# GLOBALISATION AND THE ROLE OF THE TURKISH STATE: CASE STUDY OF URBAN POLICY IN ISTANBUL

Thesis submitted for the degree of Master of Philosophy (MPhil) by

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## **Abstract**

Globalisation has been a dominant theme in much social science text over the last two decades. According to this literature, although one of the most significant changes in the world economy has been a dramatic increase in the mobility of capital, globalisation is not a purely economic phenomenon. Alongside the global economic change, there has been a distinct set of political changes, shifting the reach of political power and forms of rule.

This economic and political transformation taking place globally redefines the roles of both the nation state and cities since a growing amount of mobile capital is attracted to particular world cities given the right mix of incentives and attributes. Due to changes in the economy of cities, contemporary cities are today being managed and governed with more proactive urban strategies of the central and local governments.

In the light of these theoretical arguments, the thesis first examines political and economic changes in both the Turkish state and the city of Istanbul under the conditions of intensifying globalisation process. The thesis then reviews the changing authority relationship between the central government and the metropolitan municipality of Istanbul with reference to urban policies. Case study chapters proceed to explore globally oriented urban policies such as developing a new financial centre and hosting the Olympic Games drawing on the evidence collected through official documents and semi-structured interviews with the central and local actors. The research conducted identifies the roles of various central and local government bodies in determining recent urban policies in Istanbul.

The evidence and analysis presented suggests that although accession to "world city" status due to globalisation has benefited many cities around the world, the lack of an effective role for local government in the case of Turkey has prevented the city of Istanbul from achieving its full potential because of inferior urban planning policies.

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# **Table of Contents**

Abstract	2
Acknowledgements	3
Table of Contents	5
List of Tables	9
List of Figures	10
List of Pictures	11
Abbreviations	12
Chapter One	
Introduction	13
1.1 Introduction	13
1.2 The theoretical framework	14
1.3 General objectives of the thesis	24
1.4 The structure of the thesis	30
1.5 Research methodology	36
Chapter Two	
Globalisation, Global Cities and Urban Governance	40
2.1 Introduction	40
2.2 What does the term 'globalisation' comprise?	41
2.3 Globalisation and the nation-state	49
2.4 The effects of globalisation on cities with reference	
to the 'world/global city' theory	55
2.5 Globalisation, city competition and urban governance	59
2.6 Conclusion	66

# **Chapter Three**

3.1 Introduction	71
3.2 Re-scaling of the state	73
3.3 The new role of the nation-state	77
3.4 Changing relations between central and local government	79
3.5 Changes in urban politics	83
3.6 Urban regime theory	86
3.7 Conclusion	89
Chapter Four	
Turkey in the Globalisation Process	92
4.1 Introduction	92
4.2 The modernisation process in Turkey	93
4.3 The economic globalisation of Turkey	98
4.4 Political responses to the globalisation process	105
4.4.1 Decentralisation efforts since the 1980s	107
4.4.2 Changing intergovernmental relations with respect to	
financial policies	112
4.4.3 Legislative developments organising relations between	
central and local government	114
4.4.4 The new local administrations legislation	122
4.5 Conclusion	126
Chapter Five	
Globalisation and Changing Local Politics in Istanbul	132
5.1 Introduction	132
5.2 Istanbul: brief history of a world city	134
5.2.1 Pre-republic period	135
5.2.2 Republic period	137
5.3 Economic restructuring in Istanbul in the last two decades	139

5.4 Political aspects of the economic globalisation process	148
5.5 Changing local politics in Istanbul	152
5.5.1 Effects of the new model of metropolitan governance	
in the 1980s	152
5.5.2 New financial resources for the metropolitan government	
of Istanbul	154
5.5.3 Urban entrepreneurship	157
5.6 Conclusion	159
Chapter Six	
The Process of Planning in Istanbul	162
6.1 Introduction	162
6.2 Planning in Istanbul	164
6.2.1 The pre-republic era	164
6.2.2 The early republic era: 1923-1960	168
6.2.3 1960-1980 period	173
6.2.4 From 1980 to present	176
6.3 The role of governmental actors in the planning process	179
6.4 Master Plans of Istanbul	184
6.5 Urban policies in Istanbul under the conditions of globalisation	191
6.6 Conclusion	194
Chapter Seven	
Governing Relations with Respect to Urban Policies: Case Study of the	
New Financial Centre Development in 'Levent-Maslak Axis' in Istanbul	198
7.1 Introduction	198
7.2 Restructuring of Istanbul's urban core in the new era	200
7.3 Liberal vision in the 1980s and the transformation of the city centre	203
7.4 Dynamics of the CBD development in Istanbul	206
7.5 New financial centre development along the 'Levent-Maslak axis'	214
7.6 Conclusion	236

# **Chapter Eight**

An Urban Policy for Global Competitiveness: Case Study of the	
Olympic Games Organisation Project in Istanbul	240
8.1 Introduction: Hosting Olympic Games as an urban policy tool	240
8.2 The candidacies of Istanbul for the Olympic Games	244
8.3 Support from the central government	247
8.4 The Turkish Olympic Law (No.3796)	254
8.5 The role of local government	261
8.6 Public support for Istanbul's candidacy in the city and the	266
country	
8.7 Conclusion	269
Chapter Nine	
Conclusion	274
9.1 Introduction	274
9.2 From government to governance and decentralisation	279
9.3 Legislative innovations and inceasing central government	
involvement in urban policies	282
9.4 Conclusion	289
Bibliography	293
Appendices	320
Appendix I: List of Interviews	321
Appendix II: Global Advertising, Banking and Legal Service Centres	322
Appendix III: Istanbul's Olympic Project	326
Appendix IV: Survey conducted by Taylor Nelson-Sofres-PIAR in 2000	327
Appendix V: Plan of Istanbul	328

# **List of Tables**

Table 5.1 GDP by Economic Activity (1996)	141
Table 5.2 The distribution of predominant activities in the traditional	
centre, Eminonu	146
Table 6.1 Governmental Actors in the Local Administration of Istanbul	180
Table 6.2 Actors Organising Capacity in Istanbul	182
Table 7.1 The 1995 Master Plan: Objectives-Outcome Matrix for CBDs	229
Table 7.2 Ongoing high-rise buildings development in Istanbul	234

# **List of Figures**

Figure 5.1 Istanbul from the satellite	133
Figure 5.2 Specialized Suburban Areas and Centres of Attractions in Istanbul	144
Figure 5.3 District Map of Istanbul	146
Figure 6.1 The Geographical Map of Istanbul	163
Figure 6.2 Land Use Map of Istanbul According to the 1995 Master Plan	187
Figure 7.1 The CBD areas of the 1970s in Greater Municipality of Istanbul	208
Figure 7.2 Spatial distribution of producer service firms in Istanbul	
Metropolitan Area by districts	211
Figure 7.3 Spatial distribution of banks and finance organizations in Istanbul	212
Figure 7.4 New CBD Area along the Levent-Maslak Axis	215
Figure 8.1 Logos Used in Istanbul's 2008 and 2012 Candidacies	246
Figure 8.2 Facilities planned for use in the 2008 Olympic Games	251

# **List of Pictures**

Picture 7.1 High-rise developments in the city core	201
Picture 7.2 The changing visage of Istanbul: A picture from the Bosphorus	203
Picture 7.3 The new plazas axis between Levent and Maslak in Istanbul	216
Picture 7.4 Congestion as one of the most important problems in Istanbul	225
Picture 7.5 A Model of the Dubai Towers Project and its location on the picture	233
Picture 7.6 A Model of the Mashattan Project	234
Picture 8.1 The Olympic Stadium and the Olympic Village in Istanbul	259

## **Abbreviations**

AKP Justice and Development Party

ANAP Motherland Party

CBD Central Business District

DIE State Institute of Statistics

DPT State Planning Organisation

FP Islamic Virtue Party

IMF International Monetary Fund

IOBC Istanbul Olympic Bidding Committee

IOC International Olympic Committee

ITO Istanbul Chamber of Trade

NGO Non-governmental organisation

NOC National Olympic Committee

RP Islamic Welfare Party

SHP Social Democratic Publican Party

TMOK Turkish National Olympic Committee

TOKI Housing Administration of Turkey

TUSIAD Turkish Industrialists' and Businessmen's Association

## **Chapter One**

## Introduction

## 1.1 Introduction

We are living in an era in which the fact of globalisation has become very obvious. The world at the beginning of the 21st century faces the influences of an intensifying globalisation process. The social and economic issues as part of this process have been studied intensively. One of the most important changes in the world economy over the last two decades has been a dramatic increase in the mobility of capital across the globe. Globalisation is associated with the transfer of capital crossing national boundaries, and this mobile capital takes many different forms, such as foreign investment, footloose high-tech industries, employment, transnational institutions, international events and tourism activities. Furthermore, this economic transformation redefines the roles of both the nation state and city since a growing amount of mobile capital is attracted to particular world cities, given the right mix of incentives and attributes. Therefore, cities are nowadays facing the pressures and opportunities of an increasingly competitive and global market and trying to develop new urban strategies to survive in this rivalry. This thesis will examine those changes in urban policies in the new era with reference to the ongoing economic and political transformation in the state and cities taking place globally.

### 1.2 The Theoretical Framework

In very general terms, *globalisation* refers to the combination of varied transnational processes and domestic structures, allowing the internationalisation of capital, production, services, information, politics, culture and ideology. Global capitalism is the common point for most of the arguments emphasising the economic aspects of globalisation. Economic globalisation brings about the increasing transnationalisation of production under the impact of multinational corporations, and the production and trade networks in which these corporations are integrated. This signifies the growing integration of various parts of the world into a global economy and financial system.

The globalisation of capital and production markets, on the other hand, makes it difficult for the nation state to exercise any effective economic policy. Therefore, states today have a general propensity to direct their policies in order to attract and retain multinational and transnational corporations as part of their economic programmes. As a result of this trend, these large corporations have emerged as rising dominant actors in the globalisation process.

In addition, since globalisation broadly entails an important shift from autonomous national economies to a global market for production, distribution and technology, it has, today, some significant political consequences, as well as economic ones, for nation states and their policies. Some extreme globalisation theorists like Ohmae believe that 'only two forces matter in the world economy, global market forces and transnational companies, and neither of these is or can be subject to effective public

governance'; also 'stateless corporations are the prime actors in the world economy and macroeconomic policy intervention by national governments can only distort the rational process of resource allocation on a global scale' (Ohmae, 1990, cited in Hirst and Thompson, 1996, p.59 and p.185).

However, the situation is actually more complex than this. Although central governments' degree of freedom on their economic policy has been dramatically reduced by the effects of economic globalisation in the last two decades, 'the nation-state has still kept some of its regulatory power and control over its institutions, and it is surely far from disappearing' (Hirst and Thompson, 1996, p.170-194; Giddens, 1999 and Gray, 1998). Castells (1997, p. 269) stresses that 'the growing role played by international institutions and supranational consortia in world policies cannot be equated to the death of the nation state, but the price paid by nation states for their uncertain survival as segments of states' networks is that of their decreasing relevance, thus undermining their legitimacy, and ultimately furthering their powerlessness'<sup>1</sup>.

Therefore, under conditions of intensifying globalisation, although national states today do not have the same level of administrative and political autonomy that they once possessed, 'they remain dominant elements of the contemporary political and economic landscape, though they are clearly undergoing deep transformation' (Scott, 2001, p.13). As world capitalism goes through an intense process of restructuring in the late 20<sup>th</sup> and beginning of the 21<sup>st</sup> century, it simultaneously reshapes the state,

<sup>1</sup> For more details, see the second volume (The Power of Identity, 1997) of Manual Castells' three-volume book entitled 'The Information Age: Economy, Society and Culture'.

but nation states are not about to fade away (Giddens, 1999 and Gray, 1998); instead, it still remains as a fundamental institution for regulating and governing people in modern society.

On the other hand, the rise of supranational political institutions can be seen as the state's reaction against reduced decision-making power in order to be able to control the economic operations of financial flows and multinational companies. Although the establishment of the EU was the most significant process in this line, the new world order is also being affected by NAFTA, an economic co-operation zone in the Pacific region, the G-7 group, the IMF and the World Bank. Similarly, in the political environment, institutions such as UN and NATO are taking on an increasing number of functions designed to regulate international political relations, with joint military intervention when required.

Globalisation, moreover, incorporates contradictory trends too. On the one hand, economic globalisation has had important effects on the decision-making power of nation states as already mentioned. On the other hand, it has created new roles for cities as well. 'There has been a growing literature on the key roles of certain *world* or *global cities* in the process of globalisation' (Friedmann and Wolff, 1982; Friedmann, 1986 and Sassen, 1991, cited in Dieleman and Hamnett, 1994, p.357). According to this literature, there is an association between the increasing importance of cities and changes in the global economy. 'Cities, in a way, are becoming more powerful vis-à-vis nation states in the global era' (Friedmann and Wolff, 1982, p.312).

While cities are increasingly taking on the significant role in political, economic, social, cultural and media life, they are also important 'social subjects which form links among local administrations, public and private economic agents, social and civic organisations, intellectual and professional sectors and media, in other words, between political institutions, business and civil society' (Borja and Castells, 1997, p.4). In addition, most of the significant decisions on economic activities are today not taken in administrative capitals, but in world or global cities, which direct the international capital. As a result of these economic developments, 'a *cities hierarchy* has been created in the world scale, in which a few powerful global cities control all the global economy' (Friedmann, 1995 and Sassen, 1991). According to Hall (1995), 'the global informational economy is organised on the basis of managerial centres capable of co-ordinating, managing and innovating the activities of companies structured in networks for interurban, and often trans-national, exchange'.

'Linked to their control and command functions, global cities develop a rich physical and social infrastructure' (Dieleman and Hamnett, 1994, p.358). The emerging post-industrial order and world trade agreements are, today, producing new modern office buildings, commercial free-trade zones and enterprise development areas in the world cities, increasingly connected by sophisticated information and global telecommunication systems. 'Distinct office towers as the image of power and prestige, major international airports, super-fast trains and telecommunications networks maintain the global reach of a world city, and the social networks are also nourished by a large variety of cultural and entertainment facilities' (ibid.).

In contrast, being a world city may bring some detriments, as we can see in the literature. Several authors have mentioned that 'world city status can bring considerable social costs like increasing inequalities, *polarisation*<sup>2</sup>, *duality*<sup>3</sup> and crime' (Friedmann and Wolff, 1982; Castells, 1989 and Sassen, 1991, cited in Dieleman and Hamnett, 1994, p.358). The sharp increase in socio-economic and spatial inequalities within major cities of the developed world can be included among the harmful effects of the economic globalisation process. According to Sassen (1994), 'this can be interpreted as social and economic restructuring and the emergence of new social forms: the growth of an informal economy in large cities in highly developed countries; high-income commercial and residential gentrification; and the sharp rise of homelessness in rich countries'.

Sassen also claims that 'the structure of economic activity in global cities, particularly the rapid growth of the financial sector and the decline of manufacturing industry, has brought about changes in the organisation of work, reflected in a shift in the job supply and polarization in the income distribution and occupational distribution of workers' (1991, p.9). The increasing social segregation taking place in global cities in parallel with the economic and social restructuring process, however, is not just a developed world phenomenon. Though at a different order of extent, these kinds of trends also became evident during the late 1980s and 1990s in a number of major cities in the developing world that have become integrated into various world markets (Sassen, 1994, Knox and Taylor, 1995). Cities such as Mexico City, Buenos Aires, Bangkok, Sao Paulo and Istanbul can be given as examples of these types of cities.

<sup>&</sup>lt;sup>2</sup> See Sassen (1991) for more detail about 'social polarisation'.

<sup>&</sup>lt;sup>3</sup> See Castells (1989) for more detail about 'dual city'.

In the new era, the issue of urban governance has been another important subject area related to the globalisation debate, including considerable potential for further analytical development, since it has also been transformed in recent years. Harvey (1989b, p.5) argues that 'the transformation of urban governance has had substantial macro-economic roots and implications'. According to him, 'urban governance has become increasingly preoccupied with the exploration of new ways in which to foster and encourage local development and employment growth', and 'such an entrepreneurial stance contrasts with the managerial practices of earlier decades, which primarily focused on the local provision of services, facilities and benefits to urban populations' (ibid., p.3).

Thornley (1999, p.4) points out that 'this entrepreneurial attitude includes viewing the city as a product that needs to be marketed, and in recent years the rise of city marketing in which image is seen to be of supreme importance, has been an extensive area of study'. He also adds that 'the particular image or vision approved can determine policy priorities' underlining that 'a typical emphasis is on megaevents and developments that attract media attention' (ibid.). Harvey (1989b, p.10-11), moreover, indicates that 'urban entrepreneurialism implies some level of intercompetition', and 'the task of urban governance is to lure highly mobile and flexible production, financial and consumption flows into its space' as a prerequisite of this inter-competition. The organization of Olympic Games and all related activities, such as the provision of land, buildings and infrastructure required, can be viewed as part of the urban entrepreneurialism and city marketing strategies.

On the other hand, the role of national governments in urban policy area tends to change in formal nature, and their relationships with local governments are more contractual than hierarchical. Some scholars argue that 'local governments acquire a revitalised political role through the structural crisis of areas of authority and power that highly affects nation states in the global system' (Borja and Castells, 1997, p.5).

Many countries in the world are now facing intense change in the field of governance and undertaking extensive state reform, including decentralisation in state structure and functions, government and civil service reorganisation, and transitional steps to democratisation. There is an increased emphasis on the need to address local government more specifically aiming at more effective and efficient government in terms of development performance, streamlining public finances and ensuring transparency and accountability of actions. This reform process, initiated for the most part by national governments, is changing the nature of local administration and urban policy in cities.

On the other hand, since local government is the level of government which is closest to the people and the agent of social change, it has an important role in the development of communities. According to Borja and Castells (1997, p.3-4):

'Local governments have two important advantages over their national guardians. For one thing, they enjoy greater representativeness and legitimacy with regard to those they represent: they are institutional agents for social and cultural integration in territorial communities. For another, they have much more flexibility, adaptability and room for manoeuvre in a world of cross-

linked flows, changing demand and supply, and decentralised, interactive technological systems,<sup>4</sup>.

With the rise of the global market economy at the end of the Cold War, almost all nation states in the world have moved towards the establishment of responsible and participatory municipal governments. Political changes during the past decade have in addition spurred people's interest in democratic ideals of freedom and human rights, placing increased pressure on governments to give up elements of decision-making power to bodies that can more closely represent the needs and wants of citizens. Therefore, restructuring and strengthening local administrations have become priorities for nation states in order to provide efficient and sustainable development since the end of the 20<sup>th</sup> century.

A number of forces at local level have also directed attention to the importance of local government. These include the rapid growth in world cities, urban poverty, social and ethnic isolation and other social costs of structural adjustment, and the incapacities of local governments to meet the demand for basic infrastructure. These problems and local service deficiencies have actually helped to focus attention on the need to strengthen local government.

There is now increased pressure on local governments to provide a high standard of services, efficiencies and quality of life in the cities, and in this way to attract and retain multinational and trans-national corporations and their investments. Local governments are faced with increased competition for basic services to meet the

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<sup>&</sup>lt;sup>4</sup> See Borja and Castells (1997) for more details.

needs of the general population and the poor, versus investment in those specialised services which initially are of use only to more sophisticated international business interests.

As well as increasing urbanisation and the need for development, sustainability requires urgent solutions for urban problems. Municipalities are vital organisations in overcoming problems faced in preserving the quality of life, stimulating the local economy and reducing urban poverty. Deterioration of infrastructure often affects private investment flows, job creation and productivity. Local economies are thus largely dependent on adequate infrastructure and efficient municipal services if they are to remain competitive.

Municipalities, furthermore, have become increasingly skilled in such diverse areas as urban planning, waste management, transportation and public finance management at local level. In addition to everyday local affairs, they are often also the first level of government with responsibility to their citizens for quality of life and protection of the environment. Effective co-operation between local authorities and municipalities also leads to their greater empowerment as they aim to achieve a better standard of living for everybody.

On the other hand, local government has usually lacked both political and financial power within highly centralised state structures, which has been common in many developed and most of the developing countries until recently. Local governments have mostly been dependent, in administrative and financial terms, on their nation states, and they have had less power and fewer resources than their national superiors

for controlling global economic and political agents. When we think about increasing urban problems and the present impoverishment of city residents, we all agree that local government can no longer remain as the neglected partner in this intergovernmental relationship. For these reasons, the general trend and political pressure toward decentralization of administrative processes and political decision-making is continuing to grow, and individual countries have reacted in different ways to this trend.

In summary, the local aspects of urban global change, including rapid urbanisation, increased urban poverty, inequalities and conflicts, together with the incapacities of local government to meet the demand for basic infrastructure and the emergence of a strong set of actors and local civil organisations in society, have all helped to focus attention on the importance of local government. Because local government is closer to the people and is a kind of training ground for democracy, the emergence of local government is an important issue in the democratisation movement for countries in the new era.

Taken altogether, the convergence of these global, national and local aspects serves to focus and heighten attention on the local level, which is the ignored branch of government especially in the developing world. Highly centralised states have been the norm in most of the countries, and local governments have usually been the weak side in the relationship between local and central government. But with globalisation, cities all over the world have gained greater importance and became more competitive. This forces central government to reorganise the role of local

government and to make municipalities stronger both financially and administratively.

In the light of these arguments, this thesis intends to find out how globalisation has affected and is continuing to affect the role of the territorial state, and what kind of impact globalisation has had on local government in the determination of the urban policy framework with reference to the Turkish example.

## 1.3 General Objectives of the Thesis

Many countries in the world have undergone similar types of economic and political transformation in the last two decades, as we have argued so far, and this has been part of a more global process of restructuring in the world economy. Countries have differed in terms of the manner in which economic programmes have been implemented and the degree of success achieved in objective economic and political indicators. The economic globalisation experiment of Turkey is also not unique, and it resembles various experiments practiced in developing world. Since 1980, a profound shift in policy occurred in Turkey concerning the role of the state in economic affairs under the conditions of intensifying globalisation. The new economic strategy aimed at decreasing both the scale of public sector activity as well as the degree of state intervention in the operation of the market together with parallel developments in the world. The orthodox policies of the IMF have been heavily applied as part of the economic restructuring and liberalization process.

The Turkish experiment with liberalization and structural adjustment in the period following the military coup of 1980 can be seen as relatively successful in terms of opening up the economy. Some thinkers believe that 'the coup ushered in a regime which was not of the earlier type of bureaucratic authoritarian military rule, characterized by a more efficient and greater state involvement in the industrialization effort' (Keyder and Oncu, 1994, p.40).

Turkey's political economy in the 1980s, however, displayed a fundamental paradox. A series of measures in the direction of liberalising the economy, especially in the context of the post-1983 period, was accompanied by an ambitious growth strategy based on expansion of the public sector. Consequently, the projected retreat of the state did not materialise in the Turkish case, although a decisive shift occurred in the type of state intervention, and a considerable reduction in the government's involvement in the process of market economy. 'Instead of a retreat of the state, we observe a significant re-organisation, as well as further centralisation of the state apparatus itself as compared with the previous pattern' (Onis, 1991).

As a result, the Turkish economy could neither establish macroeconomic balances nor retain stability in the last two decades. In addition, the liberalisation process in the 1980s and 1990s has been widely criticised as not being a product of Turkey's own social, political and economic dynamics (Berksoy, 2000; Toprak, 1996 and Onis, 1997). According to Berksoy, 'the liberalisation process in the 1980s symbolises a sudden and sharp turn rather than a progression of the Turkish system, and this model looks like a copy of the prescriptions of capitalism prepared for its crisis in the 1970s, which does not contain any characteristics of the Turkish system'

(2000). In the light of these criticisms, one of my main aims in this thesis is to examine the political and economic characteristics of the Turkish globalisation process. This will assist in exhibiting the changing role of the state and city in the new era.

On the other hand, while the influences of global economic trends on restructuring the urban economy and repositioning the city in the global economy have been extensively studied, the changing relationship between government levels with respect to urban policies, or the relationship between the reorganisation of the state and changes in urban policies, have hardly been investigated. The changing relationship in authority between different levels of government, and its effect on urban policies in the new era, is the second examination area in this study. The political effects of economic globalisation on the nation-state have changed the nature of the relations between central government and local governments in the last two decades. The main question of this research study will be to establish to what extent the economic and political globalisation process has affected the state and its sub-levels, and how this process has changed the way in which urban policies are implemented by these various levels of government in Turkey.

The first focus will be on the political aspects of global economic change, which include the contradiction between the increasing importance of global cities and changing role of nation states and national governments. 'The accelerated, globally moving flows are said to represent processes of deterritorialisation through which social relations are being increasingly disembedded from territories on sub-global geographical scales' (Brenner, 1999, p.431). The existence of particular locations

with a prominent orientation to the world market today raises a question about their connection with the nation states to which they belong. This is especially valid for world cities where the dominant economic sectors are oriented to the global market.

The principal hypothesis in this work is that the globalisation process has brought two parallel outcomes for nation states. One of these is the increasing importance of world cities vis-à-vis their nation states, as the engines of national and international economies. This first outcome is mostly related to the economic aspects of globalisation. Secondly, as a political aspect of globalisation, it will be argued that there is also an important transformation in the governing relationship between different levels of government, and the nation-state is transferring some authority to the local level. These two parallel outcomes are especially associated with the changing role of the state in the global era, as a result of 'the reterritorialisation of forms of territorial organisation such as cities and states, which must be viewed as an essential phase of the current round of globalisation' (Brenner, 1999, p.432). The purpose of the thesis, at this point, is to convey to readers a sense of the simultaneous trends in globalisation and decentralisation and especially to demonstrate the changing role of sub-national or local governments.

The second hypothesis related to the first one is that there is a clear change in the nature of urban policies. Increasing urban competition as a result of the globalisation process and the reconfiguration of the nation-state in the new global era have together brought a transformation in urban governance in the direction of the entrepreneurial approach. Harvey (1989b, p.4) emphasises that 'urban governments have to be much more innovative and entrepreneurial, willing to explore all kinds of

avenues through which to alleviate their distressed condition and thereby secure a better future for their populations'. According to Harvey (1989b, p.5), since 'the city is the relevant unit for understanding the creation of the wealth of nations, the shift from urban managerialism to urban entrepreneurialism could have far reaching implications for future growth prospects'5.

Central and local governments have started to use this new entrepreneurial approach as a tool in order to perform or practice their new roles in the governing relationship and to compete at global and national levels. This switch to entrepreneurialism in urban governance, in some cases, has helped the local government to maintain considerable autonomy of local action. In this transformation of urban governance, national governments have also had some important responsibilities in maintaining the balance among different levels of governance. However, in some other cases, central governments have directly intervened in the process and kept all the responsibilities and resources, bypassing local governments and ignoring the other local actors.

Within this general framework, looking into the Turkish case, and especially that of Istanbul, could give important clues about changing central and local government relations with respect to urban policies under the impact of globalisation. The field study has therefore been conducted in the city of Istanbul, which is the greatest metropolis of Turkey and one of the great cities in the world. The city has been rapidly transforming in recent years. This transformation has its roots in the historical and cultural dominance of Istanbul over the rest of the country. Throughout Ottoman

<sup>&</sup>lt;sup>5</sup> See Harvey (1989b) for a detailed study on the shift to urban entrepreneurialism.

and Turkish history, Istanbul's economic, cultural and societal leadership has had an extensive impact on the whole country. However, the recent transformation has partly stemmed from globalisation tendencies, which influence developing countries as well as the most developed ones.

In this study, I intend to analyse various aspects of this transformation process to bring about an understanding of the authority relationship between central government in Ankara and the local government in Istanbul. I will mostly take the Metropolitan Municipality of Istanbul as the representative of local government because it is the more powerful local government body when compared to the other that is the Governorship. Moreover, although Turkish urban policy has never been welfare-oriented, market and outward orientation has never been so dominant. Urban policy issues, in relation to this, appear to assist with integration into the world economy and to make Istanbul more attractive for foreign capital.

Under these circumstances, this study aims to explore how some special outward-oriented urban polices in Istanbul are being shaped under the effect of the changing authority relationship between the central and local government, parallel to the global transformation process. While the urban policy example which encourages new financial and business centre development in the western part of the city, along the 'Levent-Maslak axis', constitutes my first case study, the routine applications of consecutive governments to compete for hosting the Olympic Games in Istanbul as a constant urban strategy will be examined in the second case study.

