarters of big companies have been developed through the provision of transportation infrastructure. Actually, the developments have concentrated along the main transportation axis having easy access to the high-income residential areas, deluxe hotels, airport of the city. The growth of retailing industry and proliferation of shopping centres in various district of the city have also affected the morphology of İstanbul.

Similar to Docklands and La Défense, during realization of large scale environmental design projects of metropolitan government, such as the Development of Haliç and its Environs, or flagship projects of central government, such as Galleria shopping centre, the active involvement of both local government and/or sub-national institutions, in the form of giving technical and bureaucratic support, providing land to private sector, and at times bargaining with private sector for the provision of some public investments came into reality. Although the private sector was an important partner of these coalitions, when it was necessary, borrowing opportunities were provided by the state banks to guarantee the completion of projects. Though in some of the cases legal interventions on projects were observed, an effective public intervention and participation of interest groups could not take place in these development

coalitions,. Nevertheless, ***public participation is almost a lacking feature of such coalitions.***

7.1. A CRITICAL EVALUATION OF THE GROWTH MACHINE THEORY AND CONCLUDING REMARKS ON FUTURE OF URBAN PLANNING

As it was discussed in the previous chapters, the growth machine theory first entered into the field in the late 1970s. Since then, various studies have been conducted with reference to the growth machine theory. In a majority of these works, it has become apparent that after the 1980s changing economic and political conjuncture of the world has made necessary to introduce a wider framework to evaluate the politics of urban development. Therefore, Harvey and Molotch's concept of growth machine coalitions should be considered as an approach explaining the politics of urban development in the US context in the late 1970s and early 1980s. The transformations taking place in the 20-year period, from 1976 to 1999, have brought new dynamics into the politics of urban development which must be evaluated in the context of new trends in globalization and restructuring of central-local government relations. In this sense, the agents in growth machine coalitions and the nature of these coalitions need to be redefined according to the new conjuncture. As it was stated previously, the growth machine coalitions in the US were mainly established between agents seeking for rent coming from the increases in exchange values of land. Therefore, land owners were the main actors of these coalitions. However, as it was mentioned in the previous chapters, new dynamics of globalization have changed the nature of these coalitions; and new agents have entered into growth politics. The increasing competition between cities at national and global levels has brought about new development coalitions which have taken place at different urban scales. As Brenner (1999) correctly asserted

deregulation in Europe after the 1980s, the shift of welfare state policies from central government to the local authorities; and changes in planning regulation have resulted in *reregulation*. New urban economic policies, i.e, new spatial planning instruments, and new investment and planning implementations at regional scale, have come into reality. As a result of the restructuring of central-local government relations, the role of the local government has redefined. This has resulted in England an absolute centralization of urban governance in London, whereas in Germany have ended up with a complete decentralization (Brenner, 1999). Between these two extreme edges, in the Randstad area of Netherlands “a national urban growth coalition” (Brenner, 1999, p.443) promoted by provinces and municipalities has emerged. Therefore, in the light of these changes, it appears that the nature of “growth machine coalitions” needs to be redefined.

As a result of the changes in planning legislation, new subnational organizations such Urban Development Corporations, which have been responsible of planning and coordination of investments and developments have created (Brenner, 1999). In this context, the scale and the agents in urban growth coalitions have changed to a great extent. After the 1980s, it has become apparent that the new dynamics in globalization and urban restructuring have made necessary to introduce new legislative changes in urban planning. However, as Eraydin (1999) correctly asserted “...in policies should be in between the full deregulation and the full control, but how and in which context” (Eraydin, 1999, p.50). As Eraydin (1999) put forward, the level of deregulation should be determined in accord with the contingencies of the cities concerned.

As it was analysed in the case of Istanbul, the development coalitions taken place in Istanbul after the 1980s, have varied with the city’s place in national and international level. Most of the time, the developments have taken place

piecemeally without a comprehensive planning approach. Therefore, it appears that the role of planning and planners should be redefined in accord with these new dynamics. It is obvious that handling with urban development in this new world order has required new approaches and tools in planning legislation. Otherwise, the outcomes of developments may end up with the problems rather than benefits.



⁴⁸ Soja, E.W. (1987) "Economic restructuring and the internationalization of the Los Angeles Region", M.P.Smith and J.R.Feagin (eds.) *The Capitalist City*, Blackwell, Oxford, p.215.

⁴⁹ Nevertheless, during the course of time, some cities may lose their dominancy as being financial capital of the nation-state. To illustrate, in Canada, once Montreal appeared as the predominant financial centre of the Canada, its primacy have been overcome by Toronto (Sassen, 1995).

⁵⁰ Metropolitan councils and municipal councils can intervene into metropolitan mayors. If municipal councils find the annual working reports of metropolitan mayors inadequate, 2/3 of majority votes in municipal votes, and 3/4 of majority votes in metropolitan municipality, metropolitan mayor may be put away from work by the Council of State.



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