### 1.4 The Structure of the Thesis

This research study consists of nine chapters. After this introductory chapter, contemporary discussions about the globalisation issue will be examined by dividing the globalisation discourse into three broad schools of thought: hyperglobalizers, sceptics and transformationalists. In the first half of the second chapter, the economic and political aspects of globalisation will be taken under scrutiny. The second half will try to address the effects of the globalisation process on cities and the transformation in urban governance.

The third chapter will concentrate on the state, and examine how the nation state has changed under the intensifying globalisation process. The regulationist approach will be used in explaining the changing role of the state, and by using the regulation theory, we will try to conceptualize how national-scale regulation entailed qualitative changes across time and space. In the subsequent part of the chapter, the effects of globalisation on local government will be discussed. In general, I will first explore the relationship between globalisation and the changing role of the nation state as a response to the globalisation process, and then investigate the transformation of urban policies implemented by the central and local governments in the new era.

Central governments in both the developed and developing world, operating under structural adjustment programmes and suffering serious debt problems, have generally examined ways to decentralise some of their responsibilities to the local level. Together with the increasing importance of cities as a result of the globalisation process, decentralisation was seen as an effective tool for good and

efficient municipal management by national governments. Some problems, however, have been identified resulting from early decentralisation efforts. For example, while authority to deliver services is often transferred from central to local levels of government, the financial revenues are generally not. Intergovernmental transfers are unreliable, powers to raise revenues locally are not in place and, in general, financial autonomy to act on the newly acquired local functions remains weak. The lessons from past experience are directing increased attention to ways of strengthening local government in order to improve the success rate of decentralisation efforts. Chapter Three will therefore include the decentralisation of governmental processes in the context of intergovernmental relations, which provides opportunities for promoting local actions in the global environment.

The following sections of the third chapter concentrate on changes in urban politics and urban regime theory. I will argue that there is a change in the nature of urban governance and management in the global era, and urban policies are being highly affected by this global transformation. The so-called 'new urban entrepreneurialism mostly relying on the public-private partnership' is generally viewed as an alternative urban policy tool in finding solutions for those contemporary urban problems. On the other hand, urban regime theory will look at the nature of state regulation at sub-national levels, examining the existence of informal arrangements between public bodies and private interests in order to be able to make and carry out governing decisions.

<sup>&</sup>lt;sup>6</sup> Harvey (1989b, p.7-9).

Starting from the fourth chapter, my attention will turn to Turkey, and I will investigate the effects of globalisation on the Turkish state and explore central-local relations with respect to urban policies in relation to the 'restructuration' process of the state. In the fourth chapter, I will firstly focus on the modernisation process in Turkey. Then my attention will switch to the economic and political aspects of the debate, and I will examine the way in which the nation state has been affected by the increasing globalisation process in Turkey. Globalisation and the limitless capital movement in the world seem to threaten the concept of the nation-state. In relation to this, the idea of "national development" seems old-fashioned. I will investigate whether the nation-state is changing or not, and if it is changing, what kind of strategies the nation-state applies today. The decentralisation efforts in the 1980s, administrative and financial changes together with legislative innovations, will also come under scrutiny in this section of the chapter.

Nearly 75 per cent of the population of Turkey today lives within municipality borders. Economic activities mostly take place in urban areas. Today's municipalities have some political power as well. They are competing with the central government for the share of authority and government. Together with the internal dynamics of Turkey, which have given strength to the municipality movement, international and global developments also force the central government in Ankara to take into consideration cities and urban policies more carefully.

Changes in the world political arena also affect political understanding in countries and bring about debate on governing models. For example, 'the Europe Local Administrations Subsidiarity Condition' agreement, which Turkey has already

signed, is a result of this tendency to find new models. Turkey has signed this agreement despite there being limitations arising from its constitution. It is almost impossible to continue with a rigid centralised government model today. International relations and agreements constrain central governments more and more. Turkey is looking for a rational way appropriate to its structure. When we consider that the current local administrations law in Turkey has been is in force since the 1930s without any change, the transfer of responsibilities from central government to local government and administrative reform reorganising local and central government relations is a necessity. This is also very important for solving increasing urban problems and serving the needs of rapidly growing cities. That is why the national government and parliament in Turkey has often sought to implement a new and more contemporary local administrative and municipal legislation since the 1980s.

However, from the civil actors' point of view, the new local administrations law passed by in parliament in July 2004 still seems insufficient and needs to be improved. This reform lacks the participation of the actors in society. It merely gives a limited right to various professional organisations to explain their views in the local parliament. For civil organisations, it is more important to be able to direct the activities of local administrations rather than just explaining their thoughts. Within this framework, civil organisations want to make a contribution to the related decisions and policies of local governments and municipalities. In the fourth chapter, we will look into this new legislation in order to understand the state's restructuration process in the new era.

In Chapter Five, the focus will be on Istanbul, and I will examine how the economic globalisation process has affected the city. Decisions concerning economic activities today are not taken in administrative capitals but in the world or global cities which direct international capital. As a result of these developments in the world economic system, a hierarchy of cities has been created on a world level. Under these conditions, Istanbul, with its long history, great cultural inheritance and relatively strong economic structure, is a candidate for Turkey to find its place in this world city hierarchy. After examining economical aspects of the globalisation process in Istanbul, my concentration will turn to the political stage and I will investigate changing local politics in the city regarding some of the new metropolitan planning strategies.

Chapter Six will focus on the planning process in Istanbul. I will firstly look into the history of planning in the city, starting from late Ottoman times, continuing with the new Republic, and reaching the present day. Following that I am going to look at most recent master plans for the Metropolitan area of Istanbul. I will try to find out how urban policies are being shaped under the conditions of globalisation, what roles different actors play in producing urban policies, and how the national government in Ankara affects this decision-making process in Istanbul.

The seventh chapter will concentrate on the first of two specific urban strategies analysed in this study. This first strategy has been implemented in order to encourage the participation of Istanbul in globalisation. The city of Istanbul, as a result of transformations in the world order, has now more responsibilities in both establishing relations with international markets and taking the leadership for the economic

development of Turkey. The national government, on the other hand, takes an interest in urban policies in order to raise cities up to the leading world cities' level by improving infrastructure and thereby improving the living conditions of the citizens.

The first strategy that I will explore in Chapter Seven is the encouragement of a new international financial centre development in the so-called 'Levent-Maslak axis' located in the western part of Istanbul. This case study will help us to understand whether this is a planned strategy used by local and central decision-makers to help the city to reach global city status, or just another example of urban policy which serves the interests of capitalist speculators who are accountable to no one and have no interest in planning policies or adhering to regulations.

Chapter Eight, on the other hand, examines the repeated bids by central government to bring organisation of the Olympic Games to Istanbul. The Olympic Games today are not only a major sporting event but also a very useful urban tool for city governments to promote and market themselves in an attempt to attract inward investment and generate a considerable amount of economic multiplier effects. I will explore the power relationship between the actors behind this outward oriented urban strategy for Istanbul.

Finally, the last chapter will briefly address general conclusions reached at the end of the discussions in different chapters of the thesis.

### 1.5 Research Methodology

The aims and objectives of this research have brought, in particular, national and local policy makers, bureaucrats and civil society members to the centre of the study. Ideas and thoughts behind government policies and behaviour have been brought under scrutiny in the field research of this study. Therefore, local and central government organisations, policy makers and officials in Istanbul have been the target groups in the field research. However, I believed that room should be made for the people who are being affected by these urban policies. For that reason, the field research in this study also includes interviews with civil society and professional organisations reflecting the opinions of the general public.

Both quantitative and qualitative research methods have been used in this study. There were three stages in the realisation of the field study part of the research. First of all, I examined quantitative data and statistics from written official documents and reports published by various central and local government organisations. Numerical and statistical information such as local governments' share of the GDP, gross domestic product and its national share in the metropolitan area of Istanbul, rates of annual growth of the sectoral GDP in Turkey and Istanbul, and also detailed statistics about the Olympic Games organisation project have been analysed using these documents and reports.

Secondly, using a variety of media sources including web sites of daily newspapers and magazines, and governmental, non-governmental and business organisations, an extensive dossier of Istanbul including news and data has been constructed. This file contains most of the news, short reports and information about Istanbul published in the recent past. Some of this collected information is important in reflecting public opinion in Istanbul, as we will see in the case study of the Olympic Games organization project. Others, however, actually helped me to get some idea about the possible outcomes of urban policy and projects, as in the case study of high-rise developments in Levent-Maslak axis.

Thirdly, one of the most widely used qualitative research methods, interviewing, was frequently used in the fieldwork. Although there are infinite varieties of the interview, its basic purpose generally is to collect information. Richardson et al emphasises that the interview is the only feasible method and one of the most effective ones for acquiring certain kinds of information (1965, p.8). According to Robson (1993, p.229), moreover, 'face-to-face interviews offer the possibility of modifying one's line of enquiry, following up interesting responses and investigating underlying motives, and this is the main characteristic which differentiates it from other kinds of questionnaires'.

Richardson et al (1965, p.8), in addition, mentions that 'the use of the interview must be based, as well, on an objective assessment of the other methods that might be used'. They say that 'different methods are often used in the same study, either concurrently or in sequence, to verify or to supplement the information gathered by any one of them or for the peculiar advantages of each at various stages'<sup>7</sup>.

<sup>&</sup>lt;sup>7</sup> Richardson et al. (1965) for the comparative advantages of different methods.

There are various reasons for choosing the interview technique in this research project. First, it was the most suitable data collection tool for the type of information I needed to use in my research area. Since I primarily interest in the opinions, attitudes and future expectations of people, bureaucrats or politicians, interviewing seemed the most appropriate information-gathering method. It is a very commonly-used approach for research purposes, and also appears to be a quite uncomplicated and practical method of gathering data.

I believed that a flexible type of interview would be more suitable in my area of research because of the type of data that I had planned to collect. In this way, I could easily consolidate the findings from the interviews into the text. A structured type of interview and its rigid format could have created some difficulties while collecting information about people's thoughts and expectations. According to Robson, 'although the lack of standardisation that it implies inevitably raises concerns about reliability, interviews have the potential of providing rich and highly illuminating material' (1993, p.229). With these considerations, I have preferred to use the semi-structured interview method when I was doing interviews with local politicians, bureaucrats, officials and professionals because of its relative advantage over other types.

On the other hand, one of the main problems in my area of research was to create a suitable and adequate time period for interviews. Since interviewing is a time consuming activity, and potential interviewees were politicians and bureaucrats in my research area, it was very important and sometimes quite difficult to arrange the timing and the length of sessions.

Another important problem area was to obtain productive cooperation with the interviewees. It has sometimes been very difficult and tricky for me as an interviewer to get the information that I really needed. Politicians, policy makers and bureaucrats in central government organisations and municipalities generally preferred to give information which was politically more correct for themselves, or more 'secure' and free of any personal risk to their position. In this kind of a situation, using various interviewing tactics such as changing the manner of asking questions, or asking the same kind of information using multiple questions were very useful.

Although there are always difficulties in both interviewing and obtaining official documents to take information of high quality, I believe that my case studies have been very helpful in terms of gaining valuable data, and both sides, myself and the interviewees mutually benefited from the interviews we conducted.

# **Chapter Two**

# Globalisation, Global Cities and Urban Governance

#### 2.1 Introduction

A dominant theme in many social science texts over the last two decades has been the issue of globalisation. In recent years, there have been many publications mentioning the economic, social, political and cultural effects of globalisation and the new world order on different geographical scales. This is reflected directly in the literature on global cities, and on the globalisation of finance and investment. The concept of globalisation also comes out with some other issues such as the emergence of trans-national regulatory frameworks, the hollowing out of the nation-state, development of the new entrepreneurial city and the rise of new urban policies.

There are many different kinds of views to describe the globalisation process and the changes in the new world order. Globalisation has today been a theme for serious debate in both social and political science literature, and my main concern in this thesis is to explore the effects of globalisation on the territorial organization such as the state and the city in particular. I will start the discussion by giving a very brief summary about this broad globalisation issue in this first chapter. My major interest, however, is not to question the validity and accuracy of many strong claims made about globalisation. My aim in this chapter is to show that the globalisation is a complex process and contains considerable variety of opinions. Many different

aspects of globalisation can be highlighted. But my focus will be on the economic and political dimension of the debate at the beginning.

The chapter consists of four parts. In the first part, I will try to present contemporary discussions about globalisation by benefiting from Held and his fellows' famous classification which divides the thinkers on globalisation into three broad schools of thought: hyperglobalizers, sceptics and transformationalists (Held et al., 1999, p.2). In the following part of the chapter, I will address the relationship between the nation-state and globalisation by using the same framework in the first part. Then I will briefly examine the theory of the global/world city, and concentrate on the changes in the world cities under the effects of globalisation. Subsequently, the last part of Chapter Two will focus on the changing feature of the city government in the new era. And finally, in conclusion, I will try to summarise some important points which can be caught from the broad globalisation debate, and this will hopefully assist to build up the theoretical framework of this study.

## 2.2 What does the term 'globalisation' comprise?

Definitions of globalisation are particularly difficult to hold down and, where explicit, they vary considerably in their form. There is a wide variety of views in the academic literature in using the term 'globalisation'. As Amin suggests, 'the more we read about globalisation, the less clear we seem to be about what it means and what it implies' (1997, p.1). A highly common point in much of this literature,

however, is the relationship between recent economic change and the regulatory power of the inter-state system.

As one of the most important contributors to the globalisation debate, Giddens defines globalisation 'as the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa' (1990, p.64). For Robertson the term refers 'both to the compression of the world and the intensification of consciousness of the world as a whole' (1992, p.8). John Gray (1998, p.55), moreover, takes globalisation as 'the world-wide spread of modern technologies of industrial production and communication of all kinds across frontiers-in trade, capital, production and information'. According to Albrow (1996, p.89), globalisation can be seen as 'the most significant development and theme in contemporary life and social theory to emerge since the collapse of Marxist systems'. However, I think that one of the most precise definitions about globalisation has been given by the political theorist David Held and his colleagues. They define globalisation as:

'a process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power' (Held, et al. 1999, p.16).

The word globalisation actually is a relatively new in the literature. In one of his public lecture series<sup>1</sup>, Giddens (1999a, p.6) has argued that 'the history of the word globalisation is itself very interesting, and up to about fifteen years ago you hardly find this word in the academic literature and you cannot find much reference to it certainly in the popular press, up to very little time ago'. However, 'globalisation has been one of the most important debates discussed in social sciences in the last two decades, and it has nowadays become a very widely used term not only among academics, but also in politics, business environment and even daily life' (ibid.).

According to Held and his fellows (1999, p.2), 'there are three different views on the notion of globalisation and the reality underlying it'. The globalisation literature can also be divided into three main parts according to these separated opinions. One of these views has generally been called as the views of the globalisation sceptics (Held et al., 1999, p.2; Giddens, 1999a, p.7 and Gray, 1998). Paul Hirst and Grahame Thompson can be given as the principal names for the globalisation sceptics. They mainly argue that 'the word of globalisation actually has some ideological meanings and it is quite difficult to see its practical outcome in the real life', and also state that 'the world in which we live is not in fact very distinctively different from before' (Hirst and Thompson, 1996, p.2-3, and also Giddens, 1999a, p.7 and Dicken, 2003, p.10-11).

The globalisation sceptics argue that 'if you look at statistics on the global economy, the level of concentration in the global economy today is not much greater than it was thirty or more years ago, and even if you compare the global economy now with

<sup>&</sup>lt;sup>1</sup> The Director's Lectures: Politics after Socialism, given by Anthony Giddens, on the 20<sup>th</sup> January 1999, and a printed copy of the lecture has been retrieved from

a hundred years ago, it looks rather similar' (Giddens, 1999a, p.8). For them, 'the late twentieth century is at most a reversion to the late nineteenth century, and it is not something different from what has been known before' (ibid., and Hirst and Thompson, 1996, p.2). David Harvey (1996, p.420) also advocates this argument, and says that 'the process of globalisation is not new, and even much before the nineteenth century, the globalisation of capitalism was well under way in part through the production of a network of urban places as Marx and Engels emphasized the point in The Communist Manifesto'.

Giddens (1999a, p.8) argues that 'according to the sceptics, all the talk about globalisation has been invented by right-wing ideologists, who want to attack the welfare state, to cut down on funding for welfare systems, and to emphasise globalisation as a way of doing this'. The sceptics also argue that 'globalisation is essentially a myth which conceals the reality of an international economy increasingly segmented into three major regional blocs in which national governments remain very powerful' (Hirst and Thompson, 1996).

Secondly, there is a quite different school of thought which David Held and his colleagues have called as the hyperglobalizers (Held et al., 1999, p.3 and also Giddens, 1999a, p.9). One of the best examples of the hyperglobalizers is the Japanese thinker, Kenichi Ohmae<sup>2</sup>. They have quite contrary views to the globalisation sceptics, and Thornley (1999, p.2) emphasises that 'their views have been particularly strong in the business and management literature'.

http://www.polity.co.uk/giddens/pdfs.

<sup>&</sup>lt;sup>2</sup> See Ohmae, K. 1995, The End of the Nation State: The Rise of Regional Economies, p.5-16.

For the hyperglobalizers, 'globalization defines a new era in which traditional nation-states have become unnatural, even impossible business units in a global economy' (Ohmae, 1995, p. 5, cited in Held et al., 1999, p.3). This globalization view generally favours the neo-liberal economic logic, and according to them, people everywhere are increasingly subject to the disciplines of the global marketplace in the new era. 'They also argue that 'economic globalisation is bringing about a "denationalisation" of economies through the establishment of transnational networks of production, trade and finance' (Held et al., 1999, p.3). To them, 'the declining authority of states is reflected in a growing diffusion of authority to other institutions and associations, and to local and regional bodies' (Strange, 1996, p.4, cited in Held et al., 1999, p.3).

Held, who invented the hyperglobalizers terminology, and his fellows emphasise that 'many hyperglobalizers share a conviction that economic globalization is constructing new forms of social organization that are supplanting, or that will eventually supplant, traditional nation-states as the primary economic and political units of world society' (Held et al. 1999, p.3).

The third school of thought on the globalisation issue can actually be seen as a medial group between the sceptics and the hyperglobalizers. For Held et al. (1999, p.2-7), this group of thought can be called as the transformationalists, and it includes some thinkers like Giddens, Rosenau and Castells. The transformationalists argue that 'contemporary patterns of globalization are conceived as historically unprecedented such that governments and societies across the globe are experiencing a process of profound change as they try to adapt to a more interconnected but highly uncertain world in which there is no longer a clear distinction between international

and domestic, external and internal affairs' (Rosenau, 1990 and 1997; Sassen, 1996; Giddens, 1990, cited in Held et al., 1999, p.2-7). For Rosenau, the growth of "intermestic" affairs define a "new frontier", the expanding political, economic and social space in which the fate of societies and communities is decided' (1997, p.4-5, cited in Held et al., 1999).

According to the defenders of this view, 'globalisation is a central driving force behind the rapid social, political and economic changes that are reshaping modern societies and the new world order' (Giddens, 1990 and Castells, 1996). Castells argues that;

'toward the end of the second millennium, several events of historical significance have transformed the social landscape of human life. A technological revolution, centred around information technologies, is reshaping, at accelerated pace, the material basis of society. Economies throughout the world have become globally interdependent, introducing a new form of relationship between economy, state, and society, in a system of variable geometry' (1996, p.1).

The transformationalists and the hyperglobalizers in general share the idea that we are living in an era in which there is a very important change, and today's radical globalisation is quite different than the developments in previous times. This differentiates them from the sceptics. On the other hand, 'both the hyperglobalizers and the sceptics try to identify globalisation as merely an economic phenomenon' (Giddens, 1999a, p.13). They both focus on the international economy and the world economic system. The primary concern for these two groups of thought is the

economic aspects of globalisation and governance in terms of its economic necessities and possibilities, and global capitalism is the common point for most of the arguments explaining the changes in the world economic system.

In contrast to both hyperglobalizers and sceptics, globalisation is not only an economic phenomenon, but it also has social, cultural, technological and political aspects. 'The greater part of social life is, nowadays, determined by global processes, in which national cultures, economies and borders are dissolving' (Hirst and Thompson, 1996, p.1). According to Held:

'Globalisation implies at least two distinct phenomena: First, it suggests that many chains of political, economic and social activity are becoming worldwide in scope. And, secondly, it suggests that there has been an intensification of levels of interaction and interconnectedness within and between states and societies. What is new about the modern global system is the stretching of social relations in and through new dimensions of activity – technological, organisational, administrative and legal, among others- and the chronic intensification of patterns of interconnectedness mediated by such phenomena as modern communications networks and new information technology' (Held, 1995, p.21 and also Chapter 1 in Castells, 1996).

On the other hand, 'globalisation is a social phenomenon since much of social theory is both a product of and an implicit reaction to the globalisation process' (Robertson, 1990, p.15). According to Robertson, 'as a relatively recent phenomenon, globalisation is closely related to modernity and modernisation, as well as to post-modernity and post-modernisation' (ibid., p.20). 'Globalisation is changing people's

everyday lives, because it is just a different thing to live in a world where information is instantaneous' (Giddens, 1999a, p.13). While Giddens is emphasising that 'globalisation is changing many aspects of people's lives, including everyday life as well as larger structures in the world' (ibid.), he actually mentions the social aspects of globalisation, and according to him, globalisation is about the lives of individuals rather than just about the big systems of the world. That is why, for him, 'globalisation is also a transformation of everyday life, of the nature of self, of our emotions and of how you construct local solidarity, friendships, sexual relationships and a relationship between parents and children' (ibid., p.15).

Globalisation finally includes some important political aspects since it has important effects on the structure of the nation-state apparatus. As Giddens has also emphasised, 'the world nation-state system is in an interesting state of evolution as a result of globalising processes, and the nation-state is becoming radically transformed' (1999a, p.19). There is no doubt that globalisation has some important political effects on the nation-state. The state's role in the new global order has considerably changed. In some respects, like national macro-economic management, its capacities seem to have weakened considerably. However, the nation-state is still a pivotal institution, especially in terms of creating the conditions for effective international governance. The focus in the next section will mainly be on the changing role of the nation-state under the effects of globalisation.

#### 2.3 Globalisation and the Nation-State

Since understanding the effects of intensifying globalisation on the nation-state is the main concern in this part, my general approach in this section will be similar with the discussion of the globalisation debate in the first part of the Chapter. I will again use three main groups of arguments looking at the nation-state from the globalisation perspective.

The first of these groups of arguments has been called the globalisation sceptics. This group generally supports the idea that 'nation states continue to have some key roles, whatever other functions they may gain or lose: they firstly have a significant role to play in economic governance at the level of both national and international processes' (Hirst and Thompson, 1996, p.170). In this argument, the autonomy and decision-making power of the nation-state and the state sovereignty cannot be completely diminished by the current economic globalisation or global governance, although it is generally accepted that the new globalized economy allows transnational companies to run their business without the close state intervention and politics.

According to the sceptics, then, 'while the state's exclusive control of territory has been reduced by international markets and new communication media, it still retains one central role that ensures a large measure of territorial control – the regulation of populations' (Hirst and Thompson, 1996, p.171). In addition, 'the central functions of the nation state will become those of providing legitimacy for and ensuring the accountability of supra-national and sub-national governance mechanisms' (ibid.).

The globalisation sceptics also claim that 'a world economy with a high and growing degree of international trade and investment is not necessarily a globalized economy, in the former sense. In it nation states, and forms of international regulation created and sustained by nation states, still have a fundamental role in providing governance of the economy' (Hirst and Thompson, 1996, p.185).

Hirst and Thompson argue that 'nation states are still of central significance because they are the key practitioners of the art of government as the process of distributing power, ordering other governments by giving them shape and legitimacy', emphasising that 'nation states can do this in a way no other agencies can: they are pivots between international agencies and sub-national activities, because they provide legitimacy as the exclusive voice of a territorially bounded population' (1996, p.190).

Moreover, for sceptics, 'in a system of governance in which international agencies and regulatory bodies are already significant and are growing in scope, nation states are crucial agencies of representation' (Hirst and Thompson, 1996, p.190), and 'the state as the source and the respecter of binding rules remains central to an internationalised economy and society' (ibid., p.194).

On the other hand, the status of the nation-state in the global era for the second group of thinkers, the hyperglobalizers, is completely different than the globalisation sceptics. According to the hyperglobalizers, 'the rise of the global economy, the emergence of institutions of global governance, and the global diffusion and

hybridization of cultures are interpreted as evidence of a radically new world order, an order which prefigures the demise of the nation state' (Albrow, 1996 and Ohmae, 1995, cited in Held et al., 1999, p.4). For Horsman and Marshall (1994), 'the era of the nation state is over, and that national level governance is ineffective in the face of globalise economic and social processes, and changes in the structure of the international economy, technological advance, and the end of the Cold War together force a realignment of the relations among states, their citizens and the international economy'.

Ohmae also contends that 'only two forces matter in the world economy, global market forces and transnational companies, and that neither of these is or can be subject to effective public governance', and 'the global system is governed by the logic of market competition, and public policy will be at best secondary, since no national governmental agencies (national or otherwise) can match the scale of world market forces' (Ohmae, 1990, cited in Hirst and Thompson, 1996, p.185).

In the hyperglobalist account, according to Held and his colleagues:

'since the national economy is increasingly a site of transnational and global flows, as opposed to the primary objective of national socio-economic activity, the authority and legitimacy of the nation state are challenged: national governments become increasingly unable either to control what transpires within their own borders or to fulfil by themselves the demands of their own citizens. Moreover, as institutions of global and regional governance acquire a bigger role, the sovereignty and autonomy of the state are further eroded' (1999, p.4-5).

According to Ohmae (1995, p.149, cited in Held et al., 1999, p.5), 'economic and political power are becoming effectively denationalised and diffused such that nation-states, whatever the claims of national politicians, are increasingly becoming "a transitional mode of organization for managing economic affairs". In other words, the nation-state can only provide those social and public services that international capital thinks essential and at the lowest possible cost rather than being an effective economic manager.

The third school of thought in the debate on the nation state is the transformationalists, as in the globalisation debate. According to transformationalists, 'although the nation state is becoming transformed, it is certainly not disappearing' (Giddens, 1999a, p.19; Gray, 1998 and Castells, 1997, p.307). They believe that 'contemporary globalisation is reconstituting or transforming the power, functions and authority of national governments', and in arguing this, 'the transformationalists reject both the hyperglobalizers' rhetoric of the end of the sovereign nation state and the sceptics' claim that nothing much has changed' (Held et al., 1999).

'The argument of the transformationalists is that globalisation is associated not only with a new sovereignty regime but also with the emergence of powerful new non-territorial forms of economic and political organization in the global domain, such as multinational corporations, transnational social movements and international regulatory agencies' (Held et al., 1999). For the transformationalists, there is no doubt that the interdependence of financial and currency markets and an increasing dependence of governments on global capital markets are some of the most

important characteristics of the new world order. As a result of this, the nation state seems to be losing control over fundamental elements of its economic policies. Because of the increasing difficulty of government control over the economy, the national governments today are financially more and more dependent on global capital markets and foreign lending.

Moreover, the transformationalists argue that the globalisation of production and investment mainly threatens the welfare state, a key element in the policies of the nation state in the past half-century. Castells debates that, 'we observe the direct impact of globalisation and capitalist restructuring on the legitimacy of the state, through the partial dismantlement of the welfare state, the disruption of traditional productive structures, increasing job instability, extreme social inequality, and the link up of valuable segments of economy and society in global networks, while large sectors of the population and territory are switched off from the dynamic, globalized system' (1997, p.297).

To most transformationalists, however, although the degree of freedom of governments' economic policy has been dramatically reduced in the 1990s, 'the nation state still has some regulatory capacity and relative control over its subjects' (Castells, 1997, p.254). Castells argues that 'nation states may retain decision-making capacity, but, having become part of a network of powers and counterpowers, they are powerless by themselves: they are dependent on a broader system of enacting authority and influence from multiple sources' (ibid., p.304-305). 'The nation state is increasingly submitted to a more subtle, and more troubling competition from sources of power that are undefined, and, sometimes, undefinable.

These are networks of capital, production, communication, crime, international institutions, supranational military apparatuses, non-governmental organizations, transnational religions, and public opinion movements. And below the state, there are communities, tribes, localities, cults, and gangs. So, while nation-states do continue to exist, and they will continue to do so in the foreseeable future, they are, and they will increasingly be, *nodes of a broader network of power*' (Castells, 1997, p.304).

According to the transformationalists, 'the model of hyperglobalisation is wrong on its argument that sovereign states are marginal institutions. For multinationals, sovereign states are not marginal actors in the world economy whose policies are easily circumvented, and they are key players whose power is well worth counting' (Gray, 1998). Gray also argues that 'sovereign states will remain decisive mediating structures which multinational corporations compete to control, and this pivotal role of them makes non-sense of the claims of hyperglobalists, business utopians and populists who maintain that multinationals have supplanted sovereign states as the real rulers of the world' (ibid.).

In general, the transformationalists argue that 'globalisation has encouraged a spectrum of adjustment strategies and a more activist state rather than bringing about the end of the nation state. Accordingly, the power of national governments is not necessarily diminished by globalisation, but on the contrary it is being reconstituted and restructured in response to the growing complexity of processes of governance in a more interconnected world' (Rosenau, 1997).

As we have seen in the globalisation literature so far, on the one hand, the power and operations of nation-states are changing under the conditions of globalisation. On the other hand, globalisation brings some important roles for different forms of territorial organisation. In relation to this, issues of globalisation such as capital and technological mobility also place tremendous pressure on cities. In the next part, we will briefly examine how the globalisation process affects cities with reference to 'the world/global city' theory.

# 2.4 The effects of globalisation on cities with reference to 'the world/global city' theory

Since the 1970s, 'capital has become arguably more mobile, enterprises dispersed their components around the globe, and national borders appeared to lose their meaning in the realm of economics. In the advanced capitalist countries, manufacturing has declined or moved offshore, eclipsed by sophisticated services and finance, and the ability of multinational firms to execute their will independent of national governments grew' (White, 1998, p.451-452).

The intensifying globalisation process and changing economic system together with the developments in information and telecommunication technologies have redefined the roles of cities in the new world order. 'The city has been rediscovered as the powerhouse of the globalized economy, and it has become more important as the key creative, control and cultural centres within globalising economic, cultural and social dynamics' (Amin and Graham, 1997).

'In recent decades a group of urban researchers have identified various 'global cities' as key spatial nodes of the world economy, the localised basing points for capital accumulation in an age of intensified globalisation' (Brenner, 1998, p.2). In other words, the emerging global system of production, finance, telecommunications, culture and politics has become spatially articulated through a network of world cities. 'Since the initial formulation of the 'world city hypothesis' in the early 1980s by Cohen (1981) and Friedmann and Wolf (1982), world city theory has been consolidated as a major framework for critical research on contemporary cities and on the changing spatial organisation of the world economy' (Knox and Taylor, 1995, cited in Brenner, 1998, p.2).

For global/world city theorists, the changing structure of the international economy has led to the current changes in the geography and composition of the world economy, and as a result of this process, today we see the rediscovery of urban centrality. 'The changes in the geography and composition of the world economy have actually created a dual structure in economic activity: while economic activities are spatially dispersed, they have a globally integrated organisation and structure as well' (Sassen, 1991, p.3). 'One of the main economic outcomes is that increased globalisation along with continued concentration in economic control has given a key role to major cities in the management and control of the global network' (ibid.).

According to Sassen, 'the more globalized the economy becomes means the higher the agglomeration of central functions in a relatively few sites, that is, the global cities' (1991, p.5). Sassen describes the main functions of global cities: 'first, as

highly concentrated command points in the organization of the world economy; second, as key locations for finance and for specialized service firms, which have replaced manufacturing as the leading economic sectors; third, as sites of production, including the production of innovations, in these leading industries; and fourth, as markets for the products and innovations produced' (ibid., p.3-4). Friedmann, however, has five criteria to define the global city: 'that the global city is an organizing node of a global economic system; that 'global' does not mean it encompasses the entire world; that the global city is an urbanized space of intense economic and social interaction; that global cities are arranged hierarchically; and that the global city is controlled by a transnational class' (1995, p.25-26).

The top-level management of the industries and rapidly growing agglomeration of finance and advanced services has mostly concentrated in a few leading financial centres in major world cities. The world city theory has been deployed extensively in studies of the role of major cities such as New York, London and Tokyo as global financial centres and headquarters locations for trans-national corporations (Sassen, 1991 and 1994).

For Lash and Urry, 'what appears to be new about the 'global city' is the rise of a new political economy driven by new forms of capital that are transferable across the globe, the rise of new classes that appropriate these forms of capital, and the new modes through which these classes organize power and engage in politics' (1994, p.220-222).

The global/world city theorists, moreover, have analysed the shift toward a city-centred configuration of capitalism with reference to two intertwined politico-economic transformations of the last three decades. Firstly, 'the emergence of a new international division of labour resulted in large measure from the massive expansion in the role of transnational corporations in the production and exchange of commodities on a world scale' (Dicken, 1998, p.2). Whereas the old international division of labour was based upon raw materials production in the periphery and industrial manufacturing in the core, the new international division of labour has entailed the relocation of manufacturing industries to semi-peripheral and peripheral states in search of inexpensive sources of labour power.

In addition to the deindustrialisation of many core industrial cities, this global market for production sites has also entailed an increasing spatial concentration of business services and other administrative-coordination functions within the predominant urban centres of the core and semi-periphery (Brenner, 1998). These upper-tier cities have become major nodes of decision making, financial planning and control within globally dispersed commodity chains and, therefore, the central basing points for the worldwide activities of transnational corporations (Cohen, 1981). This intensified urban concentration of global capital flows has been further enabled through the development of new informational technologies, closely tied to the agglomeration economies of cities, that accelerates communication and coordination on a global scale (Castells, 1989).

Second, contemporary processes of the world city formation have also been closely related to the growing obsolescence of the technological, institutional and social

foundations of the Fordist regime of accumulation, grounded upon mass production, mass consumption, nationally induced Keynesian demand-management policies and redistributive social welfare policies (Aglietta, 1979; Jessop, 1992 and Lipietz, 1987).

As a result, we see the increasing importance of large metropolises as key command and control centres within the interconnected globalising dynamics of financial markets, high-level producer services industries, corporate headquarters and other associated service industries like telecommunications, business conferences, media, design and cultural industries, transport and property developments (Sassen, 1991 and 1994; Castells, 1989 and Friedmann, 1995).

Since the economic and social composition of cities in the globalisation process is considerably changing in this way, we also have to mention the increasing responsibilities of local governments in the new era. This causes a different kind of pressure on local governments in terms of managing their affairs, of governing cities, and also bringing into question the issue of urban governance. Urban governance is one that is in constant challenge today, and it will be examined briefly in the following section.

## 2.5 Globalisation, City Competition and Urban Governance

As we have seen in this chapter so far, 'globalisation takes place in cities, particularly large metropolises, and cities embody and reflect globalisation' (Short

and Kim, 1999, p.9). In other words, world cities in which globalisation takes place, constitute the engines of the rapidly globalising economies. Contemporary urban dynamics are the spatial expression of globalisation, while urban changes reshape and reform the processes of globalisation.

Global economic and political changes have radical effects in restructuring cities around the world. According to Sassen (1995, p.44), 'the finance and producer services complex in each city rests on a growth dynamic that is somewhat independent from the broader regional and national economy'. This is an important change from the past, when a city was supposed to be deeply connected with its hinterland. A major factor underlying urban change is that cities, today, are increasingly open to global influences, and more independent from their nation states in determining and implementing the urban policy and projects. This is also one of the reasons of intensified competition between cities to attract mobile capital and rising entrepreneurial urban politics.

The past decade has seen increased competition between cities around the world over these mobile investments. According to Gordon, 'among the forms of competition, the most significant involve rivalry within product markets, and that for inward investment, the attraction of desirable residents, and contests for funding or events from higher levels of government and in each case, competition may be concentrated among a few (identifiable) rivals or may involve many, and the field within which it occurs may be local, regional, national, continental or global' (1999, p.1001). He adds that 'each of these fields has always been involved but, for many key urban functions, the likelihood of competition across national borders has been

substantially increased by the growth of multinationals, rapid information exchange and the liberalisation of trade and capital flows' (ibid.). According to Harvey, 'cities can compete to become centres of finance capital, of information gathering and control, of government decision-making, and competition of this sort calls for a certain strategy of infrastructural provision' (1985, p.217). Harvey also mentions that 'efficiency and centrality within a worldwide network of transport and communications is vital, and that means heavy public investments in airports, rapid transit, communications systems, and the like' (ibid.).

To sum up, there is a growing global competition among cities for global financial activity and investment. Competition between cities accordingly has been intensified by the growth of multinational enterprises; by city governments taking on an increased role in promoting and marketing themselves to attract inward investment; by the emergence of new world-wide economic sectors such as financial and producer services; by competition for international institutions to locate within cities; and by competition for global spectacles such as major sporting events, cultural festivals and trade fairs, which generate considerable amount of economic multiplier effects.

In this rising competition, the way for the success of cities is to reshape their image with some creative activities, to improve their physical and social infrastructure, and as a result of these improvements, to make their business climate attractive for transnational capital and foreign investors. Local governments seem to have important roles in this new era of global competition. Since the cities are considered as the nodal points for command and control functions, production and investment

activities, the issue of city governance and urban management strategies are even more important before. There are a couple of important questions needed to be answered at this point: What are the new challenges that cities face as they relate to governance? Who are the new actors in governing cities today? And, what kind of strategies can the city governments develop under the conditions of intensifying globalisation today?

Since the early 1970s, identified by many as the time when post-war Fordism came to an end in the West, cities started to experience increasing economic uncertainty caused by global, national and regional economic and political restructuring. The increasing economic uncertainty faced by cities, and the rising dominance of political discourses promoting a belief in the economic and social efficiency of the free market and competitiveness, have presented cities with a mix of pressures and opportunities (Leitner and Sheppard, 1998). Although a few cities, such as New York, Paris or London, are large and diverse enough to live through economic uncertainty well, many other cities have found it increasingly difficult to maintain their competitive position and have actively been seeking new investments and industries. Yet uncertainty has also created new opportunities for cities to prosper under inter-urban competition, as new places develop and new locations become favoured.

On the other hand, the globalisation process in cities brought some pressure on urban policy-makers to take responsibility for improving the competitiveness of their city, and they started to develop more active entrepreneurial strategies and create new institutional structures for urban governance, commonly referred to as 'urban

entrepreneurialism' (Harvey, 1989b, p.8). Under these circumstances, city governance is one of the key issues for national governments. The main reason for governance becoming a key issue in the global era may be that cities are on the one hand growing fast, and on the other hand breaking down. While city populations are rising at a rapid rate, cities are not being able to absorb this urban population increase, and in relation to that, the old systems of governance and the instruments that cities have had for long periods, are losing their relevance, and becoming obsolete.

Then we see the overwhelming importance of decentralisation, both in developed and developing countries in the last two decades. There is a tremendous shift from central to local control, and power is increasingly being delegated to local, urban and regional governments. The trend towards decentralisation may not necessarily be a result of demand from the local government, because it is also coming from the resource crunch that many central governments are facing. They are decentralising some of their expenditure responsibilities to local governments. Most of the time, this is not necessarily being accompanied by a fiscal revolution, but it is simply the transfer of expenditure responsibilities, which may be causing a major crisis at the local level.

For Castells decentralisation, as a systematic and global phenomenon, is the result of 'the growing inability of the nation-state to respond simultaneously to the vast array of demands coming from the local level' (1997, p.271-72). According to him 'local, provincial, and state governments in some developing countries, such as Mexico, Brazil, Bolivia, Ecuador, Argentina, and Chile, benefited, in the 1980s and 1990s,

from decentralization of power and resources, and undertook a number of social and economic reforms which have transformed Latin America's institutional geography', and this 'created the basis for a new political legitimacy in favour of the local state' (Castells, 1997, p.272-73). 'In Latin America, the restructuring of public policy to overcome the crisis of the 1980s gave new impetus to municipal and state governments, whose role had been traditionally overshadowed by dependency on the national government, with the important exception of Brazil' (Castells, 1997, p.272).

Finally, another influential factor in rising importance of the urban governance may be the global emphasis on issues such as democratisation, accountability and transparency at the local level. There are more pressures for the elected councils at the local level, and civil society today has some important controlling role on these kinds of issues. Local councils are being asked that, whatever they do, it should be transparent, accountable, which means that even though a city might be better governed in terms of the provision of services, accountability and transparency, the city may rate low.

Local governments have traditionally played a significant role in managing cities because they have been responsible for performing four major types of function, which relate to 'public health and safety, public works and public order' (Mathur, 1996, p.67). However, the autonomy of municipal governments is still very limited today. According to Mathur, 'the fiscal power of municipalities in the intergovernmental distribution of resources is extremely limited and inelastic' (ibid., p.67). This lack of autonomy has always affected, and continues to affect the functioning of local government in almost every country. 'Although city authorities

have a major stake in city governance, the limits within which they can operate are narrow, and that is imposing major constraints on both infrastructure and service provision, and the performance of other functions' (ibid., p.67). On the other hand, in the provision of local government functions, most cities derive their powers from the centralised legislation and not from a constitutional right to exist and provide urban services. This results in a joint occupancy of functions between national and local levels. This situation brings into question the issue of city governance and who is responsible for determining the future of cities, working with their stake-holders.

On the other hand, to some scholars, 'under various neo-liberal regimes of central government, local government structures and institutions in the global city have been radically transformed from democratic and representative into increasingly professionalized, marketized, entrepreneurial and managerial forms' (Ruppert, 2000, p.275). He emphasises that 'the ostensibly new economic significance of global cities has not translated into greater political power as state practices and strategies for regulating and administering local governments have increased' (ibid., p.275). According to Ruppert, 'analyses of state-local relations in many countries have revealed a relative decline in the powers and authorities of city governments, and even the need for democratically elected governments at the local level has been questioned in light of the greater central control of local finance and the inability of local governments to deal with the impacts of global economic change' (ibid., p.276). Ruppert also underlines that 'what has changed is the mode of state control, which could be described as a change from government to management, or a shift from liberal technologies to neo-liberal technologies of government, and as opposed to less government, states have supported and advocated neo-liberal approaches which represent a shift in the techniques, focus, priorities and rationality of government' (ibid., p.276).

'Some state practices, such as state control of the local property tax base, reductions in state transfers to municipalities, state-enforced municipal restructuring, and the fragmentation of local service delivery to numerous non-elected agencies, have also weakened local government institutions in the global city' (Ruppert, 2000, p.276). Ruppert believes that 'these state practices have given rise to local government practices which have increased the influence of the private sector in the management of the city: entrepreneurial strategies focused on competitive economic development leading to greater reliance on private sector funding and cooperation, and market strategies focused on the privatization of municipal services and the adoption of private sector service delivery and management practices, and these practices represent a shift away from the government of the city by the welfarist public sector to the management of the city by the entrepreneurial private sector' (ibid., p.276).

#### 2.6 Conclusion

The most significant development in the world economy during the past few decades has been the increasing globalisation of economic activities. Contrary to the globalisation sceptics, we live through a global process, in which there are many dramatic changes in every corner of the world, and these changes are not just economic. According to Giddens, this is 'not only new, but also in many respects

revolutionary, and globalization is political, technological and cultural, as well as economic' (1999b, p.10).

Alongside global economic change, there has been a parallel but distinct set of political changes, shifting the reach of political power and the forms of rule. On the one hand, the power and operation of national governments are changing. As Held (1998, p.26) underlines, 'a new regime of government and governance is emerging which is displacing traditional conceptions of state power as an absolute, indivisible, territorially exclusive form of public power'.

The global economy, on the other hand, has definitely not replaced the world of nation-states, political power and policies. Far from globalisation leading to "the end of the state", which hyperglobalizers believe, it is stimulating a range of government and governance strategies and, in some fundamental respects, a more "activist state" (ibid., p.26 and Giddens, 1999). Nations, as Giddens (1998) also mentions, 'will continue to keep, for the foreseeable future, considerable governmental, economic and cultural power, over their citizens and in the external arena'. 'Sovereign states will remain decisive mediating structures which multinational corporations compete to control, and even the protective function of states is likely to expand, as citizens demand shelter from the anarchy of global capitalism' (Gray, 1998).

Moreover, in the age of modernity, the city economy came to symbolise the powerhouse of capital accumulation. The 'Fordist' city, as a locus of mass production, mass consumption, social interaction and institutional representation, became the growth centre of a national economy (Scott, 1988). It was a centre of

agglomeration –an integrated and self-reproducing economic system. Today, the city economy is a thing of fragments, composed of many parallel sectoral logics with few interconnections between them. Thus, the city continues to attract entrepreneurship and investment, but no longer constitutes a cohesive local economic system. In the case of global cities such as London, New York and Tokyo, it exists as a 'central place' in global economic networks and connections (Sassen, 1991 and Castells, 1989). In the case of national cities such as Milan, Paris and Frankfurt it exists as a central node in national administrative, financial, commercial and consumption networks, but not as the industrial power-house which strengthens these networks. In the case of the post-war regional centres of mass production such as Turin, Chicago and Birmingham, it exists as a mosaic of de-industrialisation, new inward investment, secondary service activities, regional consumerism and provincial administration (Amin and Thrift, 1995).

In general, the city economy has become increasingly fractured internally, and absorbed into wider networks of global capital accumulation. In parallel with these developments in the economy of cities, the contemporary city also looks different from its predecessors, as urban theorists and researchers are simultaneously seeking to draw attention to the fact that cities are now being managed, organised and governed in different ways, leading some to proclaim the emergence of a 'new urban politics' (Cox and Mair, 1988 and Kirlin and Marshall, 1988). The influence of the economic globalisation and neo-liberal ideas bring the pressure on urban policy makers to formulate urban strategies for improving the competitiveness of their city.

According to Ruppert, 'a neo-liberal interpretation of global competitiveness obviously required the weakening of local democracy and citizenship and the strengthening of central control, and in relation to that we see fragmentation, entrepreneurialism and marketization of local government' (2000, p.279). Firstly, local government has become fragmented, because 'there is a shift in the distribution of local power away from municipalities to a number of fragmented agencies' (ibid., p.279), and since 'the "corporatist localism" seeks to involve a number of local interests in decision making, the institution of local government have been weakened' (ibid., p.281). Then, it is entrepreneurial, because 'globalization and economic competition have demanded that global cities redefine their roles in a global context and emphasize entrepreneurial or proactive strategies in order to be competitive and market their cities' (Borja and Castells, 1997; Hull and Hubbard, 1998, cited in Ruppert, 2000, p.281). Lastly, the local government is being marketized, because 'municipal governments have also developed strategies to increase their revenues and decrease costs through a greater reliance on the private sector in terms of service delivery and management practices, and the adoption of these strategies have changed the governing culture, in which the language and techniques of business management have become the answer for deficit-focused and cash-strapped governments' (ibid., p.283).

The new entrepreneurial strategies as part of the urban governance also include viewing 'the city as a marketing product' (Thornley, 1999, p.4), and particular urban strategies adopted can determine policy priorities in the urban area. "Place marketing", "urban growth coalitions" and "urban regimes" have become emblematic of a shift from a municipal welfarist (bureaucratic, managerial) politics

to that of a dynamic and charismatic (entrepreneurial) business leadership' (Ruppert, 2000. p.281). Ruppert also emphasises that 'the marketing of the city to business is also extended to the state' (ibid., p.282). 'With the loss of provincial transfers, particularly for major infrastructure projects, cities must now compete and find other ways of leveraging financial support from the state, and indeed, a prominent method that cities use to leverage funding is that of bids to host the Olympic Games' (ibid., p.282).

On the other hand, despite their concern to analyse the changing interconnections between urban-scale and world-scale processes, most world city researchers have neglected the role of state-scale transformations in the current round of globalisation, including reconfigurations of the state itself as an institutional, regulatory and territorial precondition for accelerated world-scale capital accumulation (Brenner, 1998). Building upon these criticisms, the next chapter will concentrate on processes of reterritorialisation as an essential part of the current round of globalisation.

# **Chapter Three**

# Territorial Restructuring of the State and the City

#### 3.1 Introduction

We presently observe a growing concern about the future of the nation-state with the rising globalisation trend. The concept of nation-state, today, faces serious challenges due to dramatically changed political, economic, and social environment. A great number of states are strongly involved in globalising major fields of traditional state activity. Such fields as markets, law, and politics have become denationalised, in that they are no longer under the sovereign control of the states concerned.

Politicians are also becoming concerned about the serious loss of state authority, both externally and internally. Indeed, there are indications, which could suggest that the nation-state, the universally realised form of political organisation of societies, may become obsolete. The first development that may justify doubt as to the persistence of the state concerns the diminishing relevance of state power. With regard to the external dimension of statehood, one may well ask whether the concept of the state is still adequate and viable in an era of regional institutional integration and globalisation of most of the essential fields of state responsibility. Instead, globalisation may well require new concepts of political organisation.

Under these circumstances, this chapter examines the reorganisation of forms of territorial organisation such as states and cities from the regulationist perspective. I have chosen the regulationist approach, since 'it presents an account of the changing character of capitalist economies and of the role of cities within them, and it thus provides a context against which to discuss urban political change' (Painter, 1995, p.276). 'For regulation theory, economic change depends upon, and is partly the product of, changes in politics, culture and social life' (ibid.). Therefore, the regulation approach will provide a theoretical framework for contextualising the changes in the state and urban governance within the constraints and possibilities thrown up by the broader restructuring of the world economy described as economic globalisation.

In the next part of the chapter, we will concentrate on the re-scaling of the state as an essential moment of the globalisation process. The third part will concentrate on the changing role of the nation-state in the new era. Related to that, we will examine the changes in the relationship between centre and local in the fourth section. Then, the fifth part of the chapter will address the changes in local politics, and I will look into the new aspects of urban politics under conditions of intensifying globalisation. After that, urban regime theory will be examined shortly. Finally the last part of Chapter Three will reach a general conclusion by closing the theoretical section of the thesis before going to examine the Turkish case study in subsequent chapters.

## 3.2 Re-scaling of the State

In the growing literature on the current transformation of world capitalism, relatively little attention has been given to the state, its role and processes of state re-scaling. According to Brenner:

'Despite their concern to analyze the changing interconnections between urban-scale and world-scale processes, most world cities researchers have neglected the role of state-scale transformations in the current round of globalization, including reconfigurations of the state itself as an institutional, regulatory and territorial precondition for accelerated world-scale capital accumulation. World cities research has generally presupposed a zero-sum conception of spatial scale which leads to an emphasis on the declining power of the territorial state in an age of intensified globalization: the state scale is said to shrink as the global scale expands' (1998, p.2-3).

As we have seen in Chapter Two, most of the globalization theorists, whether they are hyperglobalizers, transformationalists or sceptics, had an agreement on capital's greater geographical mobility and increasing difficulties of the state to regulate economic activities within its boundaries. 'On the other hand, among those authors who emphasise the continued importance of state institutions in the current configuration of world capitalism, territoriality is frequently understood as a relatively static and unchanging geographical container that is not qualitatively modified by the globalisation process' (Brenner, 1999, p.438). 'From this statist point of view, the state is said to react to intensified global economic

interdependence by constructing new forms of national socio-economic policy, but is not itself transformed qualitatively through these new global-national interactions' (ibid.)

## Brenner also emphasises that;

'Both arguments fail to appreciate various ongoing transformations of state territorial organisation through which: qualitatively new institutions and regulatory forms are currently being produced on both sub- and supranational scales; and, the role of the national scale as a level of governance is itself being radically redefined in response to the current round of capitalist globalisation. This re-scaling of state territorial organisation must be viewed as a constitutive, enabling moment of the globalisation process' (1999, p.439).

On the other hand, one of the most important outcomes taken from the globalization discourse of the previous chapter, has been that the nation state has not disappeared, instead has handed over its sovereignty by passing it to the upper level of regulatory bodies, downwards to the local and regional governments, and also to the market through privatization and deregulation. One remarkable institutional and political tendency over the past decade or so has been the simultaneous internationalisation and decentralisation or devolution of key regulatory and economic issues. Jessop (1994a) argues that 'the state is undergoing a fundamental restructuring and strategic reorientation in some respects'. There is a tendential 'hollowing out' of the national state, with state capacities, new and old alike, being reorganised on supranational, national, regional or local, and trans-regional levels. According to Jessop,

'The national state is now subject to various changes which result in its hollowing out. This involves two contradictory trends, for, while the national state still remains politically important and even retains much of its national sovereignty [...], its capacities to project its power even within its own national borders are decisively weakened ... by the shift towards internationalised, flexible (but also regionalized) production systems [...]. This loss of autonomy creates in turn both the need for supranational coordination and the space for sub-national resurgence' (1994a, p.264).

As a result, while 'some state capacities are transferred to a growing number of panregional, plurinational, or international bodies with a widening range of powers; others are devolved to restructured local or regional levels of governance in the national state; and yet others are being usurped by emerging horizontal networks of power -local and regional- which bypass central states and connect localities or regions in several nations' (Jessop, ibid.).

This process involves the active rearticulation of the various functions of the nation state. Specifically, whilst the nation state retains a large measure of formal national sovereignty rooted in the continued mutual recognition of national states and remains an important site for political struggles, its substantive capacities to project its power domestically to promote accumulation have been decisively weakened both by the shift towards more internationalised, flexible but also regionalised production systems and by the growing challenge posed by risks emanating from the global environment (ibid.).

Consequently, the level of the national state, which used to be the essential scale for negotiating and implementing urban and regional development policy as well as regulating a host of socio-economic and even cultural tensions and relations during the post-war period, is not only profoundly redefined, but its discretionary powers have been eroded. In short, the denationalisation of policy-making has altered the influence and diminished the relative importance of the national institutional level. This can be demonstrated by the Europeanisation of important regional, social and economic policy initiatives and programmes and devolution of state power to decentralised local or regional institutions, often newly created. This new both international and local oriented state configuration parallels important changes in the nature and organisational structure of these local institutional frameworks.

The re-scaling of the state, therefore, does not suggest a diminishing role of the state mechanism. In fact, these new global and local institutions, in close co-operation with business and capital, launch the redevelopment largely on the basis of public funds and state capital. However, the power and control over this social capital are increasingly diverted to a group of elite, which shapes the urban and regional fabric in its own image and fashion and defines the very content of the restructuring process. The 'hollowed out' state is characterised, therefore, with a decidedly undemocratic and double authoritarian touch, both at the supra-national and local urban and regional levels.

#### 3.3 The New Role of the Nation-State

Despite various upward, downward and outward shifts in political organisation, a key role still remains for the national state as 'the most significant site of struggle among competing global, triadic, supranational, national, regional and local forces' (Jessop, 1999, p.12). 'The "hollowed out" national state retains crucial general political functions despite the transfer of other activities to other levels of political organization, and in particular it has a continuing role in managing the political linkages across different territorial scales, and its legitimacy depends precisely on doing so in the perceived interests of its social base' (Kazancigil, 1993, p.128, cited in Jessop, 1999, p.12).

### According to Jessop:

'The national state is currently still best placed to deal with social conflicts and redistributive policies, social integration and cohesion. Although supranational bodies seem preoccupied with the internationalisation of capital and promoting (or limiting) the structural competitiveness of triad regions and their various constituent national economies, they are less interested in social conflicts and redistributive policies. These concerns are still mainly confined within national frameworks and it is national states that have the potential fiscal base to change them significantly in this regard' (1999, p.12).

It is certainly hard for most of the local and regional government bodies to achieve much without central government support. This situation creates a dilemma for the national state. 'On the one hand, it must become actively engaged in managing the process of internationalization; on the other, it is the only political instance which has much chance of halting a growing divergence between global market dynamics and the conditions for institutional integration and social cohesion' (ibid.).

On the other hand, 'the re-scaling of the state has entailed a profound transformation of the relationship between states, capital and territory, and therefore, today the state's role is no longer merely to reproduce territorially based production complexes, but continually to restore, enhance, intensify and restructure their capacities as productive forces' (Brenner, 1998, p.15). According to Cerny, 'the state itself becomes an agent for the commodification of the collective, situated in a wider, market-dominated playing field' (1995, p.620). 'From public-private partnerships, labor retraining programs, science parks, conference centres, waterfront redevelopment schemes, technology transfer projects, military spending, information sharing, venture capital provision and market research to technopoles programs and enterprise zones, these state-organized economic development policies can be construed as concerted strategies for the intensification of the productive capacities of the cities and regions in which they are based through the construction of "territorially rooted immobile assets" (Amin and Thrift, 1995, p.10, cited in Brenner, 1998, p.16).

'In short, there remains a central political role for the national state, but this role is redefined due to the more general rearticulation of the local, regional, national and supranational levels of economic and political organization' (Jessop, 1999, p.12). 'Unless or until supranational political organization acquires not only governmental powers but also some measure of popular-democratic legitimacy, the national state will remain a key political factor as the highest instance of democratic political accountability' (ibid.). 'How it fulfils this role depends not only on the changing institutional matrix and shifts in the balance of forces as globalization, triadization, regionalization, and the resurgence of local governance proceed rapidly' (ibid., and also Jessop, 1994a, p.275).

## 3.4 Changing Relations between Central and Local Government

For a long time cities have been seen as simple sub-units in the national economic area. In relation to that, a close connection has been established between urban dynamism and the growth of the national economy. 'The cities of the older industrialised world served as the engines of Fordist mass production and the urban infrastructure of a global system' (Brenner, 1999, p.432). It was widely assumed that the industrialisation of urban cores would generate a dynamic of growth that would eventually lead to the industrialisation of the state's internal peripheries, and thereby counteract the problem of uneven geographical development. Similarly, as coordinates of state territorial power, Fordist-Keynesian regional and local regulatory institutions functioned primarily as transmission belts of central state socio-economic policies. Their goal was above all to promote growth and redistribute its effects on a national scale (Brenner, 1998).

On the other hand, within the Fordist mode of regulation, the state has been used to play a key role by meeting a variety of needs, which the market failed to provide for, becoming involved in widespread planning and regulatory activity. The post-war period has seen a significant expansion in the role of states in economic management, and in the provision of social services. National and local state institutions have become major employers in most capitalist societies, either directly or indirectly through subsidised private provision. This growth is most marked in the large cities, both because they stand at the top of service hierarchies and because they tend to contain the greatest concentration of client groups for state services.

According to Painter, 'in most countries in which the Fordist mode of regulation developed, governmental and state institutions operating at the urban scale played a key role in the operation of the Keynesian welfare state, and the Fordist mode of regulation involved an increased degree of government planning of economic and social life' (1995, p.284). He underlines that 'urban government was one of the primary agencies through which this planning took place, and related to this, the Fordist mode of regulation involved state intervention to provide vital human and physical infrastructure, such as transportation, environmental improvement, education and health care' (ibid., p.284). Painter also adds that 'under Fordism, these were vital to the private sector but were often unprofitable for individual firms to provide, at least on a universal basis' (ibid.).

After the recession of the early 1970s, demands for these services continued to rise, but resources were constrained and the provision of services in large cities became particularly crisis-prone. On the other hand, states have become involved in the

economic problem of urban decline, as the social impact of recession in the 1970s and 1980s was spatially concentrated in inner cities. State policy has thus come to have a major impact on the economic fortunes of the major cities, through social expenditures, and consequent employment in state services, through transfer payments to city residents, and through infrastructure investments and projects for urban regeneration (Buck et al., 1992).

'Since the 1970s the nationally scaled collection of city-state-capital interconnections has been substantially rearticulated and rehierarchised toward the global, superregional, regional and local scales' (Brenner, 1998, p.18). 'Aside from the increasing globalisation of capital and the institutional-regulatory shifts, the scales of urbanisation have also been reterritorialized' (ibid.). 'Global city formation signifies the emergence of an urban hierarchy on both global and super-regional scales, defined through the scale of urban command and control functions, the scale of inter-urban exchange relations, and the scale on which inter-urban competition occurs' (ibid.). 'As nodes of accumulation, therefore, cities are no longer enclosed within relatively auto-centric national economies, but embedded ever more directly within trans-state urban hierarchies and inter-urban networks' (ibid.).

### Brenner (1998, p.19) also emphasises that;

'this wave of spatial restructuring has also had major implications for the role of cities as coordinates of state territorial power. It is in this context that the rise of the *glocal* territorial state must be understood. The *glocalization* of state territorial organization enhances the role of urban-regional scales in promoting capital accumulation. This re-scaling of state territorial power

toward the regional and local levels can be viewed as a state-directed attempt to propel cities and regions upwards in the urban hierarchy. This form of "urban entrepreneurialism" (Harvey, 1989b, p.8) is evident with reference to both dimensions depicted, the industrial structure of the city's productive base and the spatial scale of its command and control functions'.

By the early 1980s, moreover, central and local relations started to be transformed radically throughout the world. The new, so-called post-Keynesian welfare national state approach is far more oriented to the development of local endogenous growth potential through more active supply-side measures which are organised through regional and local states in partnership with regional and local players (Jessop, 1994a). This general trend is closely linked to the rediscovery of cities and regions as key sites of economic activities with major impacts on the competitiveness and development potential of surrounding economic spaces.

According to Jessop, 'the strengthening of local and regional governance is linked with the reorganization of the local state as new forms of local partnership emerge to guide and promote the development of local resources' (1999, p.9). Thus, 'local unions, local chambers of commerce, local business enterprise capital, local education bodies, local research centres, and local states may enter into arrangements to regenerate the local economy' (ibid.). 'In this sense we can talk of a shift from local government to local governance' (Jessop, 1994a, p.272). 'This trend is also reinforced by the central state's inability to pursue sufficiently differentiated and sensitive programmes to tackle the specific problems of particular localities' (ibid.).

'It therefore devolves such tasks to local states and provides the latter with general support and resources (Dyson, 1988, p.118).

On the other hand, 'effective political decentralisation on a territorial basis requires an adequate allocation of responsibilities between communal, regional and national authorities as well as a proper coordination of their actions' (Perrin, 1988, p.422). This is especially important where economic initiatives involve not only different tiers of government but also business associations and private bodies. 'Thus it is essential to establish new institutional arrangements and allocate specific roles and complementary competences across different spatial scales and/or types of factor, and thereby to ensure that the dominant strategic line is translated into effective action' (Przeworski, 1986, p.428; Kawashima and Stohr, 1988; Perrin, 1988, p.423). 'Without such coordination top-down policies can lead to implementation failure and bottom-up policies to wasteful and ineffective "municipal merchantilism" (Young, 1986, p.446; Fosler, 1988).

### 3.5 Changes in Urban Politics

Changes in social, economic and spatial structure of the urban area are reflected in and reinforced by considerable changes in the way cities are governed and organised. Many changes have affected local politics over the last two decades, some of which seem to have set into patterns common across national and regional distinctiveness. Following the regulationist approach, Mayer focuses on 'shifts in local governance within a broader context of macroeconomic and state restructuring' (1995, p.235). In

parallel to the neo-liberal strategies implemented by national governments, Painter argues that 'urban policy tends to shift away from an explicit concern with social and spatial equity, full employment and welfare programmes towards initiatives aimed at promoting workforce flexibility and the economic competitiveness of the private sector' (1995, p.286-287).

Structural changes, on the other hand, transform the range of both possibilities and constraints within which a new local governance is constructed. According to Mayer:

'at least three such parallel trends have been identified in the recent literature on urban politics: First, in all advanced nations local politics have gained in importance as a focus for proactive economic development strategies. The specific local conditions of production and reproduction required by globally mobile capital cannot be arranged by the central state, but only by local political systems. Second, in recent years, urban governance has become increasingly preoccupied with the exploration of new ways in which to promote and encourage local development and employment growth. Therefore, there has been an increasing mobilisation of local politics in support of economic development and a related subordination of social policies to economic and labour market policies. This shift in emphasis between different policy fields has often been labelled as a shift towards the 'entrepreneurial' city, and it goes hand in hand with a restructuring of the provision of social services. This constitutes the third new trend in urban governance, namely the expansion of the sphere of local political action to involve not only the local authority but also a range of private and semipublic actors' (1995, p.232-237).

Under these circumstances, to provide the coordination of all these policy fields and functional interests, new forms of public-private relationship have become common in the local ground. In those partnerships, the role of the local authority both in respect to business and real-estate interests, and to the voluntary sector and community groups, started to become redefined. The term 'governance' now directs attention to the proliferation of service delivery mechanisms and regulatory systems, which exist to devise and implement policies. It expresses the shift from provision by formal government structures to the contemporary fragmentation of agencies, and of responsibilities between public, private, voluntary and household spheres. The delivery structure of the hierarchical welfare state is increasingly replaced with new forms and practices of urban governance. 'The result has been an increasing fragmentation of agency responsibility within the urban arena' (Stoker, 1991).

### Brenner, in addition, emphasises that;

'it is ultimately on the urban scale that the productive capacities of territorial organisation are mobilised. Today, municipal governments throughout Europe are directly embracing this goal through a wide range of supply-side strategies that entail the demarcation, construction and promotion of strategic urban places for industrial development' (1999, p.446).

The new financial districts including high-rise office centres and smart buildings, industrial parks, transport and shipping terminals and various types of retail, entertainment and cultural facilities can be given as products of those kinds of strategies. These emergent forms of "urban entrepreneurialism" (Harvey, 1989b and

Mayer, 1994) have been analysed extensively with reference to the crucial role of public-private partnerships in facilitating capital investment in mega-projects situated in strategically designated locations of the city.

Harvey indicates that 'state-financed mega-projects are designed primarily to enhance the productive capacity of urban places within global flows of value, rather than to reorganise living and working conditions more broadly within cities' (1989b, p.7-8). The Docklands in London is perhaps the most spectacular European instance of this type of massive state investment in the urban infrastructure of global capital, but it exemplifies a broader strategic shift in urban policy that can be observed in cities throughout the world. It is important to point out that similar kind of considerations has been behind some state-financed mega-project examples in Turkey, and the city of Istanbul has experienced huge amount of globally oriented state investments in the last decade. We will examine some of those project examples in the following chapters.

## 3.6 Urban Regime Theory

One last subject that we have to examine in this chapter before concluding is the urban regime theory. Since regime theory provides a new conceptual framework and more particular theoretical statements about causal relationships and behaviour in urban politics, it has been very useful for the study of urban politics and in particular to the issue of power (Stoker, 1995, p.54). It will have some positive contribution to this study in explaining the power relationship between different levels of government in relation to some particular urban policy and strategies.

According to Stone, an urban regime can be defined as 'the informal arrangements by which public bodies and private interests function together in order to be able to make and carry out governing decisions' (Stone, 1989, p.6). 'Urban regimes regulate the relationship between cities and the global economy' (Short et al., 2000, p.323), and in the current era of globalization, many of the governing decisions reflect an atmosphere of competition among cities and thus constitute an "entrepreneurial model" of regime (Harvey, 1989b). 'An entrepreneurial city seeks to "facilitate privatization and the dismantling of collective services" in order to take advantage of the opportunities of connecting with the global economy' (Lauria, 1997, p.7, cited in Short et al., 2000, p.323). 'Developing urban regime theories in studies of globalization, then, is to "note local and national political differences that are capable of exerting significant influence on the way globalization affects city development"' (Leo, 1997, p.78, cited in Short et al., 2000, p.324).

Burbank and his colleagues believe that 'at the heart of regime theory is a set of "informal arrangements" between political leaders and members of the city's business establishment, and these informal arrangements are essentially a network of relatively enduring connections that are built upon shared concerns and trust between individuals in business and those in public office' (2001, p.21). 'The informal network of connections between business and political elites is substantively important because it is the mechanism for bringing resources together to accomplish common goals' (ibid., p.22).

In contrast to other approaches to urban politics, 'regime theory emphasizes that a regime is a mechanism for overcoming the obstacles to exercising power at the local level, and therefore, a regime is a way to create policy stability and ensure urban governance' (Burbank et al., 2001, p.24). 'The emphasis on getting things done is a fundamental feature of how power is understood in regime theory' (Stoker, 1995, cited in Burbank et al., 2001, p.22).

According to Burbank and his associates, 'in the abstract, the power to get things done in a city could be dedicated to any number of goals - improving the quality of neighbourhood life, better housing for the poor, or encouraging citizens to take an active part in political life, to name just a few' (ibid.). 'In practice, though, the task the regime sets for itself is local economic development, and economic development is a policy that politicians and business leaders regard as a priority' (Logan and Molotch, 1987 and Stone, 1987, cited in Burbank et al., 2001, p.24). Local businesses benefit from local economic growth, since it creates new job opportunities, and increases the customer base and the price of fixed assets such as land. In relation to that, political leaders prefer to seek growth because it provides tax revenues to keep the city solvent without the need to raise taxes or cut services. Burbank and his fellows add that 'the desire for growth impels cooperation because businesses need the formal authority of government to carry out large development project and because elected leaders gain the opportunity to distribute tangible rewards to supporters and to solidify their public support by demonstrating leadership' (2001, p.24). In other words, public-private cooperation is necessary because each partner brings some part of the means necessary to get things done: government supplies authority and business provides capital and resources.

#### 3.7 Conclusion

The global economy requires political regulation, which takes a spatial form reflecting the territorial organization of the state. As we have seen in this chapter, the regulationist approach provides a theoretical framework for contextualising the changes in the state and urban governance within the constraints and possibilities thrown up by the broader restructuring of the world economy described as economic globalisation. Regulation theory conceptualizes how national-scale regulation entailed qualitative changes across time under different national capitalisms.

In addition, there is a close relationship between national scale of state regulation and the city. While states are rapidly restructuring themselves to take place in global competition, cities try to enhance their conditions within the world urban hierarchy. Brenner argues that;

'global city formation and state re-scaling are dialectically intertwined processes of reterritorialization that have radically reconfigured the scalar organization of capitalism since the global economic crises of the early 1970s' (1998, p.3).

Global city formation has mostly been linked both to the globalization of capital and to the regionalization or localization of state territorial organization. On the one hand, as nodes of accumulation, world cities are sites of reterritorialization for post-Fordist forms of global industrialization. On the other hand, as coordinates of state

territorial organization, world cities are local-regional levels of governance situated within larger, reterritorialized matrices of "glocalized" state institutions (Brenner, 1998, p.3).

Under these circumstances, the role of local and regional levels of the state is being significantly redefined in the new era. Contemporary local and regional states no longer operate as the managerial agents of nationally scaled collective consumption programmes but serve as entrepreneurial agencies of "state-financed capital" oriented towards maintaining and enhancing the locational advantages of their delineated territorial jurisdictions (Mayer, 1994 and Brenner, 1999). There is also a growing trend and political pressure toward decentralisation of administrative processes and political decision-making, to which individual countries react in different ways. In this connection, new ways of governance and cooperation between the public sector, the private sector, and civil society are being developed at national, regional, and local levels for building a stronger economic and social structure, but the national government still plays important role for the successful action at the local level.

This chapter, on the other hand, revealed that urban regime theory is another significant instrument examining the nature of regulation at sub-national scales. Processes of globalization after Fordism, it is argued, are resulting not only in a new form of regulation, but also in a rescaling of regulation. 'Regime theory emphasizes that a regime is a mechanism for overcoming the fragmented power and limited resources characterising local governments, and a regime enables a city to pursue a coherent policy agenda' (Burbank et al., 2001, p.22-23). 'It is useful because it provides a way to understand how things get done and why economic development is

so central to urban politics' (ibid., p.28). According to Burbank and his colleagues, 'regime theory can also be functional to explain why cities pursue mega-events such as the Olympic Games' (2001, p.28). 'Mega events such as Olympics are quintessential growth regime endeavours and that the initiation of a mega-event strategy is largely inexplicable outside the context of regime politics' (ibid.). While saying that, I have to add that we will look for the hints of this kind of an urban regime while examining the Olympics adventure of Istanbul in Chapter 8.

Starting from the following chapter our concentration will switch to the Turkish case, and the way in which the globalisation process affects the Turkish state in different levels will be examined in a detailed way.

# **Chapter Four**

# Turkey in the Globalisation Process

#### 4.1 Introduction

This chapter examines how the economic and political globalisation process has affected Turkey in the last two decades. Before looking into the economic globalisation process which has been intensifed in recent years, I will first explore the Turkish modernisation process starting towards the end of the Ottoman Empire in the last part of the 19<sup>th</sup> century. Because of its unique characterisites, Turkish modernisation helps us in understanding the overall globalisation process of the country. Since this process starts with economic liberalisation, I will then look at the liberalisation of the Turkish economy since 1980, and examine economic policies and reforms which are based on the country's structural adjustment strategy.

After that, my concentration will turn to the response of the Turkish state to this economic liberalisation and globalisation process in the following section of this chapter. Steps taken in the direction of a market-oriented economy have been accompanied by a significant concentration of political power in the Turkish case. Therefore, my focus will be on the changing relationship between different levels of government with respect to administrative and political decisions. After I have presented decentralisation efforts in the 1980s, I will examine changing relationships between central and local government with respect to financial policies. I will

disclose the rising tension between centre and local after the implementation of particular legislations including some articles of the current Constitution. Those articles and bylaws have considerably affected decision-making process in large urban areas in the last two decades. I will also briefly analyse the recent administrative legislation for local administrations. Finally, the conclusion section will summarise issues rised in this chapter aiming at understanding how globalisation process affected the traditional centralised state structure in the Turkish Republic.

## 4.2 The Modernisation Process in Turkey

The modernisation process in Turkey started towards the end of the 19<sup>th</sup> century in the final years of the Ottoman Empire. To some colleagues, 'modern Turkey emerged out of the ashes of the Empire that had dominated Europe, Asia, and Africa for centuries' (Ergil, 2000, p.49 and Isin, 2001, p.356). For some others, 'the Turkish Revolution targeted the values of the *ancien regime*, in particular Ottoman Islam, which was perceived as an obstacle to progress' (Heper, 2000, p.71-72), and 'the new Republican elite's passion for modernization, seen as an escape from backwardness, translated itself into a total dislike and distrust of all things associated with the *ancien regime* and the old way of life' (Barkey, 2000, p.89). On the other hand, there are several lines of continuity in the Ottoman and the Republican political cultures. In other words, against to its radical appearance, the Turkish Revolution was in many aspects a continuation rather than a break with the Ottoman past. To some colleagues, 'this revolution [Republican] actually aimed to transform

values without significantly changing other parts of society' (Rustow, cited in Heper, 2000, p.72).

Like the Ottoman reform period with major political and administrative reforms leading to the first Ottoman constitution of 1876 and to a short parliamentarian experience between December 1876 and February 1878, the new Republican reforms of the 1920s and 1930s followed the same way of imposing top-down modernity. Both the Ottoman and Republican reforms were initiated and sustained by the military-bureaucratic élite and aiming at securing the state against external and internal threats.

On the other hand, the security and integrity of the Ottoman Empire was continuously threatened by its involvement in the European power struggle and by internal separatist movements. Likewise, the early Turkish Republic was born out of a disastrous security situation: the Ottoman defeat in the First World War, the subsequent parcelling out of the Ottoman territories between the allies and the Turkish war of independence against the Greek occupation of Anatolia between 1919 and 1922.

This legacy, a security focused top-down modernisation against external and internal threats and the leading role of the military-bureaucratic élite in the modernisation process itself, is still clearly visible in Turkey's polity. In addition to the institutional continuities between the authoritarian Ottoman and later Republican state, both the state-élites of the Ottoman Empire and the early Turkish Republic were mainly derived out of the military-bureaucratic part of the society. According to the figures

of Weiker, '85 per cent of the bureaucrats and 93 per cent of the officers in the early Turkish Republic had already acquired their positions in the late Ottoman Empire, and this is another clear sign of the élite continuity' (1981, p.21).

In general, 'the Republican modernization effort, similar to the preceding Ottoman attempts, was elite, state driven and quite alien as far as the rural population of the new state was concerned' (Barkey, 2000, p.89-90). However, another resemblance between latter Ottoman rulers and following new Republicans has been that the founders of the Turkish Republic in 1923 were also keenly concerned with making the country a full and equal member of a western community of nations and the nation-state programme was aimed at this goal. Just like 'Ottomans who tried to reform first their public bureaucracy and then their military, by emulating their counterparts in Europe from the end of the 18<sup>th</sup> century onward' (Heper, 2000, p.64), the Republican elite modernisation since the 1920s has become synonymous with westernization or Europeanization. In contrast to this background, the rejection of Turkey as a candidate for full membership in the European Union, which took place on the EU-summit in December 1997 in Luxembourg, has come as a total shock. It was not just a disappointment of Turkey's political aspirations, but also a rejection of her 'Europeanness' and, therefore, of the Turkish modernisation project as a whole.

The EU-summit justified the rejection of the Turkish application on the basis of the commitment to and the fulfilment of certain political, economic and legal standards required from all possible future member states. In meeting these standards there is certainly a deficit with which Turkey has to cope and the major economic and political obstacles to Turkey's full-membership in the EU comprise issues such as

high inflation, large proportion of agriculture, chronic budget deficit and the ethnic question. Although the deficiencies of Turkey, regarding to the catalogue of required standards for full membership in the EU, were obvious, the discussion following the Luxembourg summit has been tending into a direction to question Turkey's application in a more general way. More and more arguments of culture and religion have been raised to ask whether Turkey could at all be considered as a part of Europe. And also in Turkey herself it has been argued that the rejection of the application was not due to political or economic deficiencies, but the result of deep rooted religious and cultural prejudices on the side of some EU member states.

As a matter of fact more than 90 % of the land of Turkey belongs to Asia, and the Bosphorus serves perfectly as a geographical demarcation line between Asia and Europe. Furthermore, the globalisation of the economy -breaking the view of production, distribution and consumption as confined to particular territories-, the shrinking of the world by modern means of communication, and rising of global cities are transcending natural national borders. 'Transnationalised microeconomic links have been creating a non-territorial region in world economy' (Ruggie, 1993, p.172-174) and the nation-state defined by its mutually exclusive and fixed territoriality seems to be replaced by the 'rise of the virtual state', a state 'that has downsized its territorially based production capability' (Rosecrance, 1996, p.46). Taking these global developments into account, political conceptions no longer coincide with organisational devices of geography. Against this background it would be obsolete to define the borders of Europe just according to geographical features and exclude Turkey because of the mere existence of the geographical thresholds.

On the other hand, according to Samuel Huntington the future of the international system will be characterised by a clash of civilisations, and the world will be subdivided by distinct cultural borders. Though geographical borders have the advantage of visibility, cultural divisions are hardly visible. Generally understood, culture is the demarcation between human and nature, and it is very difficult to draw the cultural boundaries of Europe.

While geography and culture do not provide sound arguments to claim a clear distinction between Turkey and Europe, history also reinforces the idea that Turkey has been and is a part of Europe. For centuries the Ottoman Empire was an important player in the European power game and centuries before the Turkish Republic was established it was the Ottoman conquest primarily oriented towards Europe. In the nineteenth century the Ottoman reformers were following the European example in their administrative and military reforms. While the attempts to centralise the state-administration, to monetise and formalise the fiscal system and to reorganise and train the Ottoman army according to European standards of scientific knowledge were aiming at strengthening the power of the Ottoman state against its external and internal enemies.

The historical and political integration of Turkey with Europe and the U.S. has furthermore been materialised in a number of institutional relations. As a founding member of the Organisation of European Economic Cooperation in 1948, as a member of the Council of Europe since 1949 and of NATO since 1952 as well as with the Ankara association agreement with the European Community from 1963

<sup>&</sup>lt;sup>1</sup> For more details see: Huntington, S. 1996, The Clash of Civilizations and the Remaking of World Order, New York: Simon & Schuster.

and the customs union with the European Union signed in 1996, Turkey has been a part of Europe for a long time. However, to be a part of Europe does not automatically mean to be in the European Union.

On the other hand, whether Turkey becomes a full member of the EU is not a question of Turkey's geographical location, cultural background or history, but a question of economic interests and political strategies as well as of her ability to achieve the required economic, political and legal standards as fixed by the EU member states in Copenhagen 1993.<sup>2</sup> That is why, the examination of the economic and political globalisation process of Turkey with parallel to the modernization practice can give important clues about the deficits of the country to meet the contemporary standards of modern societies. In the next two parts of this chapter, we will first look into the economic globalisation process of Turkey and then we will examine the administrative and political components of this transformation process.

#### 4.3 The Economic Globalisation of Turkey

Turkey has actually postponed integration into the world economy constantly in the 1970s due to shifting domestic and international conditions. It was difficult for different the national governments to take some radical decisions deeply affecting people's lives to change the closed structure of the economy until the 1980s. In this respect, the year 1980 has to be seen as a break point for the Turkish economy and its global adjustment process. 'Following the collapse of the import substitution model

<sup>2</sup> Some of the preconditions stipulated in Copenhagen are the guarantee of a democratic order by stable political institutions and the protection of human and minority rights.

of development during the late 1970s, Turkey embarked on a major economic reform period in 1980, with strong support from transnational financial institutions' (Onis, 2000, p.288). The new market-oriented and outward-looking growth strategy was a fundamental shift from the previous protectionist, import-substitution growth strategy, and the belief behind this shift was that the country's development was becoming severely constrained by the inefficiencies of the domestic economy.

Therefore, 'the objective of the reform process was to correct the severe inward orientation of the previous era and create an economy that would be fully integrated and competitive with the world market' (Onis, 2000, p.288). In other words, the national developmentalist strategy based on the extensive state intervention in economy of the previous decades has been left behind. Similar to structurisation attempts in other developing countries positioned in the world economy likewise, the main policy and strategies for the economic reforms in Turkey can be summarised as reducing government intervention, liberalising import regulations, increasing exports, encouraging foreign capital investment, deregulating financial markets, privatising State Economic Enterprises, and decentralising government activities.

In 1980, a profound shift in philosophy occurred in Turkey concerning the role of the state in economic affairs. The new economic strategy aimed at decreasing both the scale of public sector activity as well as the degree of direct government intervention in the operation of market. The policy-makers of the post-1980 period introduced a policy framework encouraging new developments in the economic environment. The impacts of this framework can be observed in various sectors of the economy and in the economic structure itself. A positive approach to foreign capital, growth and

variety of consumer goods, and restructuring the retail industry are important. As a result of this, there was a dramatic increase in the number of branches of multinational companies and in the number of partnerships of foreign firms with Turkish corporations.

Foreign investment in the pre-1980 period was extremely limited by international standards due to a host of restrictions and bureaucratic constraints. In the 1980s, these restrictions were substantially eliminated. Furthermore, the foreign investment Code was made consistent with the Organisation for Economic Co-operation and Development (OECD) norms, in the sense that foreign investors became entitled to the same set of investment incentives and allowances as their domestic counterparts. With the exception of domestic tax obligations, the new legislation also enabled foreign investors to transfer their profits abroad without any restrictions. An additional step to encourage foreign investors involved the establishment of free trade zones.

Between 1954 and 1980, total foreign direct investment in Turkey was only \$288 million. As a result of the liberalisation in foreign direct investment regulations after 1980, foreign investment started to rise. According to Henze (1993, p.17), 'after a disappointing beginning with an average of less than \$100 million a year until 1988, net foreign investment reached \$783 million in 1991, and the total for the decade of the 1980s was \$2,369 million'. Foreign direct investment statistics show that Turkey has totally issued over \$25 billion foreign investment permits by December 1999, and approximately 5,000 foreign companies actively participate in different sectors of the Turkish economy by 2000 (State Institute of Statistics, 2000).

A research done by Tokatli and Erkip (1998, cited in Erkip, 2000, p.372) 'on foreign investment in producer services in Turkey indicates that 95 % of the producer service firms receiving foreign capital were established after 1984, and almost 75 % of them were located in Istanbul'. 'Before 1980, manufacturing was the main investment area of foreign capital, whereas the service sector attracted foreign investment in increasing amounts after that date due to the abovementioned structural changes in the Turkish economy' (Erkip, 2000, ibid.). 'The service sector enormously increased its share in the economy, and 81 % of foreign investment went to services in 1996' (Foreign Investment Directorate, 1996, cited in Erkip, 2000, ibid.). 'While foreign investors preferred to invest in non-manufacturing areas such as tourism and producer services including consultancy, banking and insurance, non-banking financial and information services have been the other favourite investment areas' (Erkip, 2000, ibid.). In addition, 'commercial activities which are supported by globalizing consumption patterns, also attracted corporate and foreign capital at the expense of a number of losers among small retailers, and increasing social inequality among citizens' (Tokatli and Boyaci, 1999, cited in Erkip, 2000, ibid.).

'The development in favour of the service sector has been consistent with the decrease in the investment in manufacturing sector, and the shift from manufacturing to service sector both serves as a basis for the integration with the world economy, and creates a new employee group consisting of the high-paid, high-educated professional segment of the population' (Erkip, 2000, ibid.). On the other hand, 'although the value produced by manufacturing decreases, the employment rate in

this sector has been quite stable, indicating a serious decrease in the share of wageearners in manufacturing sector' (Aksoy, 1996, cited in Erkip, 2000, ibid.).

Another important shift has happened in the industrial sector. Turkey started to develop a diversified industrial base producing a variety of products during the economic transformation period. From 1980 to 1999, the share of agricultural products in exports declined from 57 to 10 percent, while industrial exports rose from 36 to 88 percent, signalling a wholesale shift from an agrarian to an industrial economy (State Institute of Statistics, DIE, 2000). Respectively the private sector has boomed the foreign trade in a short period, 'about 10 times between 1980 and 1993' (Toprak, 1996, p.33), and in addition business has started to invest on infrastructure sectors such as health, education, transportation and communication. This profound transformation started in the early 1980s was parallel with the progressive withdrawal of the public sector from manufacturing into infrastructural activities. Under the effects of the increasing urbanisation, both public and private sector investments on urban infrastructure of rapidly developing cities have been very important as we will see in the following chapters.

The first serious attempts in the direction of privatisation have also been taken during the period following the economic reforms in the 1980s. The privatisation of State Economic Enterprises appeared on the government's agenda from 1984 onwards, and has been a major structural objective of the Turkish government since then. More important than the privatisation of some public investments, the laws and foundations of privatisation were prepared. Although a formidable task, numerous state companies have been privatised. Over the last ten years, the state has

completely withdrawn from a number of industrial sectors such as food processing and cement production. Similarly, more than half of government shares in the tourism, textile and forestry sectors have been privatised. Privatisation of public banks has also begun at the end of the 1990s.

On the other hand, although the 1980 structural adjustment programme was generally successful in liberalising the economy, it was not able to establish macroeconomic balances. During this transition period, Turkey's positive economic accomplishments have been offset by some factors such as 'persistent high inflation, widening budget deficits, mounting external debt' (Henze, 1993, p.16), and high interest rates stemming from structural inadequacies. According to Onis, 'during the early years of stabilization and reform in the 1980s, some success was achieved in containing the budget deficit and reducing the inflation rate, but as a result of populist pressures for redistribution, the fiscal crisis of the state intensified in the late 1980s and the early 1990s' (2000, p.290).

This period ended with a huge financial crisis in 1994. The government's primary job in 1990s became to find the balance between market economy and society's demands. In other words, relatively stable society was being adapted to the rapidly liberalised economy. Therefore, the high numbers of the 1980s in terms of economic growth started to decrease. The limited tax capacity of Turkey was not enough to finance government expenditures, and governments started to heavily rely on domestic debt to be able to finance the increasing gap between revenue and expenditure. Several plans have been prepared by different governments to reduce public borrowing requirement, but they have not been implemented efficiently.

In order to right these macroeconomic imbalances, Turkey continued to embark on structural adjustment and stabilisation programs of the IMF during the latter half of the 1990s and at the beginning of 2000s. Even before signing the Stand-by Agreement with the IMF in 1999, the Turkish government took strong action to improve the institutional framework by introducing key reform laws and long-delayed constitutional amendments such as the social security reform law, the new banking and capital market law, the tax law, and most importantly, the constitutional amendment, which paves the way for international arbitration and dispute-free privatisation activities. The aim of this structural adjustment program was 'not only to reduce chronic inflation, but also to achieve structural transformations, mainly in public finance and in other areas of the economy' (Akat, 2000, p.278).

The picture presented so far is consistent with the liberal vision of retreating states and expanding societies. However, a closer examination of the Turkish experience in the last two decades reveals a more complex pattern. The steps taken in the direction of a market-oriented economy have been accompanied by a significant concentration of the economic and political power in the centre. When we look into the public sector itself, we observe several elements, which contrast sharply with the original objective involving the withdrawal of the state from economic affairs in the last two decades. First, public investment continued to be a dominant form of capital accumulation in the Turkish economy in spite of the fact that the composition of public investment has shifted dramatically from manufacturing to infrastructural activities. Secondly, in spite of a decline in the share of public sector in manufacturing production, the contribution of state economic enterprises' gross

national product did not decrease during the post-1980 period. Thirdly, the public sector continued to be dominant in the financial system. 'While the share of public banks among the total bank deposits expanded during the 1980s, around 90 per cent of the securities issued on the Istanbul Stock Exchange have been public sector issues, showing the degree of control exercised by the public sector over the capital market' (Onis, 1991).

Under these circumstances, our focus will turn into the political side of the story, and the state's political and administrative response to the economic globalisation process in Turkey will be examined in a detailed way in the following part of this chapter.

# 4.4 Political Responses to the Globalisation Process

The young Turkish state in the beginning of the 1920s inherited a very centralised and authoritarian Ottoman state structure. 'The early Republican years had witnessed the intensification of the centralized system in administration, in contrast to the (relatively) liberal approach observed in the economy' (Ersoy, 1992, p.327). However, 'the economic liberalism of the new regime did not last long as the deteriorating world economic conditions at the end of the 1920s pushed the government to adopt rigid state-directed industrialization policies' (Barkey, 2000, p.90). During the period until 1945, the single-party regime continued to follow the etatist system, and 'the extent and pace of Westernization dominated the political agenda' (Heper, 2000, p.71). Under the following multi-party system after 1945,

Turkey had high levels of economic growth with the exception of the period following the OPEC crisis of 1974, when economic growth rates started to decline under various coalition governments. To some colleagues, 'the emergence of political parties in this period has done much to reduce the authoritarianism of the military-bureaucratic centre under one-party governments' (Erguder, 1995). However, 'from 1945 to 1980, there has been a confrontation between those who emphasized Republican values and those who stressed the particularistic interests of the people' (Heper, 2000, p.71).

'In the post-1980 period, economic and social issues, on which compromise could be reached more easily, took precedence over political and cultural issues such as Westernization, Islam and nationalism' (ibid.). The liberal transformation movement of the 1980s has led to a broader consensus between political parties and social forces, and a solid cultural ground has emerged to establish the democratic form of government. 'At the end of 1983, the new administration announced that philosophy of government derived from the principles of liberalization, private ownership and democratization, and promised substantial legal changes to this end' (Ersoy, 1992, p.328). 'Local governments were to be strengthened and centralistic tendencies would be curbed' (ibid.). For the first time, the sphere of the state began to be narrowed down and that of politics expanded. It was as part of this opening up of the system that political as well as administrative decentralisation of the government came on the agenda.

However, neither the economic transformation started in the early 1980s, nor the multi-party democracy were successful enough to change the powerful position of the

centre and its relationship with local. As we will see in the following parts of this chapter, relative improvements with the extensions of new legislation that aim to democracy were often accompanied by widespread governmental and financial control by the central government. The strong subordination of local government units under the tutelage of the centre generally continued, and 'the multi-party system did not necessarily alter the central-local government relationship and the tendency to view municipalities and local administrations as provincial organizations of the central government prevailed' (Keles, 1988, cited in Ersoy, 1992, p.327).

## 4.4.1 Decentralisation Efforts Since the 1980s

The principle of the totality of central and local units has been put into the Turkish administrative system in the 1982 Constitution. Autonomous local governments function with reference to the principle of decentralization, and can take decisions and actions independent of the central government according to the Constitution. Ersoy emphasizes that;

'Central administration is divided into provinces, and provinces into further subdivisions, as the field organization of the central government, and if deemed necessary, the central government can use discretionary power over local governments' (1992, p.329).

Erguder (1989, p.30) believes that 'one of the most important reforms of the post-1980 period in Turkey has been the decentralisation of local government'. 'Giving more power, resources, responsibilities, and authority to local governments not only had the aim of improving the delivery of services to the citizens but also had important implications for the development of Turkish democracy, and, perhaps, also signalled important changes in Turkish political culture' (Heper, 1986 and Kalaycioglu, 1989, cited in Erguder, 1989, p.30).

On the other hand, local autonomy and decision-making capabilities have been increased in the early part of the 1980s, first by means of laws promulgated by the National Security Council during the 1980-1983 period and chiefly by means of decree laws thereafter. The fact that most of the important changes affecting municipalities were introduced by executive decrees or regulations, reflected the significantly subordinate status of the legislative branch as compared with that of the executive branch. 'One piece of legislation (Act 3030 of 1984), which introduced an innovative two-tiered metropolitan municipality system, stands alone as a singular example of a law concerning local government that was promulgated by the Turkish Grand National Assembly during this period' (Kalaycioglu, 1988, p.61-62). With the establishment of this metropolitan municipality system in a number of urban centres in 1984 by the liberal ANAP (Motherland Party) government, important powers were actually deconcentrated to the metropolitan municipal governments.

However, there is no evidence that any steps taken towards decentralisation after 1984 were the result of the active support of a legislative majority. As an example of decentralisation by executive decree, the Turkish case may be said to resemble more a process of deconcentration than devolution of authority' (Kalaycioglu, 1994). In other words, despite the new liberal administration announced that local governments would function autonomously, and adopted a new administrative system, strong tutelage relations between central and local governments continued in the new era.

The centre's continued tutelage on local government was reflected in various practices in the 1980s.

First of all, inspectors of the Ministry of Interior Affairs were investigating every operation and action of municipalities. Secondly, any actions by municipalities that fell into the policy domains of cabinet ministries, such as the Reconstruction and Settlement or the Health and Social Security, required prior approval from those ministries. Thirdly, decisions by municipalities concerning some personnel matters must also have been approved by the cabinet. The Ministry of Interior Affairs had been authorised to change local government organs and their members who were under legal probation on matters relating to their functions, until a final decision was reached by the courts, and 'this rule, vulnerable to political bias, remained effective until 1989' (Ersoy, 1992, p.328). Finally, metropolitan or district municipalities could establish new service units only with the Ministry of Interior Affairs' approval of the municipal council's decisions on the issue. On certain matters, municipalities were even required to seek the approval of the Council of Ministers.

'The liberal administration was nevertheless not satisfied with these allowances, and the authority of the Ministry was further extended with an article added into law no. 3394 in 1987' (Ersoy, 1992, p.329). According to this addition, 'the Ministry of Public Works and Resettlement was temporarily authorized to change plans prepared by municipalities, and this includes metropolitan plans down to residential block and plot details' (ibid.). In addition, there were also some other exceptions, which restrict the power of municipalities in planning. According to Ersoy:

'with an important exception introduced to the basic principle of totality of central and local administrations, local governments have been hierarchically organised under the central government, which is against constitutional rule. Article 9 of the Planning Law stipulates that the related ministry can revise development plans in the case of disasters; implement mass housing projects and *gecekondu* (squatter housing) laws; and implement metropolitan plans concerning more than one municipality and urban development plans for areas where major highways are planned, where there is an airport and/or an airway or waterway connection' (ibid.).

The number of examples on these kinds of exceptions can be increased easily. These types of implementations against the planning power of municipalities have actually been so many that it has been quite difficult to talk about the concept of independent local administrations after the 1980s.

Then, as a parallel process to the accession to the E.U., Turkey has put in effect the European Charter of Local Self Government, and the Board of Ministers ratified it with the law numbered 3723 in 1992 (Official Gazette, 3 October 1992, No: 21364). The central government, however, has placed certain drawbacks while accepting this Charter. Some of those drawbacks were related to the matters concerning the monetary aspects which mostly increase the financial liberty of local authorities. Other arrangements subject to drawback had also similar characteristics which seek decentralisation in local government. While one was connected to local authorities' free determination right for the organisation of inner structures, the other was related

to their participation in the decision-making and planning processes in subjects of their concerns.

Moreover, the decentralisation movement in Turkey at the beginning of the 2000s continued to become one of the central issues. Since many activity and policies conducted by the national government and business organizations started to be global in scope, involving interactions among multiple countries and international organizations, decentralisation did not produce an exception as well. There have been many changes in legislation organizing the authority and responsibilites of the local governments under the guidance of the international institutions such as IMF, the World Bank and the European Union. New legislation of Provincial Local Administrations, Municipalities and Metropolitan Municipalities have been put into effect in 2004 and 2005 by the current AKP (Justice and Development Party) government. While the duty, authority and responsibilities of the central government have been diminished, and the control power of it has almost been demolished with these new acts, the authorities of local governments have significantly been increased. However, this increase of the administrative authority has not been supported by a parallel growth in income of local administrations and municipalities. Instead of creating their own income resources, they have been encouraged to get into debt from international financial organizations.

In general, the economic liberalisation movement from the 1980s until today did not practically change the administratively strong central government and did not bring a financially independent local government in Turkey.

## 4.4.2 Changing Intergovernmental Relations with Respect to Financial Policies

A new period with the military coup of 1980 was in a short time challenged with the financial problems as a result of the increasing financial crisis of local governments. All municipal administrators that had been elected were removed from their posts and fresh appointments were made. Urban life was organized with restricted municipalities under surveillance, which turned into bureaucratic and hierarchical systems. This mechanism of functioning froze every aspect of the pre-1980 crisis. New legislation was prepared with financial considerations, which appeared to aim at solving the revenue shortages of municipalities. These once again facilitated the control of municipalities by the central government.

During the military government between 1980 and 1983, relatively substantial funds were channelled to the municipalities. In 1981, a new law (Act 2464) was adopted by the government, which gave the municipalities other than the metropolitan ones new sources of stable income. 'Between 1982 and 1984, 5 percent, and later up to 8.5 percent, of the national tax revenues were allocated to the municipalities' (Nadaroglu and Keles, 1991). Municipalities were authorised to require the beneficiaries of the newly installed water supply projects to participate in their financing. Cost sharing of municipal investments by the local communities was preserved. The new law also authorised the municipalities to collect new taxes, including those from the residents of neighbouring areas outside the municipal boundaries who benefited from municipal services. The overall consequence of the new law was to increase the revenues of the municipalities by almost threefold from 1981 to 1984 (Nadaroglu and Keles, 1991).

Before the local elections in 1984, development legislation provided for a steady increase in authority and supervision by the central government. In the months following the 1984 local elections, 'the new Motherland Party government enacted a new legislation to increase the authority and financial resources of local governments and entrusted the preparation and follow-up of master plans to them' (Tekeli, 1994, p.167). 'First, the 5 per cent share allotted to municipalities -besides the metropolitan ones- from the national revenues in 1981 by law no.2380 was gradually increased to 10.3 per cent in 1984 (law no.3004)' (Ersoy, 1992, p.335). 'For the metropolitan municipalities, however, it was specified, in law no.3030, that 3 per cent of the national revenues collected in the provincial centre of the municipality be allotted to that municipality, and this proportion was raised to 5 per cent in 1985' (ibid.). 'An additional income source for local governments was also provided with nine distinct funds that were formed under the control of the central government' (ibid.). As a result of this legislation, municipal incomes increased considerably in 1985.

Moreover, two other acts have been prepared in the same year, aiming at increasing local governments' own resources. With law no.3239, the municipal tariffs were increased by about ten-fold. While the central government was authorized to set the minimum and maximum amount of these tax and user-charge tariffs, municipalities were given the authority to collect property taxes within their boundaries. 'The idea behind this new legislation was to reduce the share of central government contributions to municipal income and to expand the municipalities' own income resources, and while this was achieved, care was also taken to maintain dependence on the central government' (Ersoy, 1992, p.335).

The legal framework of the income structure discussed above has survived to the present day with undergoing small changes. 'With respect to the financial policies, we have not observed a relaxation in the strict control of the central government, even during the 'liberal' period started in the 1980s, which is claimed to have strengthened local government' (ibid.). In addition, 'the central government began to reduce the share from national revenues by adding articles to the budget laws in the period between 1987 and 1990, amounts thus reduced are mostly appropriated as funds under the discretion of Ministry of Finance, and this was a powerful financial device to discriminate local governments according to the political preferences of the central government' (ibid.). Then, as we have mentioned in the previous part, as a result of both increasing financial deficiencies of local governments and developing international financial systems under the effects of globalisation, the local governments have been encouraged by the central government to borrow from the international financial institutions in the last decade.

# 4.4.3 Legislative Developments Organising Relations Between Central and Local Government

As we have seen in this chapter so far, tutelage relations between central and local governments continued in the post-1983 era. What is interesting is that this has come at the same time as 'authority and supervision were left to the jurisdiction of local governments together with the new Development Law passed in 1985' (Tekeli, 1994, p.180). Contrary to these positive developments, new legislative changes have given extensive powers in physical planning to the national government at the end of the

1980s and in the 1990s. Ersoy believes that 'most of the planning activities in areas specified as 'disaster areas', 'special environmental conservation and tourism areas', 'village settlement areas', 'national parks', 'mass housing areas' and 'cities of GAP (Guneydogu Anadolu Projesi – Southeastern Anatolia Project) region' continued to be carried out by the central government organs' (1992, p.329), adding that 'in fact, all physical planning activity in the country could be carried out directly by the central government whenever "deemed necessary" (ibid., p.330). The following subsections will examine some of the legislative renewals introduced by the central government, which affect the relationship between the central and local governments in Turkey.

## The 1982 Constitution and local governments

Article 123 of the Turkish Constitution accepted upon submission to public vote in 1982 regulates the integrity of government and the basis of central and local governance. According to this article, 'public administration constitutes a unified whole in terms of its establishment and functions and was regulated by law; the establishment and duties of public administration are based on central government and decentralization bases; and public legal entity can only be established by virtue of law or on the basis of authority granted by law' (quoted from The Constitution of the Republic of Turkey, retrieved from http://www.mfa.gov.tr).

Article 127 of the Constitution regarding local governments further designates that 'the central administration has the legal authority to practice administrative tutelage over local government within the framework of principles and procedures set forth

by law with the objective of ensuring the functioning of local services in conformity with the principle of the integral unity of the administration, securing uniform public service, safeguarding the public interest and meeting local needs in an appropriate manner' (ibid.).

In other words, the central government can use its power of administrative tutelage on local governments. 'In this sort of control, the central government approves or rejects decisions of local governments, or postpones their implementation, but it cannot take a new decision itself' (Ersoy, 1992, p.329). Control over organs of local authorities is exercised on the issues such as the starting of the functioning of deliberative and executive organs, procedures for calling them to extraordinary meetings, and terminating their activities. According to the Constitution, the procedures dealing with objections to the acquisition by elected organs of local authorities of their status as an organ, their loss of such status, are resolved by the judiciary. Control over acts and omissions of local authorities would be exercised usually for determining whether the acts and omissions would be in conformity with law. However, sometimes the degree of appropriateness of the performed work could also be the supervised.

On the other hand, the establishment and duties of the local governments are regulated by law in accordance with the decentralization principle. Elections for local authorities shall be made once every five years in accordance with the principles set forth in Article 67 of the Constitution. However, general or by-elections regarding the organs of local authorities or members of such organs required to be made within

one year before or after the elections for parliament members. The law can also bring special administration forms for major residential areas.

Solution of the objections regarding awarding of the title of the elected local authority organs and loss or supervision thereof shall be through jurisdiction. However, the Minister of Interior, as a temporary measure, can recall the local authority organs or members of such organs against whom investigation or prosecution is initiated due to a crime in relation to their duties until a final judgement is taken.

Increasing involvement of the central government by the "Tourism Encouragement Law (No. 2634)"

One of the most important legislative innovations in the last two decades, increasing the tension between the centre and local governments, has been the Tourism Encouragement Law (No. 2634) enacted in March, 1982. Article 1 of the Law states the purpose of it as 'to ensure that necessary arrangements are made and necessary measures are taken for the regulation and development of the tourism sector and for giving this sector a dynamic structure and mode of operation' (Official Gazette, 16<sup>th</sup> Issue: ofMarch 1982. No. 17635. retrieved 'http://www.kulturturizm.gov.tr/portal/'). Article 3 of the Law defines cultural and tourism preservation and development regions as 'the regions having a high potential for tourism development, and intensive historical and cultural importance, that are to be evaluated for the purpose of preservation, utilisation, sectoral development and planned improvement and the boundaries of which are determined and declared by

the Council of Ministers upon the proposal of the Ministry of Culture and Tourism' (ibid.).

The Law also defines tourism centres as 'the parts or places specified to be developed on a priority basis within or outside the cultural and tourism preservation and development regions, and are of importance for tourism movements and activities, locations, sites and the boundaries of which are determined and announced by the Council of Ministers upon the proposal of the Ministry of Culture and Tourism'. According to Article 4, 'in the determination of cultural and tourism preservation and development regions, tourism areas and tourism centres, account shall be taken of the natural, historical, archaeological and socio-cultural tourism assets of the country and her potential for winter, hunting and water sports, for health tourism and for other types of tourism' (ibid.).

When we first look into the purpose and the scope of the Law, it seems to set the legal basis for the acceleration of the development of inbound tourism in Turkey by providing a number of vital instrumental incentives to both Turkish and foreign tourism investors. However, the implementation of this Law by the central government has had some crucial effects in cities and urban planning activities of those cities.

First of all, although the Tourism Encouragement Law is expected to introduce the declaration of some areas in different cities or regions having a tourism development potential as the 'special tourism areas', it has been quite difficult to find out the central government's main criteria behind the determination process of these tourism

areas, since many of the selected areas have not any historical, archaeological, sociocultural or natural tourism assets. As a matter of fact, the metropolitan city of Istanbul and its newly developing central business district has been the primary implementation area for the Law. According to Ekinci, 'this law, which singles out places where natural, historical and environmental riches are located as primary targets for touristic construction, with no regard for whether or not they are "protected" areas, gives all the authority for such construction directly to the Ministry, thus initiating a process in which the country is planned and shaped entirely by "government decisions" (1994, p.13).

In addition, the most important effect of this Law has been that the areas subject to the Tourism Encouragement Law have been exempted from the provisions of the Urban Planning Law (No.3194). In other words, construction plans for these areas are prepared in accordance with the Tourism Encouragement Law and relevant regulations, rather than the Planning Law, and these areas are exempted from the provisions of the Planning Law. The construction permission must be obtained from the central government organisations, both the Ministry of Culture and Tourism, and the Ministry of Public Works and Resettlement. In order to get construction plans approved by the Ministry of Public Works and Resettlement in the natural and historical tourism zones, the view of the Ministry of Culture and Tourism on the related project must be obtained. The Ministry of Culture and Tourism has also been vested with the authority of examining, approving and amending the construction plans in the tourism zones.

By declaring an area as a "special tourism area" subject to Tourism Encouragement Law, the central government actually became the only authority able to execute the final decision. In this way, all the local government organisation and local communities have been excluded from the decision making process. There are many examples of special tourism areas in different regions of Turkey, but Istanbul is definitely the one, which accommodates the most. In Chapter Seven, I will look into the various implications of this decision of the central government on the city in a more detailed way.

## The Urban Planning Act (No. 3194) and its democratic deficits

The Urban Planning Act numbered as 3194 adopted in 1985 has been an important attempt to change urban planning practice in Turkey. According to Senihi Kitapci, the ex-chairman of the Chamber of City Planners, 'before this Act, planning was strictly a centralised effort' (1999, p.1). 'While as a national government organization, the Ministry of Reconstruction and Resettlement was in charge of the planning preparation and approval process, implementations and controls of the plans within municipal boundaries were under the duties of municipalities' (ibid.).

Together with this Act, however, all planning preparation, approval, implementation and controlling rights and responsibilities within municipal borders have been given to the municipalities. Planning outside these areas are still made and approved by governorships. However, this power of municipalities is not unlimited. 'Master' and 'implementation' plans have to be in accordance with any regional and environmental development plans prepared by the central government. Thus, co-

ordination is targeted between local and higher level plans. 'It seems that practising administrative tutelage in this sense is not against local government principle for the central government' (Unal, 1990, cited in Ersoy, 1992, p.329).

Moreover, 'the Development Act numbered 3194 brings the allocation of powers within the planning hierarchies' (Kitapci, 1999, p.1). Kitapci underlines that;

'The right of preparation and approval of regional and sub-regional plans in 1/500.000 and 1/100.000 scales are under the control of the State Planning Organisation. The preparation and approval of the development plans for coastal zones, major industrial development areas and environmentally critical areas in 1/25.000 scale, are under the responsibility of another national organisation, the Ministry of Reconstruction and Resettlement. While the responsibility of preparing and implementing detailed development plans in 1/5000, 1/1000 and 1/500 scales are given to municipalities within the municipal boundaries, the responsibility of preparation, approval and control of the implementation plans are belonged the local branches of the central government Ministry out of those boundaries' (ibid.).

On the other hand, this radical change by the Planning Law in the 1980s could be defined as a positive contribution to the planning practice of Turkey, within the perspective of decentralisation. However, this Act has had damaging effects on general planning practice in the country. Although the new planning law appears to have a more democratic approach compared to the former one since it gives planning approval rights to local authorities, a legal mechanism for widespread public participation has still been missing. Kitapci argues that 'the general practise showed

that local interest groups have had a dominating role on urban planning process, and as decision-makers their main concern has been to increase the rent from the urban land, using the opportunities given by the new law' (1999, p.1).

In conclusion, the urban planning law of 1985 was not enough to find solutions for the local level problems, and the tension and power struggle between central and local governments have continued in the last two decades. Increasing problems in the administrative structure have led different national governments to look for a new system for local administrations starting from the second half of the 1990s. Although various reform proposals have been discussed in the parliament for years, the Turkish Grand National Assembly adopted new legislative reforms on local governments in 2004 and 2005. In the next part, it can be useful to look into the new local administrations legislation very briefly in order to see the point reached on the issue of organization of local administrations in Turkey.

## 4.4.4 The New Local Administrations Legislation

Nearly eighty percent of the population in Turkey lives within the municipality borders today (DIE, State Institute of Statistics, 2000). Economic activities are mostly taken place in urban areas. Today's urban municipalities have political power as well. They are competing with central government for their share of authority and government. Together with the internal dynamics of Turkey, which have given strength to the municipality movement, the international or global developments also force central governments to take into consideration cities and urban policies more

carefully. As we have already seen in previous chapters, globalisation and limitless capital movement in the world threaten the concept of nation-state. In relation to this, the national development notion seems an old-fashioned idea. Some important decisions on economic activities, now, are not taken in administrative capitals, but in the world or global cities directing the international capital. As a result of these developments in the world economic system, a hierarchy of cities has been created in the world scale.

The new situation forces national governments to reorganise the administrative structure of the state. The government system consisting of central and local administrations needs to be transformed to a structure based on co-operation and co-ordination between different levels. The complementary administrations are aimed in this system while the unitary state structure remains same, and the role of local administrations increases. For a more efficient urban service production, local administrations need to become a competent working organisation and to have more financial and administrative power and responsibility.

In the light of these issues, administrative reform attempts in Turkey go back to the 1960s. Since then, the problem of local administrations has continuously been addressed in various platforms. Differing national governments having highly diverse ideological bases have all taken subject of the new local administrations legislation on their government programmes since the beginning of the 1980s. According to a report published by TUSIAD (Turkish Industrialists' and Businessmen's Association), '1980s' waves in Western countries favouring smaller state had an impact on Turkey, resulting in an elevated official agenda for redefining

the role of the state, downsizing public sector, and increasing efficiency of public service delivery' (TUSIAD, 2004, p.1).

The issue of local government reform in Turkey, moreover, gained a new momentum in the last three years, and the Turkish Grand National Assembly adopted new legislative reforms on local governments in 2004 and 2005 after a long wait. The general idea behind the new local administration law is to re-territorialise the administrative power and dominance of the central government on the municipalities. One of the most important aspects of the reform is to decrease the decision making power of the central government on local issues. The new local administrations law in Turkey is actually trying to bring an administrative and municipal reform with parallel to increasing decentralisation trends in the world countries. While the new legislation prepared by central government organizations is mostly aiming to make 'the huge state' smaller and give larger authorisation to the local administrations, it also foresees that there will be a responsibility transfer from central to local in some crucial areas like education, health services, and intra-urban traffic. The new law also includes a change on the act of Provincial Local Administrations (act no. 3360 dated 1987), and redefines the functions and duties of the local administrations.

With the new local administrations reform, the Municipality Law (no. 1580 dated 1930), the Metropolitan Municipalities Law (no. 3030 dated 1984), the Municipality Revenues Law and the Real Estate Tax Law have been reorganised. Since the share of municipalities in the general state budget, real estate tax revenues and government fees have been increased, a rise in income of municipalities has been provided. The municipality tariffs have also been aimed to save against inflation.

In addition, this new law mainly aims to give large responsibilities to municipalities. On the one hand, organisation of the intra-urban traffic, the school construction and providing land for schools are given under the responsibilities of municipalities with reference to the private education law. This can be seen as privatisation in education. Together with private schools, decision-making in opening hospitals is also given under the municipalities' authority. On the other hand, municipalities will be able to establish their private security organisations to provide security service for their cities and citizens. Then, the state land within municipality borders will be given to municipalities. Additionally, the municipalities will have a right to take their own labour and personnel. They also take the responsibility of hygienic controlling of food products and giving official documents to food producing firms.

Furthermore, this local administration reform is not only restructuring municipalities, but also city governments. According to the new legislation, the Provincial General Council will be replaced by the local parliament, and city governors and district officials will take some responsibilities of the central ministers. With this reform, the structure of the General Directorate of Village Works, which is the biggest central government institution, also changes and villages gain the opportunity to benefit from the municipality services.

There are, however, some criticisms about the new local administrations reform. According to TUSIAD, 'the law lacks a coherent strategy that would enable local governments to generate and use new local resources' (2004, p.4). TUSIAD also stresses 'the fundamental importance of ensuring concrete mechanisms for civic

participation in the government decision-making in the reform process' (ibid., p.3). The civil society organisations such as the Chamber of Urban Planners, and the Chamber of Architects also share the similar concerns with TUSIAD, and they emphasise that local administration reform should find a solid community to the extent it encourages citizen and civil society participation together with the professional organizations.

#### 4.5 Conclusion

The globalisation process of Turkey is closely related to its modernisation practice, which has been inherited from the Ottomans. One of the main products of this chapter in terms of the modernisation process has been that there are 'several continuities between the Ottoman and the Republican political cultures' in which 'modernization efforts are elite and state driven' (Heper, 2000, p.63 and Barkey, 2000, p.89-90). By the end of the 20<sup>th</sup> century, this modernisation project prepared by the state elites nevertheless seems to be no longer sustainable. Even though Turkey's experiments with the economic liberalisation and structural adjustment in the 1980s and 1990s have been relatively successful in terms of opening up of the economy and the fast economic development of the country, the growth of the population's grievances caused by the regional development differences, social inequalities and unfair distribution of wealth and income is an important sign of the decline in the power of the state elite.

On the one hand, as a result of economic reforms based on free market rules and a global orientation, the Turkish economy has experienced a relatively high growth rate over the last two decades. According to Onis (2000, p.289), 'in spite of the qualifications concerning the quality of economic growth, Turkey has managed to grow at an average rate of 4 to 5 percent since 1980'. On the other hand, although Turkey has been relatively successful in establishing democratic institutions and a liberal market economy, the majority of her population has still been excluded from real participation in economic and political potentials. The long tradition of top-down modernisation led to a group of elites almost exclusively controlling the resources of the Turkish society. Moreover, the authoritarian and paternalistic mind-set of this establishment prevents description of a real democratic, pluralistic and socially more just society.

Berksoy<sup>3</sup> (2000), moreover, criticises the liberalisation process after 1980 such that; 'it is not a product of Turkey's own social, political and economic dynamics. The liberalisation process in the 1980s symbolises a sudden and sharp turn rather than a continuous progress of the Turkish system. This model is a copy of the prescriptions of capitalism prepared for its crisis in the 1970s, which does not contain any characteristics of the Turkish system'.

In other words, different versions of liberal economic models implemented by international finance institutions such as IMF seem not working for some developing countries, and the dependency to the international organisations aiming to be more attractive for foreign investments may even be resulting with a destructive

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<sup>&</sup>lt;sup>3</sup> The newspaper article of Berksoy (2000) has been translated by E.Zibel from *Cumhuriyet*, Issue: 02.03.2000.

environment for the capital. Turkey can be given as one of the good examples for this group of countries.

What happened in the last two decades actually is a significant restructuring of the state, that is, centralisation of government as well as a state-induced concentration of private power, parallel to the steps taken in the direction of establishing a market-oriented economy. The Turkish governmental system, similar to its Ottoman precedent, has generally shown strong centralism. Moreover, through their political and administrative influence on the state bureaucracy, the political elite also wished to control tightly local government politics from the national capital, Ankara in the last two decades. 'While the state performing the traditional functions of distributing welfare and justice, the concentration of power at the centre and the control of the periphery through the distribution of patronage to local persons of influence have been important aspects of the state tradition' (Erguder, 1987, p.10). As a political result of this state tradition, 'the central government has been the target of most political pressures, from local as well as national interests and influence has been concentrated in the hands of actors at the centre, including national political leaders, top bureaucrats, and major economic interests' (Danielson and Keles, 1985, p.99).

Liberal governments, however, tried to adapt some political and administrative reforms to improve the state's very centralistic structure, with parallel to the economic liberalisation and globalisation processes. One of the most important developments in this process was a new approach to local government, which clearly represented to desire for a break away from the centuries-long tradition of the highly centralised structure. Liberal governments in the 1980s tried to give municipalities

some higher degree of both administrative and financial independence. Their laws and decrees ensured that local governments had at their disposal reliable and sufficient sources of revenue to carry out the services expected of them. At this point, we have to add that central governments have been considerably affected by the conditions of the global world such as the general decentralisation trend, which forces central governments to give up some authority in favour of local governments.

On the other hand, the local government system of the Turkish provinces has always been closely connected with the centre. Although the mayors and municipal councils have been elected popularly, municipalities have mostly remained subject to the close supervision and control by the central bureaucracy. Therefore, relations between central and local governments in Turkey during the last two decades can be identified as structural. Although there is this new approach of decentralisation, the relationship has kept of a centralistic, authoritarian and paternalistic nature. In other words, local governments were never allowed to develop independent policies free from the strict control of the central government.

'The two-tier system of local government structure with greater and district municipalities in the 1980s, was proposed as a decentralisation effort, and although it seemed to be a managerial attempt to provide services more efficiently, the performance has been disappointing as the service responsibilities were shared between greater and district municipalities on the basis of service size, rather than the characteristics of the services and the citizens' (Erkip, 2000, p.374). 'The impact of decentralization on the representation of citizen groups at local government level however, was and is not a concern despite the changes in legal and organizational

structures that caused such expectations' (ibid.). 'Now, it is clear that the new distribution of power between central and local governments made urban land more available for big construction companies instead of squatters' (ibid.).

We also have to emphasise that legislative changes in the last two decades have given even wider powers in physical planning to the central government in Turkey. As Ersoy (1992, p.330) emphasises, 'the governmental practice of the so-called liberal period post-1983 far from establishing strong, democratic and independent local governments, has even ignored the 1982 Constitution, specifying that the central government can have tutelage control over local governments'. As we have seen in this chapter in a detailed way, the use of discretionary powers of local governments by the central government has entered into legislation by particular regulations such as the Tourism Encouragement Law and Urban Planning Law as well as the 1982 Constitution itself. These types of central government involvement in local urban policies, today, are still continuing together with similar kinds of bylaws which are implemented very specifically for selected areas.

On the other hand, the new local administrations legislation aiming at the decentralisation of government, so far, turned out to be an effort not to promote the local political participation but to reduce the influence of the traditional bureaucratic elites. According to the new legislation, the decentralisation of government only consists of restricting the tutelage powers of the central government over the metropolitan municipalities. Therefore, the new local administrations legislation seems distant from providing the participation for local actors and diminishing the involvement of the central government in local policies.

To summarise, the complexity of Turkey's recent political economy relates to the apparently contradictory trends involving centralisation and decentralisation simultaneously. While there is an expansion in the discretionary power available to the central government, significant amount of administrative authority and responsibilities have been granted to local authorities at the same time, and this was directly encouraged by the central government itself.

Moreover, the fact that major local authorities like Istanbul, having financial income deficiencies, could emerge as significant borrowers in international financial markets was due to the explicit guarantees provided by the central government in the first place. Hence, the increasing responsibilities and activities of local authorities does not necessarily mean increased autonomy of local government as we will see in the following chapters. Our concentration will turn to the city of Istanbul and its globalization adventure in the next chapter.

# **Chapter Five**

# Globalisation and Changing Local Politics in Istanbul

## 5.1 Introduction

After having presented the economic and political globalisation process of Turkey in the last two decades, changing local politics in the metropolitan city of Istanbul will be taken into consideration in this chapter. There are some features which make Istanbul distinctive when compared to other world cities. Fist of all, it is a city bridging two continents: locating on the Bosporus, it links the regions associated with the Black Sea, with those that relate to the Marmara and Mediterranean Seas, and it is placed along the land bridge between Europe and Asia. Not only trade and commerce have moved along these channels for thousands of years, so have ideas and concepts of civilization and culture.

Then, it is a nodal point for international transportation, and a core for international communications, business and commercial activities. Finally, it is the engine that drives the Turkish economy being the primary location of industry and economic activities with an urban population of more than 10 million. With these characteristics, in attracting international trade, finance and tourism activities, it is the symbol and only candidate of Turkey in order to compete in the global arena.

Figure 5.1 Istanbul from the satellite



Note: The picture has been retrieved from <a href="http://www.wikipedia.org">http://www.wikipedia.org</a>.

The city of Istanbul, having a history of over 2600 years, has been the capital of the Roman, the Byzantium and the Ottoman Empire, which ended with the establishment of the Republic of Turkey. Having been the meeting point of a variety of civilizations, it still bears the mark of these different cultures. The city as the venue for an unmatched inventory of historical and cultural wealth that belongs to the world, maintains an important responsibility. This characteristic of the city is as important as its economy and geography in determining its status in the global arena. Therefore, the brief history of Istanbul will be focused at the beginning of this chapter, before starting to examine the economic development in the next section. As we have already seen in the previous chapter, the economic liberalisation started in the 1980s has a central role in the restructuring process of the Turkish government organisation. Istanbul, as the greatest metropolis of Turkey has been rapidly transformed in recent years. In the third section of this chapter, economic aspects of

the globalisation process in Istanbul will be explored because economic globalisation is often seen as the most challenging phase of the globalisation discourse.

Then, the political dimension of globalisation will be taken into account in the fourth section, since economic and social changes take place within a political context. The local political developments have especially been shaped by the economic globalisation process in Istanbul during the last two decades. In relation to this, changing local politics in Istanbul will be examined in the fifth section. The central government's new governance model for the city will be addressed, since this model has considerably affected both the local decision-making process and the degree to which the forces of globalisation is controlled in the city since the 1980s. The policy of creating new financial resources for the metropolitan government in the same period will also be included in this section. Because it appears to be a policy in order to promote certain projects under the name of globalisation, it will be crucial to see the results of the implementation of it. After that, urban entrepreneurship as another new strategy changing priorities in Istanbul will be explored. Finally, all issues related to the globalisation process of Istanbul will be summarised in the conclusion section of this chapter.

## 5.2 Istanbul: Brief History of a World City

Istanbul has experienced a very long and rich history. Having a history of over 2600 years, Istanbul no doubt has some potential to be a world city. It has been the centre of three different civilisations: Roman, Byzantium and Ottoman, and the city always

had a primary role in its region. The role as the capital city to numerous empires throughout its development has also left Istanbul with exclusive architectural and urban features. The history of Istanbul will concisely be examined by being separated into two sections: pre-republic and republic periods.

# **5.2.1 Pre-Republic Period**

Istanbul's recorded history goes back to the 7<sup>th</sup> century BC (Kuban, 1996, p.10). The initial core settlement, Byzantion, was established on the hill at the edge of today's Historical Peninsula. In 193 AD, the Romans conquered Byzantium. In the 4<sup>th</sup> century, the Emperor Constantine renamed it as Constantinople establishing it as Capital of the Roman Empire and subsequently the Capital of the Eastern Roman Empire, once the Empire was legally parted in two. Conquered by the Crusaders, the city was subsumed into the Latin Empire in the 13<sup>th</sup> century. The city thus weakened was never fully able to recover and was finally conquered by the Ottomans in 1453.

After the conquest, the city gained a new identity in development and reached its peak, as did the Ottoman Empire in the 16<sup>th</sup> century. 'When he conquered Constantinople in 1453, Sultan Mehmet II began massive rebuilding effort that in time increased the population of the new Ottoman capital and added to the landscape hundreds of mosques, colleges, markets, government offices and public facilities, many of them of a monumental order' (Manners and Marcus, 2002, p.1). In the following centuries, Istanbul and its monuments were greatly affected both with the fires and the uneasy conditions of the Empire. The late 18<sup>th</sup> century marked a new

turn for Istanbul, and the city's modern articulation began with the disintegration of the Ottoman Empire and the growth of modern European capitalism.

During the 19<sup>th</sup> century and even until the 1920s, its role in transit trade increased with the growth of world commerce, and it acquired a new commanding position in the world economy with respect to financing of trade, banks, and insurance. 'Foreign businessmen started to live and organise in chambers of commerce, commodity exchanges were established, and regional centres of foreign banks were also located in the city' (Keyder, 1999).

During the second half of the nineteenth century, Istanbul did acquire all the requirements of a port city evolving without the support of its imperial polity (Keyder et al., 1993). However, 'it was not only a simple port city such as Izmir, Beirut, or Alexandria in the Empire that collects goods from its hinterland and conveys them to distant markets, but also an importing and consuming city like all imperial capitals in the world' (Keyder, 1999, p.7).

'Istanbul became a populated cosmopolitan metropolis of a million inhabitants just before the World War I, with 130,000 foreign subjects which were attracted by economic opportunity' (Toprak, 1982, p.65). The city also kept its regional position being the largest market in the Balkans, the Black Sea, and the Middle East region.

## 5.2.2 Republic Period

A new era started with the establishment of the Turkish Republic under the leadership of Mustafa Kemal in 1923. Istanbul, which had been a capital city for centuries, started to struggle in keeping this identity when the new Republican regime decided to move the capital to Ankara. According to Keyder (1999, p.3-11), 'Istanbul suffered disproportionately from the evolution of the new Turkish state after the World War I, since it was the capital and symbol of the Ottoman Empire'. 'Not only there was the global impact of the erosion of the constituent coordinates of a world economy based on free trade, but also adverse regional developments; and, finally, the advent of the new Turkish republic whose founders actively isolated the city' (ibid., p.7). The political movement leading to the birth of the modern Turkish Republic in the 1920s was actually a movement towards modernisation of Ottoman culture and the making of a Turkish national identity based upon European models of the nation state and citizenship. This peculiar nationalist project had an ambivalent attitude towards Istanbul in which it was identified with the old Ottoman order as opposed to the new Turkish national identity and citizenship symbolised by Ankara.

Some characteristics of Istanbul also started to change in the first period of the Republic. Losing its administrative power, the city entered into a new socio-economic and spatial transformation period. 'In the period from 1923 to 1950, the nationalist project of the Ankara elites was imposed on Istanbul' (ibid., p.10). Keyder underlines that 'the founders of the new Republic in the new and culturally uncontaminated capital were hostile to any urban autonomy based on the institutionalisation of market operations, and they were anxious to bring the economy

under their control' (ibid.). In relation to this, import substitution model was supported with a strict planning system to balance the regions of the country, and then Istanbul has lost its attractiveness with a number of political decisions of the national government.

The 1950s brought the governmental change in the political arena. According to Keyder:

'in this new era, as a result of the new and relatively liberal approach, private sector has become important. The planning system was still on but not so rigid. Thus, investments to Istanbul started again together with a dense migration from rural to urban areas' (ibid., p.12).

In the national political arena, however, scarce financial resources have been diverted to agricultural subsidies of various sorts, and such subsidies accelerated the rural transformation since the principal theme was the incorporation of peasantry into electoral politics. One of the main consequences of rural transformation in Turkey in the 1950s has been rapid urbanisation and the growth of 'gecekondu' (shantytowns) in especially big cities like Istanbul.

While the ambivalent attitude of various national governments remained unchanged for most of the 20<sup>th</sup> century, Istanbul re-emerged in the 1980s as the pioneer of the Turkish culture and economy, together with the introduction of a radical neo-liberal regime of national governance. Structural adjustment, liberalisation, and privatisation programmes signalled that internationalisation of capital was an inescapable reality for the city. Political authorities were also aware of this and aimed to attract capital

and to accommodate it specifically in Istanbul. The Turkish experience with economic liberalisation and structural adjustment still continues today although there have been various periodical economic crises. However, as we are going to see in a detailed way in the following sections and other chapters, Istanbul, even today, has not been very successful in breaking the hegemony of the nation state.

# 5.3 Economic Restructuring in Istanbul in the Last Two Decades

Istanbul has been the primary geography of economic liberalisation and globalisation as the heart of the Turkish economy with its incredible contribution to the national economy. Therefore, the city's economic transformation in the last two decades has been remarkable.

'As the largest metropolis of Turkey, the city of Istanbul carries most of the population and performs cultural, financial, commercial, industrial, tourism and service functions simultaneously, ans as a result of this, major capital accumulation concentrates within the metropolitan area' (Karaman and Levent, 2001, p.4). 'Gross Domestic Product (GDP) share of Istanbul is about 21 percent of Turkey. While Gross Domestic Product Per Capita in Istanbul is US\$ 4286, this rate is US\$ 2888 for Turkey in general (State Institute of Statistics (DIE), 1996, cited in Karaman and Levent, 2001, p.4-5).

'In the review of the sectoral division of GDP, it is significant to note that Istanbul's shares in imputed bank service changes, financial institutions, business and personal

services, trade and manufacturing are comparably higher than Turkey's share in general (see Table 5.1)' (ibid., p.5). These high sectoral shares clearly show the weight of Istanbul in the Turkish economy. 'The sectoral distribution of GDP presents that 30 percent of industrial production and 30 percent of trade activities, making up 60 percent in total have been generated in Istanbul metropolitan area' (ibid.). 'The transportation, communication and imputed bank service sectors follow the others with 15 percent' (ibid.).

As already seen in the previous chapter, the economic liberalisation project in the 1980s has immediately brought a deregulation process which has very important effects on the national economy. Economic liberalisation and structural adjustment policies were counselled by the IMF, and applied in the hope of restructuring the economy towards greater openness. It entailed attempts both to dramatically reduce the scope of the state sector and to situate the Turkish economy within the unitary logic of the global capitalism (Keyder, 1999).

This deregulation process, moreover, has dramatically affected the economic structure of cities in Turkey. Istanbul, demographically and economically, once again became the primate city of the country. This primacy started an effort to carry the city above national level, and compete with other cities in the international arena. One of the main attempts together with the economic liberalisation project became to position Istanbul as a global city to attract foreign capital and investment. The application for Customs Union and eventually for the full membership of the European Community also foresaw an international role for Istanbul and its business community (Keyder, 1999).

Table 5.1 GDP by Economic Activity (1996)

Economic activity		Istanbul		Turkey		Ist.'s share in
		GDP (in purchasers' value-million)	Sectoral share (%)	GDP (in purchasers' value-million)	Sectoral share (%)	Turkey (%)
1	Agriculture	31	1.00	2.490	16.85	1.26
A	Agriculture and livestock prod.	15	0.49	2.334	15.80	6.6
В	Forestry	2	0.07	83	0.56	2.6
С	Fishing	14	0.44	73	0.49	18.8
2	Industry	965	30.7	3.717	25.16	25.9
A	Mining and quarrying	7	0.23	183	1.24	3.8
В	Manufacturing	889	28.3	3.123	21.14	28.4
С	Electricity, gas, water	69	2.21	410	2.78	16.9
3	Construction	162	5.16	858	5.81	18.8
4	Trade	955	30.4	3.022	20.46	31.5
A	Wholesale and retail	817	26.0	2.539	17.19	32.1
В	Hotels, restaurants, services	138	4.40	483	3.27	28.6
5	Transport. and communic.	490	15.6	1.942	13.14	25.2
6	Financial institutions	300	9.56	732	4.96	41.0
7	Ownership of dwelling	134	4.25	443	3.00	30.1
8	Business and personal services	223	7.09	554	3.75	40.1
9	Imputed bank service changes	378	12.0	709	4.80	53.2
10	Sectoral total (1-9)	2.882	91.8	13.048	88.33	22.0
11	Government services	147	4.69	1.239	8.38	11.8
12	Private non-profit institutions	13	0.40	27	0.18	46.4
13	Total (10+11+12)	3.042	96.9	14.314	96.90	21.2
14	Import duties	98	3.13	459	3.10	21.4
15	GDP in purchasers' value (13+14)	3.140	100	14.773	100	21.2

Source: State Institute of Statistics (DIE), 1996, cited in Karaman and Levent, 2001, p.10-11.

As we have seen in Chapter Two, in its original formulation, the political economy of the global city formation has been based on a few assumptions (Friedmann 1986 and Sassen 1991). Capital is global, and its spatial organisation is hierarchical. The global cities are the places where the control functions of capital are located and they accommodate the labour force working for the advanced producer services. This model assumes a post-industrial development where manufacturing employment declines and producer services expand.

Istanbul has undoubtedly experienced a similar kind of transformation in this regard, and one of the most important components of this transformation in the last two decades has been the sectoral change in city's economy. Keyder underlines that;

'There is a flourishing service sector including marketing, accounting and management, telecommunications, banking and finance, transport, insurance, computers and data processing, legal services, auditing, consulting, advertising, design, and engineering' (1999, p.19).

The transnational companies have penetrated this sector through joint ventures, direct investment, and licensing. 'Among the important FIRE (finance, insurance and real estate) services, employment has grown by one hundred thousand jobs between the years of 1980 and 1990' (ibid.).

'This economic transformation is also reflected in urban land use where the city centre has been occupied mostly by producer services in recent years' (Berkoz, 1998, cited in Erkip, 2000, p.372). These producer services are all located in the newly developing business districts with their tall and smart high-tech office buildings. All

this fast development in the 1980s, however, is slowed down by uncertainty, ambivalence, and lack of legislative and physical infrastructure in the 1990s.

The manufacturing industry in Istanbul, on the other hand, started to decentralise throughout the Marmara Region<sup>1</sup> while FIRE activities are developing in the central areas quite rapidly. On the one hand, some sectors, with their flexible structures, could adapt to the transformation process, on the other hand, some others had to give up or change activity. The manufacturing industry has basically started to decrease its growth in the 1970s, and this trend continued in the 1980s. The industries that have scattered in the central parts of the city over the years have been taken away forward to the east and western fringes of the city. 'Some of the manufacturing sector such as tanning and leather industry have moved to Kurtkoy and larger size sectors including metal and chemical industries moved out to Gebze and Izmit along the E-5 highway (See Figure 5.2)' (Karaman, 1998, cited in Karaman and Levent, 2001, p.7).

Instead of manufacturing, some other sectors such as construction, trade and finance started to increase rapidly from 1970 onwards with parallel growth with the immense enlargement in the informal sector. Manufacturing started to choose the cities in the region of Marmara to locate, and left the urban core since 1980s mainly due to high land prices, increasing rents and the pressure of finance and service activities for the central locations. The state incentives of the national government given to the adjacent cities in the region both to decentralise industry in Istanbul and to expand the industrial investments in the region have also influenced this trend.

<sup>&</sup>lt;sup>1</sup>-Marmara Region is one of the 9 geographical regions in Turkey including Istanbul.

Istanbul has also experienced a rent boom of land, of housing and of office space in the 1980s because of the economic approaches based on rent instead of productive areas. Particularly in the districts of Levent and Maslak on the European side of the city, and Kozyatagi and Bostanci on the Asian side, lots of new office towers started to develop, and these developments put further pressure on rents. Thus the attraction of industrial investments for the capital has shifted towards land and building speculation in the physical space.

BLACK SEA

Figure 5.2 Specialized Suburban Areas and Centres of Attractions in Istanbul

Note: The map has been cited from Karaman and Levent, 2001.

During the 1980s, private sector investments have shifted towards housing and tourism mainly, while public investments have shifted towards transportation, communication and energy. Thus, the power of industry to create employment has disappeared. From 1980 to 1990 manufacturing employment rate in Istanbul's

employment structure has decreased, but when compared to Turkey, Istanbul was still growing faster in industry. 'In 1980, 27 of every 100 employment in industry throughout the country were in Istanbul, while in 1990 this number has increased to 30' (Sonmez, 1996). 'Manufacturing employment rate of 32.8 % in 1990 was also almost 3 times of the country average, which was 11.9 %' (ibid.).

All these changes have also affected the socio-spatial structure of the city. According to Erkip:

'Middle and upper income groups have been attracted by suburban development following global examples, although Istanbul has a unique character with historical and cultural inheritance in the urban core' (2000, p.372).

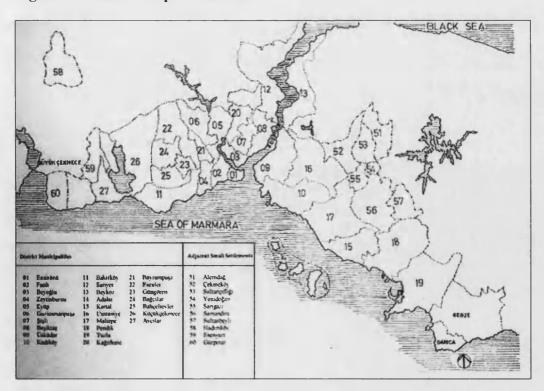
However, due to the transformation of economic activities and consequent land-use of the city, most of the popular residential neighbourhoods with historic and authentic characteristics have been prone to the invasion of non-residential use, as in the case of Eminonu, which is one of the oldest central district areas in the city. There has been 'a mix development which has created a lively and even pleasantly-congested urban environment of business, trade, tourism and culture, at the expense of authentic community life there' (Akpinar et al., 1998)'. The following table presents an example of that mix land use in Eminonu. Figure 5.3, on the other hand, shows a map including all central and peripheral districts in the city.

Table 5.2 The distribution of predominant activities in the traditional centre, Eminonu (shown with number 01 in the following district map)

ACTIVITY	AREA (ha)	(%)
Trade	81.3	17.10
Residential	69.6	14.65
Institutional-administrative	66.7	13.53
Parks-sports	55.4	11.68
Education	29.2	6.16
Religious	18.5	3.90
Workshops	16.3	3.48
Open space	12.1	2.54
Offices	9.0	1.89
Storage	0.9	1.66
Hotels	3.3	0.70
Health	1.6	0.32
TOTAL	474.1	100.00

Source: Akpinar, A. et al. (1998), cited in Erkip, 2000, p.373.

Figure 5.3 District Map of Istanbul



Note: The map has been taken from Erkip, 2000, p.373.

Another related dimension for the global positioning of a city is the informational infrastructure, serving the bridging needs that establish reliable conduct between the nodes of the global system of information flows (Castells, 1989). According to Keyder:

'the central government's reluctance and inability to undertake privatisation in transportation and communications sectors damaged Istanbul's chance in the global arena. Although keeping up with the technology in these two sectors is essential, public agencies have proved inadequate in both' (1999, p.16-21).

In addition, negative conditions have also affected incoming foreign capital to the city. Since foreign investors have been cautious, investment by trans-national companies fluctuated and was not sufficient to provide a self-sustaining process in Istanbul. 'Despite geographic advantages and the access to European markets provided by the customs union, inflow of foreign capital has fluctuated below the \$1 billion mark, and reached \$1.1 billion in 1996, representing 0.3 percent of the world flow' (Keyder, 1999, p.16-21). Hence, 'the formal economy remained predominantly oriented to secure domestic markets, and its restructuring along the expectations of economic globalisation has been much below the potential' (ibid.).

In general, the indicators at the beginning of the 21<sup>st</sup> century show that Istanbul's transformation has lagged behind in terms of expectations of the global city model. First, the international role of the city has remained limited. Secondly, the city continued to serve predominantly to its national hinterland. Then, information technology has generally advanced slowly. Finally, financial services have not

become a leading sector accounting for significant accumulation or employment creation.

## 5.4 Political Aspects of the Economic Globalisation Process in Istanbul

The liberalisation and deregulation programme of Turkey in the 1980s was politically managed by a centre-right alliance of interests under the umbrella of the Motherland Party (ANAP), and in terms of economic policies, the party supported a continuation of the liberalisation strategies (Keyder and Oncu, 1994, p.398). The economic transformation without a doubt led to greater integration with the world economy, and 'the new political strategy became increasingly focussed upon major metropolitan centres as both showcases of the new era of internationalism and as the most likely basis of its clientelistic networks and electoral appeal' (Keyder and Oncu, 1994b, p.41). As a result, the city of Istanbul emerged as the main centre of attraction. According to Keyder and Oncu:

'The export drive was successful, resulting in the establishment of a large number of world-market oriented concerns in Istanbul. More importantly, foreign companies.....were persuaded by the liberal rhetoric of the government to invest and to open offices in Turkey'. (ibid.)

The city began to take in this transformation and to reflect it in its spatial and social change. Istanbul, also, started to benefit from changing central government attitudes related to urban autonomy. Two parallel trends of globalisation and decentralisation actually led to local government acquiring funds to invest in the city. As we will see

in Chapter Six in a more detailed way, 'Istanbul received a major influx of state funding in the 1980s, which was much more than at any time in the Republic's history' (Heper, 1987; Keyder and Oncu, 1994, p.397).

The liberal mayor of the ANAP government between 1984 and 1989 was Bedrettin Dalan, and he expectedly followed the entrepreneurial approach to implement some urban policies. The main target of his urban renewal projects was to create the framework for the transformation of Istanbul from a national primate city heavily affected by rapid immigration into a world city.

On the one hand, large areas of the 19<sup>th</sup> century inner-city neighbourhoods were cleared, and small manufacturing establishments were evicted from their centuries-old quarters in the city centre. On the other hand, massive projects requiring large-scale investment such as avenues were built along the Golden Horn and the Bosporus. Istanbul was rapidly becoming a city designed for cultural consumption, with a well-defined tourist area containing monuments and heritage sites in the form of restored neighbourhoods, readily accessible from the newly built hotels. An internationalised business district was also shaping up, with modern office towers designed to accommodate global functions. In other words, Istanbul emerged as the vanguard signalling for Turkey's new era of integration into the world scene (Keyder, 1999, p.17).

The liberal mayor Dalan, however, disregarded the overwhelming electoral weight of new immigrants; in welcoming the entrepreneurial dimension the popular was forgotten (Keyder, 1999). In the election of 1989, the social democrat candidate,

Nurettin Sozen became the new mayor of Istanbul. He was quite suspicious of the discourse of globalisation, and 'he rejected the entrepreneurial style of his predecessor, preferring to satisfy his core constituency' with a populist approach (Keyder and Oncu, 1994, p.415). During his time, 'resources of the urban government were mostly allocated towards bringing services to shantytown dwellers and new immigrants' (ibid., and Keyder, 1999). Istanbul's increasing problems were not solved at all in his five years tenure.

Then, in 1994 local elections the candidate of the Islamic Welfare Party (RP), in 1999 local elections the candidate of the Islamic Virtue Party (FP), and in 2004 local elections the candidate of the Justice and Development Party (AKP) won a plurality with 26, 28 and 45 percent respectively. All three parties can actually be included in the same ideological faction consisting of the people with religious sentiments. The mayor between 1994 and 1999, Recep Tayyip Erdogan<sup>2</sup>, who is the prime minister today, was the most charismatic one among three and ran on a platform of anticorruption, public morality, and social justice. The other two, Ali Mufit Gurtuna and Kadir Topbas have in general followed similar approaches to Erdogan's. Their stance towards the entrepreneurial dimension of the globalisation alternative was ambivalent at the beginning. During the 1994 election campaign, for instance, the WP candidate for mayor, Erdogan was the only one to be able to distance himself from the global city project. His party's organisation superiority in the shantytowns and its anti-cosmopolitan stance was interpreted as another instance of embracing the popular against the global city project (Bora, 1999).

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<sup>&</sup>lt;sup>2</sup> Recep Tayyip Erdogan has been the prime minister of Turkey since the beginning of 2003, and he is the leader of governing Justice and Development Party (AKP) which was found by the people who broke out from the Welfare Party in 2002.

According to Bora (1999), the belief that the global city project could no longer be revived became widespread at the beginning of the Islamic RP and FP's local administrations. 'The pessimist prognosis expected that there would be a reversal of Istanbul's modernisation, a turning inward that would delink the city from the world economy, leading to cultural "provincialisation" (ibid.).

However, the attainment of power changed many things, and the logic of economic rationality started to take the priority again and soon altered the Islamist local governments' thinking about the city as a business enterprise. According to Bora (ibid., p.56), 'as the Islamic movement seeks to come to an understanding with the Turkish bourgeoisie, it also has to accept the global city project of big capital'. He adds that 'the Islamic administrators of today also bow to economic logic and to the requirements of the global city project by leaving their anti-systemic radicalism that was so prominent during election periods' (ibid.).

In conclusion, it is interesting to note that at the beginning of the 21<sup>st</sup> century, global Istanbul is a common ideal of all political parties ranging from liberals to conservatives with religious tendencies. All political parties are quite aware of the fact that Istanbul has already been fragmented in an irreversible manner and needs managerial and financial strategies to survive under the conditions of the global world.

In the next section of this chapter, changing local politics in Istanbul during the last two decades will be examined in a more detailed way.

### 5.5 Changing Local Politics in Istanbul

## 5.5.1 Effects of the New Model of Metropolitan Governance in the 1980s

Starting from the 1980s, Turkey adopted a new approach to local government which clearly represented a break away from her centuries-long tradition of a highly centralized style. As a result of this, municipalities were granted a greater degree of both administrative and financial autonomy. 'Their laws and decrees ensured that local governments had at their disposal reliable and sufficient sources of revenue to carry out the services expected of them' (Esmer, 1989, p.46). 'Until the 1980s, local politics in Istanbul had centred on the distributive capacities of the municipality, which became the prize of competition among rival interests, and thus, clientelism and patronage served as the dominant mode of generating and maintaining political support' (Keyder and Oncu, 1994, p.417). However, staring from the 1990s, after a decade of growing integration into the world, the metropolitan municipality of Istanbul increasingly focused on the creation of the necessary urban infrastructure for purposes of the global position of the city. 'This was also because the new system of a metropolitan municipality with a subordinate tier of district municipalities has shifted the traditional levers of patronage politics down to local districts' (ibid.).

The creation of a new model of metropolitan governance for the largest cities has been one of the most important components of ANAP's policy package in the 1980s. Keyder and Oncu underline that;

'the progressive trend since the 1950s had been towards administrative fragmentation of metropolitan areas with the major city authority surrounded

by dozens of small municipalities. The need to coordinate the unwieldy network of local and provincial governments, public and semi-public agencies, each fighting for its own prerogatives, was acknowledged by experts and politicians alike since the early 1970s' (ibid., p.404).

Numerous alternative proposals for new administrative legislation had been stalled in political negotiations over questions of jurisdiction and authority. ANAP enacted a new law which amounted to a total politico-administrative overhaul of the existing confusion in 1984. This new government model involved a two-tier system, designed to centralize major metropolitan functions and place them under direct authority of the metropolitan mayor. 'In the case of Istanbul, a host of agencies ranging from the Master Plan Bureau to the Water Supply and Sewerage Authority, formerly attached to various central ministries in Ankara, were brought under the direct control and power of the metropolitan mayor' (ibid.). The new system suggested administrative action together with new financial resources. The legitimacy of the metropolitan municipality increasingly depended on carrying out the investment activity designed to promote greater investment, and on creating the appropriate climate for entrepreneurship, since the main concentration was on investment activity in the new era.

### According to Keyder and Oncu:

'in addition to creating an all-powerful metropolitan mayoralty, the new model also introduced a second tier of "district municipalities" each with its own elected mayor and municipal council. A range of municipal services, from refuse collection, street repairs and maintenance to surveillance activities were devolved to these district municipalities. Of greatest political significance among these, was the decentralisation of detailed land use planning, building control, and building permits' (ibid., p.405).

Another very important and related development coming with the new model of metropolitan governance has been the increasing financial resources for local authorities, and Istanbul metropolitan government seemed the one who benefited most since the 1980s.

### 5.5.2 New Financial Resources for the Metropolitan Government of Istanbul

As a result of the new approach in the metropolitan government, 'the neo-liberal ANAP government began to progressively increase the proportion of total tax revenues allocated to municipal administrations starting with 1983' (Keyder and Oncu, 1993, p.21). 'In 1983, 6.4 per cent of the national taxes were received by local governments, and by 1990, this proportion had risen to 13.3 per cent' (ibid.). 'In addition, new legal provisions allowed metropolitan governments to levy and/or increase local taxes, fees, and charges on a variety of activities ranging from sports and entertainment to advertising' (Keles, 1986, cited in Keyder and Oncu, 1993, p.21).

### Keyder and Oncu emphasise that;

'for Istanbul's metropolitan government, so far confined to incremental additions and repairs to the city's progressively deteriorating physical

infrastructure, the immediate consequences of the expansion in revenue in the 1980s were crucial' (1994, p.400).

For the first time in over two decades, the increase in Istanbul's revenue base outstripped current expenditures necessary for the maintenance of a municipal bureaucracy and basic services to allow for major infrastructural investments. Additionally, 'its enhanced revenue base allowed the city to tap into foreign credit markets abroad in order to finance specific projects' (ibid.). The liberalisation policies of the central government together with the opening up of Turkish economy indeed had a very significant role in this process. 'Between 1983 and 1989, Istanbul was able to raise an estimated \$900 million in loans from abroad, and was able to purchase a new fleet of buses and to import passenger ships in order to ease inner city traffic congestion' (ibid.).

On the other hand, as Keyder and Oncu emphasise that;

'in assessing the political significance of the direct transfer of revenues to metropolitan governments, it is important to keep in mind that Istanbul's population growth remained at a level exceeding 300,000 new inhabitants annually. Thus, the demand for basic municipal services invariably exceeded actual capacity. Although substantial in absolute terms, the increase in municipal revenue did not even come close to meeting the accumulated demand for physical services' (ibid., p.401).

Istanbul continued to be a city where nearly all basic services such as water, sewage, electricity, road, public transportation and garbage collection were in chronic short

supply and in need to be improved. Despite this, the liberal mayor Bedrettin Dalan's choice was mostly in favour of increasing the accumulation potential of the city through investment-inviting projects designed to enhance the global image of Istanbul.

The construction of many high-rise office buildings, deluxe hotels and modern plazas, the second bridge on the Bosporus, and the fast sea bus project can be given as examples of the developments in Dalan's tenure. 'Those ambitious infrastructural investments and urban renewal projects were for the first time since the 1950s, and the ensuing building activity transformed the urban shape and permitted the exercise of a significant degree of entrepreneurship toward globalisation of the city by the then mayor and business groups who supported him' (Keyder and Oncu, 1994, p.402).

However, the things started to change in the 1990s. After the 1989 local elections, a process of different parties and ideologies being represented in central and local governments began. Because of the political opposition, the central government's support to local administrations governed by opposition parties considerably decreased. This situation has mostly had an effect on the city of Istanbul. Both the central government in Ankara and metropolitan government of Istanbul preferred the populist approach and tried to satisfy their core constituencies. Under these conditions, there was a competition rather than a co-operation among different levels of government, and Istanbul was deeply affected from this situation. Both public and private investments reduced speed when we compare with the pre-1990 period, and therefore, the globalisation project of the city started to be slowing down.

The final turn in terms of obtaining financial resources, on the other hand, has become after 2004 local elections in which the conservative AKP took hold both the central government and local government in Istanbul. Since the prime minister Erdogan came from the Istanbul municipal mayoralty, the central government's financial and administrative support to local administration in Istanbul considerably increased. Under these conditions, Istanbul started to become popular once again and global concerns took the stage back. Both public and private investments started to be directed at the city parallel to the world city project of the government.

### 5.5.3 Urban Entrepreneurship

Urban entrepreneurship and the effects of strategic groups on decisions have become important issues in the new era of urban governance. Global positioning of the city and increasing infrastructure investments made urban entrepreneurship phenomenon even more important in the last decade. For some colleagues, 'it is strategic groups within cities which have the capacity and the potential for implementing projects in accordance with their interests' (Keyder and Oncu, 1994, p.415). 'The guiding concern in the account is to investigate the feasibility and the conditions of success of urban entrepreneurship' (ibid.). 'While the general principle that geo-political opportunity and entrepreneurship have to be combined in order for Istanbul to successfully position itself in the new world-economy is correct, the descriptive account of the city's recent transformation suggests a need to further investigate the notion of urban entrepreneurship' (ibid.).

On the one hand, urban entrepreneurship and interest group pressure have been factors balancing the populism dictated by electoral politics. 'Managing the city is today an art of balancing between the services that the new immigrants require and investing for the purposes of acquiring a certain status in the globalising world economy' (ibid., p.418-419). 'With limited municipal resources this choice between populism and growth confronts urban administrations with an insuperable dilemma' (ibid.).

As Keyder argues that, 'the globalisation that has occurred since 1990 has not been assisted by urban entrepreneurship in Istanbul' (1999, p.10-11). 'The ambivalent stance towards the entrepreneurial dimension of the globalisation alternative .... has been one of the elements preventing the emergence of a vision that might allow the city's different interest groups to engage in effective urban entrepreneurship' (ibid.). With reference to the potential for globalisation, the inability to commit resources and rhetoric to a globalisation project has led to a passive stance on the city's part during the 1990s.

Despite this unwillingness to continue with the global positioning strategy, it was the turn of 'strategically placed groups', which have been sufficiently integrated into global networks, to exert pressure on elected officials. The candidacies of Istanbul to host the Olympic Games, and the big support behind that are actually good examples to show the common ground in both national and local policy areas of being more global and living in it. We will see this in a detailed way in Chapter Eight.

#### 5.6 Conclusion

There has been a significant transformation in the economic structure of Istanbul parallel to increasing globalisation trend in the last two decades. Istanbul has certainly benefited from the rapid economic liberalisation process started in the 1980s. As examined in Chapter Four, the administrative decentralisation and increasing financial sources coming with the liberalisation process have also given some impetus to the city in global competition. Istanbul received some important amount of state funding, and international loans to rebuild the city during this period. The liberal mayor's political power and the central government's entire support made the 1980s relatively successful period for Istanbul. However, this rapid development slowed down in the 1990s with changes in the political arena. Since most of local governments kept their traditional role of local administration in national politics, ignoring local and global dynamics, they became incapable of providing requirements of global capital.

Various local governments used differing approaches of local politics for the globalisation project of Istanbul. Those political approaches have been represented by completely different political agendas in the Metropolitan Municipality of Istanbul. On the one hand, the liberal approach entirely shaped its policies in favour of the globalisation project in the 1980s. On the other hand, the social democratic and Islamic right-wing approaches mostly preferred the populist alternative ignoring globalisation in the 1990s. The new Islamic conservative attitude since 2003, however, appeared to be attached to the globalisation project of world capital, although they were reluctant at the beginning. In general, because of the lack of a

continous globalisation policy for the city in the last two decades, Istanbul has not been very successful in global competition in terms of attracting the inward investment.

Although various local governments in Istanbul suggested a range of global city ideas and gave priorities to diverse objectives in their policies since the 1980s, the common nature of those policies was their inability to solve urban physical and socio-economic problems on the way to advance the city in the global arena. When they endorsed the globalisation project, it appeared that real urban problems of the city were often missed for the sake of investments to attract foreign investment. When they preferred to ignore globalisation, they were unsuccessful in creating alternative solutions.

## According to Keyder:

'the city is prevented from playing a global role by constraints imposed by the political sphere. The continuation of populist politics and the reluctance to institute a liberal framework at the national level, and also the lack of coherent and unifying entrepreneurial vision at the local level have limited the chance of Istanbul in the globalisation rivalry' (1999, p.23).

The lack of an effective urban entrepreneurship and the inability to commit resources and rhetoric to a globalisation project in the 1990s has led to a passive stance on the city's part. As a result, the social and economic development level of Istanbul has lagged behind when compared to other world cities. The adjustment to the new economic system in the 1980s was not able to make a good progress so far, and it

appears that the adjustment process will take a long time since the social and physical infrastructure need to be developed yet. In other words, in terms of evidence of being a world city, Istanbul has not been in front among various other cities in the world.

As mentioned in Chapter Three, new concepts, procedures and tools of planning at different levels have emerged as responses to growing economic and political globalization. Urban planning strategies and policies, in this manner, have also been considerably affected by globalisation leading to increased competition for global investment between world cities. In relation to this, next chapter will be concentrating on the process of planning and changing urban policies in Istanbul as a reaction to new global formations in the city.

# **Chapter Six**

# The Process of Planning in Istanbul

### 6.1 Introduction

The metropolitan city of Istanbul has been located in one of the geographically strategic locations in the world. Its two sided urban settling along the Bosporus which separates Europe and Asia gives the city a unique characteristic. The Bosphorus connects the Black Sea and the Sea of Marmara passing by the city. The old city is located at the southeastern tip of the European side. The Golden Horn which is an inland body of water divides the European part into two: one is the old imperial section called the historical peninsula on the south bank, and the other is the port quarter of Galata on the north bank, which has expanded to Taksim business and cultural district in time.

The urban development pattern of Istanbul shows a linear form on the east and west directions. The city has been expanded for more than sixty kilometres along the Marmara shores on each side of the harbour. The Istanbul metropolitan area is spread over 6500 square kilometres, bordering town of Tekirdag in the west and Gebze in the east, extending from the Black Sea coast in the north to Yalova in the south, thereby having a population of more than 10 million people. Its population and industry are divided almost equally between two sides of the city. Istanbul, which

boasts about one fouth of the country's urban population, has become the most important financial, trade, tourism and cultural centre of Turkey.

STANBUL MAP

STANB

Figure 6.1 The Geographical Map of Istanbul

Note: The rectangular area shows the central business district area in Istanbul.

These geographical and economic characteristics of Istanbul are determining factors in the planning process of the city. In the first section of this chapter, the planning process in Istanbul will mainly be explored. First of all, developments in the planning process will be examined from an historical perspective by separating the process into four periods. This historical process will start with the conquest of Constantinople by the Ottomans, will continue with the early Republic period, and is going to come until the present situation. Then recent master plans of Istanbul will briefly be examined. Implications of those plans in the city will help to understand the globalisation approach of various local governments in recent years. The third

section of this chapter will present governmental actors having important roles in the planning process of the city. After that, in the following section, changing urban policies under the conditions of globalisation will be taken into account. This section is going to draw the general framework for the following two case study chapters. Finally, the conclusion section will summarise all the issues came out in this chapter.

### 6.2 Planning in Istanbul

The planning process of Istanbul will be taken into consideration under four periods in this section. While the pre-Republic era is examined in the first part, subsequent three parts will consist of three periods of the post-Republic era starting from 1920s.

### 6.2.1 The Pre-Republic Era

After the conquest of Constantinople by the Ottomans in 1453, groups of people from Anatolia and conquered lands were settled in various parts of the city in order to increase its population. During this time, the most important criterion for settlement was containment of Muslim and non-Muslim populations within certain areas. Therefore, borders that defined settlement reflected various ethnicities. As the population of the city grew in time, new areas of settlement were established in Galata and Uskudar districts and on the Bosporus. Since the city became spread over two continents, the problem of transportation started emerging.

Urban planning that was to effect the development of the city gained speed in the 19<sup>th</sup> century as relations with western countries increased. The first overall city plan was prepared by Moltke at the beginning of the 1800s. 'The most important feature of the plan was that the streets were designed to provide transportation in certain directions in a city where means of transportation were quite limited and which had peculiar traffic problems' (Gorgulu et al, 1996).

'During periods when efforts for westernisation were dominant, the Imperial Edicts of Reform of 1839 and 1856 were issued also as a response to internal pressures that were applied to the government partially by ethnic minorities' (Gorgulu et al, 1996). As a result of these efforts, the conventions that had determined the macro level settlement patterns, particularly in Istanbul, have disappeared, thereby making the boundaries that used to delimit Muslims and non-Muslims extinct. This is also a period during which the administrative, organizational and governmental structure of the Ottoman Empire was being questioned, and concomitantly, reformed. One of the first things to be done as part of the reform package was the effort to develop institutionalization in order to keep change under control.

As one of the most important results of westernization movement, which impacted both the administrative system and legislative structure, new organization models and regulations were established for the planning of urban areas. These laws imposed a grid pattern on the otherwise traditional organic pattern of the city. 'In 1848 the *Ebniye Nizamnamesi* (Regulation of Buildings) was issued to be in effect only in Istanbul, thereby establishing the legal basis for development in the sense of buildings' (Gorgulu et al, 1996). 'The regulation allowed expropriation and

demolition in order to widen streets; specified maximum dimensions for streets and buildings; introduced the obligation of obtaining permits for building; and required the construction of certain sections of houses in bricks and stone' (Ersoy, 1992, p.336).

As an experiment for the rest of the city, in 1854, the newly established mercantile upper class came established the first western type of municipal organization. This experiment resulted in legislation that provided the establishment of a new municipal organization, called, *Sehremaneti*. This organization was given the responsibility of development actions such as enlarging the streets, opening park areas, providing the masonry construction of the buildings, keeping the city clean, inspection of shops and markets, and collection of taxes for the state. Tasks were basically related to the administration of city. This new local administrative structure tried to integrate the European municipal concepts into the traditionally accepted practices, and was in charge until the establishment of the Turkish Republic in 1923.

In 1858 a regulation related to the streets was also issued *Sokaklara Dair Nizamname* (Regulation of Streets), which was a compilation of the articles of previous regulations. A new regulation dated 1864 was called *Turuk ve Ebniye Nizamnamesi* (Regulation of Roads and Buildings), making the previous one ineffective. '*Ebniye Kanunu* (the Law of Buildings) was put into effect in 1882, thereby making the 1864 regulation ineffective' (Ersoy, 1992, p.336). According to some researchers, 'this law provided quite a comprehensive and logical framework for construction legislation and it was a turning point in the history of Turkish urban planning' (Turksoy, 1988, cited in Ersoy, 1992, p.337).

'The Law of Buildings banned the construction of cul-de-sacs, imposed compulsory planning for areas that experienced conflagration and gave citizens the right to object to the plans' (Ersoy, 1992, p.337). 'More significant was the obligatory transfer of parts of land subject to development for public use, in the case of conversions from agricultural to urban use' (ibid.). 'With this code, new organizations were introduced for city squares and open areas; widths of roads were specified, certain proportions were introduced between street widths and the height of buildings; and detailed rules were initiated relating to plot shapes and proposed buildings' (ibid.).

In 1857 the Sixth Municipal Office, the first municipality in Istanbul was founded to administer the district. This particular name was chosen because a municipal administration with the same name had been established in a modern and elite section of Paris (Gorgulu et al., 1996). Many projects related to inter-city transportation were developed but not put into practise in the nineteenth century. (ibid.). Despite the fact that these projects were not realized, local development projects that were not in harmony with the nature of the city were prepared by engineers for areas destroyed by fire. The railroad and harbour facilities at Galata and Sirkeci docks are also important examples of the efforts made during this period. New technologies in transportation facilitated the growth of the city, and also affected the macrostructure of the city, resulting in an expansion of the residential areas.

The historical part of Istanbul and the westernized part of the city had reached an equilibrium point by the end of the last few years of the Empire. Additionally,

important demographic changes took place in the city after World War I and the War of Independence in 1922. Western population who had been living in Pera left the country, and the Greek minority, who was not an Ottoman subject, was displaced during population exchanges (Gorgulu et al, 1996).

### **6.2.2** The Early Republic Era: 1923-1960

Istanbul started to witness a decline during the early republican period when Ankara was proclaimed as the new capital of the new republic in 1924. During this period many intellectuals decided to leave Istanbul with the idea of developing Anatolia.

The effects of 'etatism' in the economic sphere made themselves felt in Istanbul as it was no more the centre of consumption that was based on nationwide surplus and imported goods, nor was it the centre of various movements concerned with development. Tax revenues had now been collected and distributed throughout the whole country, with the idea of decreasing interregional disparities.

Economic policies and population movements in this period brought the city a socioeconomic deterioration. Another factor that hindered economic prosperity in Istanbul was the fact that the country was in economic difficulties between two world wars. According to Keyder and Oncu:

'in the political and economic matrix of the inter-war years, Istanbul suffered a dramatic decline. During the dismemberment of the Ottoman Empire at the end of World War I and the subsequent four years of nationalist struggle, Istanbul lost a substantial part of its past network of commercial relations. The consolidation of the Republican regime in the new political capital, Ankara, left no room for the revival of Istanbul-based interest organizations' (1993, p.15).

This slowdown in the development of the city obscured the problems in functional spheres such as employment and housing. Consequently, attempts to develop the city focused on the idea of the beautification (Gorgulu et al., 1996), and no serious efforts were made in relation to municipal affairs and urban development until the 1930s.

### Ersoy underlines that;

'the most important attempt in urban development activities during this period was the effort towards creating a capital city of Western standards that would serve as a model for the whole country. However, no need was felt to prepare a new and comprehensive urban development law nor to modify the legislation, which was an Ottoman residue. An important development was the requirement of urban development plans as a function of the Directorate of Urban Development in Ankara, which was established in1928. Two years later, with the Law of General Public Health, this requirement was extended to cover all municipalities with populations over 20,000' (1992, p.337).

By the 1930s the new republican regime started to be interested in local administration, 'a new urban development law had been enacted', and 'the purpose of the new republican administration was once again the creation of the Western image' (ibid.). 'The Law on Buildings and Roads, which came into effect in 1933

introduced very detailed and rigid urban development rules, which had a strong potential for constraining planning decisions' (ibid.).

On the other hand, in response to the increase in urban population and administrative difficulties, a new administrative system was set up for Istanbul in 1930. Istanbul was identified as a single municipality, divided into ten sections, and was connected to the governor's office, an arm of the central government. This integrated administration continued until 1955. Before the Second World War, a few foreign specialists had been appointed advisers to the municipal councils at a time when there was no real possibility of foreseeing the future development of Istanbul (Kuban, 1996, p.42).

The central government and planning authorities in Ankara, moreover, gained some important experience with their efforts to develop the capital city, Ankara as a modern and healthy environment. This experience that was gained while working towards that goal was a major impetus behind the planning efforts in Istanbul to make it a modern city. One of the most important issues for planning efforts in this period was the requirement of a new Municipal Law for municipalities over a certain size to develop their own urban plans. But because of legal restrictions, the experience of Ankara was followed for Istanbul, and urban plans started to be developed by invited competitors.

During this period, Istanbul undertook a major planning process dominated by Henri Prost whose planning decisions had a great influence on the future development of Istanbul. Prost was invited in 1934 to prepare a plan for Istanbul. His plan was put into practise in 1939, and he conceived of a 15-year development scheme consisting of three 5-year sub periods (Gorgulu et al., 1996).

On the other hand, the Prost Plan had been prepared when the population of the city was rather fixed in approximately 1 million, and the Plan obviously became ineffective as Istanbul started to get migration from Anatolia, and the metropolitan area began to grow very rapidly. The structural transformation of the Turkish economy which began to develop in the 1950s integrated the city into the overall economy, and also initiated a process of rapid transformation. After a period of stagnation and no development in the 1930s, Istanbul again became the focus of economic dynamism as a result of economic policies that sought to open up the national economy to the world markets.

Nevertheless, together with industrialisation and increasing employment opportunities rapid rural-urban migration in the 1950s resulted in very fast growth of urban population that in turn started to generate housing shortage in the city. The emergence of the *gecekondu* (shanty towns or illegal buildings built overnight) was a parallel development that also contributed to the demise of the Prost Plan, after which it became necessary to revise it.

Increasing immigration to the historical peninsula specifically resulted in deterioration of conditions there as well. 'The population in the metropolitan area rose from 975,000 in 1950 to 1.400.000 in 1955 and 2,141,000 in 1965' (State Institute of Statistics, DIE, and Tekeli, 1994a, p.102). 'This was due to a combination of natural growth, incoming migration and to the spatial expansion of the

metropolitan area' (Tekeli, 1994a, p.102). The industrial development started to grow beyond the municipality borders. The central business district including Eminonu, Sirkeci and Grand Bazaar started to expand to the north towards Aksaray, and this changed the internal business structure in the city.

Rapid industrialisation and population increase in the city introduced some important problems such as housing and transportation. As a result of these developments, measures were taken in 1956 to expand the city limits, to increase the city's authority in creating houses, to allow for government's financial support for housing, and to encourage multi-dwelling housing by extending property rights for apartment owners in such buildings. 'Following a long preparation period, a new urban development law (no.6785) was put into effect in 1956' (Ersoy, 1992, p.338). The new law did not go into the details of development conditions and chose to solve them with reference to by-laws. On the other hand, 'the legislation provided a wide range of possibilities for planners, and the professional practice was given a very powerful device to create plan rules, which could serve to achieve harmony with the characteristics of the area being planned' (ibid.). In spite of their positive sides, these measures were not adequate in responding to changes that occurred in the structure of the city, and to those problems that were seen in the physical environment.

In short, as Ersoy argues that,

'the outline of the urban development procedures, as enacted in 1956, had the approach of "a flexible urban development concept". However, subsequent by-laws and their general implementation, instead of dealing with the basic problems, tended to freeze the contents and shape of urban development plans

and restrict the power of local governments in the preparation of plans. Hence, the most flexible planning law prepared so far was not utilized to create a new understanding in planning practice, taking into consideration the local differentiations. The responsibility for this tendency belongs not to the law but to political factors, on the one hand, and to the administration and the related bureaucrats and technocrats on the other. Briefly, central rather than local powers continued to shape urban planning practice in the country' (ibid., p.339).

### 6.2.3 1960-1980 Period

The 1960 Constitution transformed the country into a multi-party system and brought a more liberalist economic policy. The administrative independence of Istanbul was initiated after the Constitution was ratified and a mayor was elected. With the first local elections in Istanbul, in 1963, the city entered into a new phase. Istanbul had been unprepared for new immigration since the 1940s. Squatter housing had developed without government oversight as a solution to the settlement and housing problems of the newcomers. However, since additions to the squatter developments meant new votes for the political parties, new urban nucleuses were generated in the city.

Following the military intervention of 1960, studies were done in order to prevent unplanned growth, and Piccinato's work on a 1/1000 scaled plan got underway.

Population growth that occurred during this period started to move outside the city, and about 45% of the population was found in these areas (Gorgulu et al, 1996). This phenomenon marks the beginning of the tendency to scatter around in of metropolization process.

The formation of shanty towns that started in the 1950s later became more accelerated and larger in scale, going through different phases. Again during this period the area circumscribed by the city walls in the historical peninsula changed its nature significantly, and lost its traditional structure. Thus for the first time, in order to keep these developments under control, regional mapping was done within the framework of regional planning for settlement, and an open linear map was later utilized to decentralize the city's macrostructure instead of radio-concentric development that had been adopted earlier. During the same period, an office for regional planning was established by the Ministry of Development and Settlements, to be followed by studies on regional planning. A scaled industrial plan was also prepared in addition to regional plans that were also expanded to include whole Marmara region.

In 1966 Greater Istanbul Planning Office was founded and became operational. At this point an important development that affected the macro form of the city was the decisions related to the beltways and the first Bosporus Bridge. Upon this decision, the bridge and the beltways were completed in 1973. This caused a change in functional relationship of the time-distance matrix for the city. According to Tekeli, 'this initiated a new restructuring process in the urban space of the city, changing the hierarchy of prestige areas in the urban context, opening new areas up to speculative

activities and creating a new hierarchy of business centres' (1994a, p.168). Both the Bosporus Bridge and the electrification of the Haydarpasa railroad gave a new dimension to the city enlarging it eastward toward the Asian side. The development of the city is described as growth resembling an oil stain - transforming itself into a radial concentric city form.

At the beginning of the 1970s, the Istanbul metropolitan area expanded to reach the borders of Silivri and Gebze, to be found in a circle with a radius of 40-45 km from the centre, transforming agricultural lands into urban areas. Two characteristics of this period were, first, that people belonging to high income groups developed a tendency to look for alternative residential areas; and secondly, the shanty town phenomenon made itself acceptable and legitimate.

As the conventional city centre continued to grow, residential areas turned into business areas, while at the same time buildings for business purposes were being renovated, usually resulting in increased density along the perpendicular axis. This renovation at the plot level, however, started to destroy the existing structure in the historical peninsula, due to its centrality. Some functions in this area tended to move out of the centre while some others to become denser. Industrial relocations were also taking place during this time. Depending on the kind of industry and size, certain agglomerations were eventually formed.

#### 6.2.4 From 1980 to Present

As mentioned in Chapter Four and Chapter Five, fundamental changes happened in Turkey in the 1980s following the world oil crisis, and economic and political problems of the 1970s. The 1980 military coup was a turning point for the country which would lead important socio-economic and political changes. The 1982 Constitution was prepared by the 1980 military regime, and the subsequent governance of Prime Minister Turgut Ozal opened a new era for Turkey. This neoliberal policy introduced by the new liberal government gave priority to economic integration with the world.

Rapid economic growth in the 1980s has, on the other hand, imposed enormous pressures on the urban services and infrastructure of cities. The metropolitan area of Istanbul with a population of more than 5 million and having the largest share of urbanization in the country has been heavily affected from these pressures. Although a Master Plan in 1/50,000 scale for the Istanbul Metropolitan Area was approved in 1980, long-range planning activities have not been managed easily, since central and local politicians and bureaucrats have tried to cope with immediate needs of a rapidly growing population. Traffic congestion, lack of services, loss of amenities and open space, water shortages, and air pollution are all familiar costs of rapid urbanisation to Istanbulites. Since the 1980s, infrastructure and transportation policies requiring heavy investments were given high priorities, and then telecommunication investments which are seen necessary for the information society followed them.

Various legislative changes have had significant results for the city in this period. 'The new Urban Development Law numbered as 3194 gave municipalities the authority to make and approve urban development plans' (Ersoy, 1992, p.339). However, 'it also introduced a very rigid practice with respect to options provided for the by-law' (ibid., p.340). 'Law no. 3194 imposed restrictions on the flexibilities given to both local governments and urban planners, as compared with the previous legislation, and all municipalities had to abide by urban development by-laws prepared by central government' (ibid.). In other words, 'the rigid centralistic approach of the 1930s has been resumed in urban development activities with centrally prepared regulations' (ibid.).

On the other hand, new administrative institutions were results of a process to decentralize the administrative structure. As we have seen in Chapter Five, a part of these developments was the establishment of a two-tier administration model including district and metropolitan municipalities in 1984, and start of the metropolitan planning activities. What characterized this new period in management of city was operational policies and determination. This new kind of management and the accompanying methods that had never been used before in the country drew a lot of attention and praise, gaining supporters and occupying a certain place in media. With parallel to the developments in the Turkish economy in the 1980s, the metropolitan administration's main goal was not just to meet the basic needs of the population, but to revitalise the city as well as to re-establish it as a great international centre for trade, finance, tourism and culture.

Once again, there has been a strong focus on the physical infrastructure and appearance of the city: new bridges, motorways and inner-city arterials to improve the flow of traffic; a modern wastewater system to clean up the waters of the Golden Horn; a natural gas network to reduce the use of more polluting coal and lignite; and the removal of industries and dilapidated warehouses from along the shoreline of the Golden Horn to make way for parks and open space. These efforts to renovate the urban fabric have not been without controversy. The 'greening' of the Golden Horn involved the clearance of older neighbourhoods; the creation of an inner-city freeway required the demolition of large sections of the old city centre, Beyoglu; the new highway along the Bosporus cut off the older villages from their natural links with the water. With the process of modernisation and improvement, some of the social and economic inequalities have become more visibly entrenched in the urban landscape. Thus the deluxe hotels and conference centres and the luxury villas along the Bosporus stand in sharp contrast to the generic blocks of apartments and the temporary housing and unpaved roads of the newer squatter settlements.

Moreover, the producer sector activities started to replace the residential population in the central areas and pushed them towards the periphery. Residential areas, however, started to be determined according to the car ownership, dynamic of transportation and income levels. Poly-centricity also became important in the formation of residential settlements.

### 6.3 The Role of Governmental Actors in the Planning Process

Istanbul is a highly urbanised city, accommodating about 15 percent of the Turkey's total population. The city has been growing rapidly, and 'it is estimated that by the year of 2010 the present population of 9.057.747 (State Institute of Statistics, DIE, 1998) will reach up to 13 million' (Greater Istanbul Municipality, 1995). This indicates that the population, labour force and economical activities will be even more dispersed within the metropolitan boundary which will extend to nearly 100 km, distance.

As the largest metropolis of Turkey, Istanbul carries most of the population and performs cultural, financial, commercial, industrial, tourism and service functions simultaneously. Because of the agglomeration of local and international economies, 'it produces 26 percent of the gross added values of the Turkish economy' (Greater Istanbul Municipality, 1995). All branches of economic activities are represented in the metropolitan areas or sub-region of Istanbul.

This geographical and economic scale makes the city difficult to be administered. As we have seen in the previous chapter, Istanbul is a metropolitan city which has a two-tier administrative system with a metropolitan municipality under which district municipalities function according to their limited power, and a provincial government which is the local organisation of the central government. The metropolitan municipality performs the duty of making, organising and implementing master plans within the metropolitan area, and in this way, helps to organise the socio-economical potential of the city within the framework and policies

described in master plans. The provincial government, however, is a mediating organisation between central and local government. The functions of the provincial government organizations can be grouped as health and social assistance, public works, culture and education, agriculture and commercial functions.

Because Istanbul is a very large metropolitan city including many districts and subdistricts, this local administrative system has created a very complicated structure involving many people and institutions. Table 6.1 summarises this complicated government structure with involving people and organisations.

Table 6.1 Governmental Actors in the Local Administration of Istanbul

Administrative	Provincial	Metropolitan	District	Sub-district	Villages
Organization	Government	Municipality	Municipality	Municipality	
Head of the organization	A governor and 32 heads of districts	A metropolitan municipality mayor	32 district municipality mayors	41 sub-district municipality mayors	173 headmen of villages
Assembly organization	A Provincial	A Metropolitan	32 District	41 Sub-district	173
	General	Municipality	Municipality	Municipality	Village
	Assembly	Assembly	Assemblies	Assemblies	Assembly
Appointment Process	The governor and heads of districts are appointed by the central government, but members of PGA are elected	Both the mayor and assembly members are elected	Both mayors and assembly members are elected	Both mayors and assembly members are elected	Village headmen are elected

Note: The information on the Table has been taken from the Istanbul Governorship.

As presented in the Table, the city of Istanbul and its districts are governed by a governor and 32 heads of districts. All of these district governors are on duty in the metropolitan municipality borders, although five of them have just been inserted within the administrative territory of the Istanbul metropolitan municipality

according to the new Metropolitan Municipality Law in July 2004. There are in total 74 municipalities together with the metropolitan municipality and 74 municipality mayors including the mayor of metropolitan municipality in Istanbul.

These 32 District Municipality Assemblies, a Metropolitan Municipality Assembly, and a Provincial General Assembly as local decision-making organisations govern the city of Istanbul. The members of these assemblies come into power after a general election. We also have to add the local, provincial and regional organizations of the central government into this Table, because they often involve the local decision-making process as the representatives of the central government.

The consideration of all the parameters in the generation of master plans and in the implementation of them helps to integrate all urban policies because there are many actors and organisations involving decision making process. It is not easy to say that this has been done in this way as far as the implementation phase of the plans is concerned. Although the local government and institutional actors are mostly sensitive enough to control the development according to master plan's visions, a combination of factors creating a tendency for the government organisations to function independently from each other, poses threats to the urban sustainability.

Table 6.2 briefly presents the organising capacity of Istanbul in terms of the actors' role. As we can see from the Table, the central government is still the most powerful organisation in local decision making process, and involves urban policies sometimes bypassing municipalities. The provincial government has very limited power, and mostly mediates central government and municipalities. The Metropolitan

Municipality has the responsibility of organising and implementing policies and master plans within its boundary. It has also certain power of staging the interaction between related interest groups involved in policy making and projects in public and private domains. This capacity is demonstrated only at the level of providing location and permission to the development. District and sub-district municipalities have also some limited responsibilities for preparing and implementing plans in their own boundaries framed by the Metropolitan Municipality.

Table 6.2 Actors Organising Capacity in Istanbul

Actors Organising Capacity	Central Government	Provincial Government	Metropolitan Municipality	District Municipality	Sub-District Municipality
Adm. Organiz.	Makes policy framework, involves local decision making heavily bypassing local government	Implements policies with its own boundary	Responsible for organising, approving and implementing policies and plans within master plan boundaries	Responsible for implementing local plans approved by the Metropolitan Municipality	Have the power to prepare and implement their own local plans in their boundaries
Strategic Networks	Generates policies	Mediates actors in managerial level	Mediates actors through master plans	Have less initiative	Initiate through land use plans
Leadership	Dependent upon the vision of political parties	Plays a staging role in the implementation of policies	Dependent upon the vision of the institutional framework	Dependent upon the mayors' personal capacity	Dependent upon the mayor's personality
Spatial- Economic Condition	Generates policies at the national level	Mediates between central and local government	Has the power to organize with plans	Have no power	Have power for some local choices
Vision and Strategy	Initiates the potentials through policies	Has the power within its legal boundaries	Has the power and capacity	Have less initiative	Have the freedom to generate, but less capacity

Note: Modified from Karaman and Levent, 2001, p.17.

Some conflict areas between various governmental actors should also have been mentioned at this point. According to the Metropolitan Municipality Law (No.3030) dated as 1984, Istanbul Metropolitan Municipality has only an authorization to make plans in the municipality borders, which is about one third of the Istanbul provincial administrative area. The other areas are under the authorization of the central government organisations: the Governorship and the Ministry of Public Works and Resettlement. On the one hand, the Istanbul Metropolitan Municipality is obliged to serve 95 percent of the population living in the Istanbul provincial administrative borders. But, on the other hand it only has authorization to make plans for about 40 percent of the all Istanbul administrative area. In the remaining 60 percent area, which is mostly forest, agricultural, river-basin and rural areas, or other district settlement areas, there is a large amount of uncontrollable unplanned developments.

Moreover, according to the Metropolitan Municipality Law, the detailed land use plans of the district municipalities have to be made in accordance with macro-plans prepared by the metropolitan municipalities. This seems to be necessary to provide the consistency of macro-scale decisions and integrity of the metropolitan system. But, although the Metropolitan Municipality Organization is supposed to take large scale planning decisions which are compatible with the district plan and local policies, it is today difficult to say that there is any coordination in making plans and taking decisions. Because of this lack of coordination and cooperation, there are not many successful planning examples in Istanbul.

The central government, on the other hand, also has the authorization to make plans inside the Istanbul Metropolitan Municipality borders and its responsibility areas, by using some special laws related to tourism, industry, privatisation or free trade zones. This situation creates an obstacle in front of the goals and objectives determined by the local government for the whole sections of Istanbul, and it is against the entirety of planning decisions, contemporary urbanization philosophy, and also the principles of subsidiarity and decentralization.

Finally, the pressures of global capital are sometimes so demanding and so fast in choosing location of investment that the contradiction between spatial and economical visions is also inevitable. While the location of shopping centres, for instance, may pose threats to green zones on the north, the density of residential developments may challenge with earthquake zones or the location of high rise towers may contradict with the unique silhouette of the historical districts. The city government is becoming more and more careful about the consequences of the developments without clearly defined objectives, means, models and actors.

#### 6.4 Master Plans of Istanbul

The first plan of Istanbul was a 1/5000 scale master plan, and it was prepared by the French urban planner, Henri Prost. His plan including the historical peninsula and Beyoglu district was put into practise in 1939. Between 1937 and 1950 Prost prepared various other plans; a scaled plan covering 6000 ha, a development plan for 3000 ha, and a detailed plan in an area of 650 ha (Gorgulu et al, 1996). His development plan for Istanbul laid down major guidelines for many years to come.

Prost attempted to direct developments in line with the city's own dynamic. In his work:

- There was no linear progression,
- Decorative areas of social and technical importance were proposed,
- Medium-scale commercial and industrial activities were moved to the Golden Horn, and
- Transportation was designed to accommodate private vehicles (ibid.).

Moreover, structural transformation of the Turkish economy which began to accelerate in the 1950s integrated the city into the overall national economy, and also initiated a process of rapid transformation. The Prost Plans have naturally became ineffective as the metropolis started to grow up very rapidly. After the military intervention of 1960, various planning studies were done to be able to control the urban growth in Istanbul. During this period, Piccinato prepared a metropolitan plan based on a regional planning perspective.

Following the development strategies of previous plans, the Master Plan for Metropolitan Area was approved in 1980, and this plan targeted to provide a structure reconciling the production function with conservation of natural and historical values in Istanbul (Keskinok, 1997, p.89). In other words, while the plan was emphasising issues such as conservation of natural resources and historical values, it also included public sector's active involvement in organization of new development areas together with decentralisation of industry and reorganisation of CBD. This active involvement obviously lead to the centrally controlled and unplanned urban development in the 1980s. According to Keskinok, most of the

industrial units including Ikitelli Organised Industrial Centre and Istanbul Dry Food Producers Centre were established on unplanned lands in violation of planning procedures in this period (ibid.). Dry Food Producers Centre, for example, was established on lands which were initially assigned to green functions such as "forested area" and "city park" in 1/50000 scale Master Plan for Metropolitan Area, and this has been managed through deformation of planning procedures (ibid.).

The succeeding 1995 Master Plan, however, was the plan which mostly shapes current planning activities in Istanbul. The first target in the 1995 Plan has been decided as 'obtaining the world city status which integrates with Istanbul's historical and cultural identity, protecting historical, cultural and natural values of the city in the global level' (Greater Istanbul Municipality, 1995). The main policies to realize this target have been presented as:

- 'clearing the traditional city structure from so-called harmful functions such as industry, production and storage,
- taking decisions on use of areas within the whole of the metropolitan area
   sub-district for international sports, culture, trade activities and services,
- rendering functions related to cultural and social activities sufficient within urban ranking,
- determining urban prestigious sites within the historical peninsula, planning housings and services for tourism purposes, raising infrastructure quality and standards,
- developing projects for international conferences, congresses halls, art and culture centres, entertainment and exhibition centres in order to ensure

Istanbul's being an international world country, forming museums and archives, and

drawing urban development pressure to the eastern and western poles of the
 city over the historical peninsula and the Bosporus by forming Side
 Attraction Centres' (ibid.).

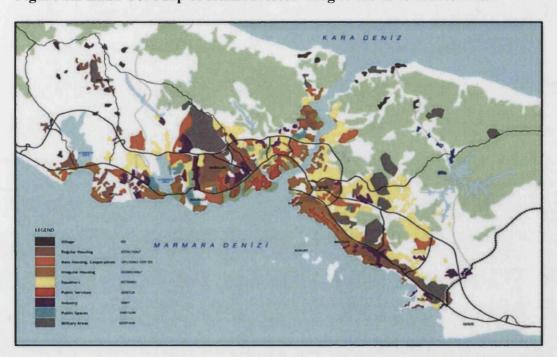


Figure 6.2 Land Use Map of Istanbul According to the 1995 Master Plan

Karaman and Levent underline that,

'The metropolitan municipality, with this plan, favours co-operativeness between public and private sectors to implement the objectives of the development plans. This has been clearly stated in the notes of the master plan, in target and policy statements. Sixteen targets and related policies put forward means and actors which would carry the city's potentials to the international arena' (2001,p.5).

The second target in the Plan, for instance, reflects the globalisation aim of the local decision makers. To this target, Istanbul should be 'a centre where governing and decision making mechanisms including all actors get together within the economic relations, integrate with the economic structures of the world and the region, and utilize international and regional opportunities' (Greater Istanbul Municipality, 1995, cited in Karaman and Levent, 2001, p.5-6).

'To achieve this global economic target, five main policies were developed, and the first one states that by predicting the development of the primary centres of CBD, the investments and planning decisions can be directed accordingly' (Greater Istanbul Municipality, 1995, cited in Karaman and Levent, 2001, p.6). Similarly other main policies to realise this target have been decided as follows:

- 'encouraging specialisation by ensuring a balanced distribution of urban functions in the Metropolitan Area Sub Districts,
- improving communication infrastructure of Istanbul, ensuring that it becomes an important centre, and helping relevant activities,
- establishing the necessary infrastructure to ensure more effective use of computer systems throughout the whole city,
- improving tourism potential, and increasing the share of tourism in the city's economy,
- guaranteeing the protection of the natural, historical and cultural structure,
   environment, tourism and recreation works in the metropolitan area sub
   districts, and
- improving the standards and quality of equipments and transportation systems in areas of tourism and recreation' (Greater Istanbul Municipality, 1995).

'The third target also gives importance to be a world city and examine the potentials of it; "ensuring the growth and development of the metropolitan area in coherence with the national and regional progress in social, economic, cultural terms and increasing its influence and achieving the status deserved among the ranks of world metropolitan cities" (Greater Istanbul Municipality, 1995, cited in Karaman and Levent, 2001, p.6). 'Five policies to support this target especially focus on "encouraging the service sector in the whole Istanbul Metropolitan Area while ensuring decentralization of industry both country-wide and regionally" (ibid.).

Moreover, 'the master plan of the city gives a special emphasis on the distribution of all economic sectors to be spatially meaningful, economically integral with the world economy and ecologically sustainable' (Karaman and Levent, 2001, p.7). In target four of the master plan, 'it is aimed the city to develop "special strategies towards the improvement of the quality of life, making the necessary special arrangements within the estimated period and structure, guiding the investing bodies for the infrastructure investments to be able to reach this target, and developing the necessary institutional structure and financial proposals to realize the plans" (Greater Istanbul Municipality, 1995, cited in Karaman and Levent, 2001, p.7).

The decentralization of population and some economic functions in the metropolitan area and sub-regions has been determined as one of the main policies to achieve this target. The creation of attraction centres on both banks of the Bosporus, ensuring that certain economic developments will happen in these sub-centres is also an important

strategy aiming to attain this policy. Maintaining a linear and multi-centred development is another policy supporting the decentralisation approach.

#### According to Karaman:

'the [industrial] decentralization strategy has actually been going on since the 1980s. Industries that have scattered in the central parts of the city over the years have been moved out to the east and western fringes of the city. In the western part of the city, about 80 large size industries have been settled along the E-5 motorway near Cerkezkoy. In the eastern part, on the other hand, small size industries have also been relocated. While tanning and leather processing industries have moved to Kurtkoy, larger size industries such as metal and chemical manufacturing moved out of Istanbul to Gebze and Izmit along the E-5 motorway' (1998, cited in Karaman and Levent, 2001, p.7).

In general, the 1995 Master Plan of Istanbul targets to preserve the decentralised and linear development of its urban macro-form to protect forest areas in the northern part of the city. In addition, the Plan reinforces the world city status of Istanbul, revealing unique townscape, historical, natural and cultural identities of the city, and developing its economic prosperity.

The 1995 Master Plan of Istanbul had been prepared to manage developments until the year 2010. The current metropolitan municipality of Istanbul, however, established a new urban planning unit called the Metropolitan Planning Office of Istanbul in 2005, and gave the office the duty of making a new plan in 1/100.000 scale. This new plan would include the whole of the extended territory of the city

with reference to the new law 5216 enacted in 2004. The new work entitled Istanbul Environmental Plan has recently been completed and made public in May 2006. The details of this new plan is subject to another research study.

However, when the 1995 plan shaping urban development of Istanbul in the last 10 years has been examined in a detailed way, we can state that the world city idea has clearly been very dominant in the preparation of the plan and main targets and policies have been determined with global concerns. The answer to the question of whether or not the Plan was able to control rapid developments in Istanbul will be answered in the next chapter.

#### 6.5 Urban Policies in Istanbul Under the Conditions of Globalisation

Although Turkish urban policy has never been welfare oriented, market and outward orientation has certainly not been more dominant than it has been since the 1980s. Not only various master plans prepared and implemented, but also many recent planning studies about Istanbul have shown that globalisation has been designated as a target for the city. A lot of investment has been made with this in mind, and different political parties in power have also provided support for this objective. The global position assumed for Istanbul by central government is perceived as almost the only condition for the country's integration with the world economic system. However, various local governments occasionally went along with the central governments' attitude, and from time to time opposed that due to populistic pressures, leaving this to the city's own dynamics. National and international capital,

on the other hand, appears to be after speculative gains which are supposed to be emerging in internationalised Istanbul.

Not only central and local governmental organisations, but also various pressure groups and civil organisations have been working towards a more globalised Istanbul at the end of the 20<sup>th</sup> century, albeit for varying reasons. A couple of examples can be given for various organizations which are related to urban policy and projects in different sectors, and have actually become quite successful from various points of view. Istanbul Culture and Art Foundation, for instance, has shown high level of institutional leadership in cultural ground. The Foundation has successfully organised the International Istanbul Festival for nearly 30 years which enhanced Istanbul's competitive capacity in global arena. Various institutions such as the Union of Housing Cooperatives, Istanbul Chamber of Commerce and Emlakbank have also initiated and implemented various projects as partners with other public or private parties. According to Karaman and Levent:

'Bahcesehir (Garden City) is one of the new towns realized in Istanbul by a consortium network of public and private co-operation. Emlakbank as the public part of the project is engaged to work together with 3 private partners including landowner, and two developers. The new suburban developments serving to middle and high-income groups may be given as good examples of projects, which are realised with a network where the district municipality is public, union of cooperative is semi-public and cooperatives are private parties' (2001, p.6).

As a more recent, and from some point of view, successful project, Formula One Istanbul Park has been constructed by a national company, Evren Engineering and Construction, together with a partnership with Istanbul Chamber of Commerce and The Union of Chambers and Commodity Exchanges of Turkey. The Istanbul Park racing circuit has been a project of national importance since it has attracted global interest, and has taken part in 2005 Formula 1 racing program.

Although a broad range of social segments has accepted the idea of a globalised Istanbul as an indisputable goal under the effect of particular success stories, there has not been an agreement on how services for ordinary people will be provided, or how they will be physically accommodated in the process of planning. The basic reason for this is that planning boards of local government are not equipped with the necessary tools to interpret the significance of globalisation, which involves a highly complicated network of relationships which are dynamic, fluid, and effective.

On the other hand, urban policies implemented by the central and local government can include only some degree of urban dynamics in Istanbul. The city, nevertheless, consists of both formal and informal settlements occupied by highly diverse economic, social and cultural groups (Koksal, 1993). The privatisation of urban service provision has even made the situation worse for especially poor settlements. Under these circumstances, formal urban policy of local government, most of the time, has been a mix of various models with different policy objectives and ideological standpoints as a result of incompatible urban problems and priorities. It appears that there has also been conflict over values and objectives within the city administration in Istanbul, when elected officials of metropolitan and district

municipalities reflect different political choices of citizens occupying various jurisdictions. National decisions of the state appear to be more counted than those of the local government even for the formal sector. Local governments have often failed to transform their role from providing urban services that they cannot cope with, to urban management by incorporating the private sector's strengths to the urban governance phase.

#### 6.6 Conclusion

As examined in chapters Two and Three, the scene of globalisation has been cities in the world, and this highly affected the way in which urban policies are implemented in cities. Urban policy-makers have continuously been under the pressure of various national and international factors, and as a consequence contemporary urban policy and planning has been shaped by global concerns in the new era. As seen in Chapter Four and Chapter Five, on the other hand, there have been rapid economic and political developments both in Turkey and Istanbul within the last two decades parallel to intensifying globalisation. This has also brought about a consensus among various levels of government and other actors for the role of Istanbul in the new era. In relation to that, many urban policies planned and implemented by the central and local government started to aim at advancing Istanbul to the world city level. Business and non-governmental organisations as the representatives of relatively organised citizen groups have also been activated by the idea of Istanbul as a world city.

The most concrete outcome of this enthusiasm has been the 1995 Master Plan of the city. As examined in this chapter, the 1995 Master Plan developed by the Greater Municipality of Istanbul with a timetable of completion by 2010 specifically aimed the city to be an international finance and tourism centre. The plan stipulated to develop Istanbul as a leading economic and cultural centre by preventing its rich historic and cultural identity. One of the major themes throughout the plan involved establishing a balance between conservation and development in the city. The plan presented that Istanbul will unite with the region and the world in terms of economic activities, if the city is able to use regional opportunities well, emphasizing its history, culture, science, art, politics, trade and services and assuming a pioneering role in the area including the Middle East, Balkans, and Eastern Europe. Additionally, the history of Istanbul is to be embraced so that the status of world-renowned city can be held once again, as it was in the past. Istanbul then can assure its place in the global rank of world cities while contributing to the world's economic development.

On the way to become a world city, central and local governments have implemented various urban policies. 'Among these policies are the creation of an international communication system, the provision of high quality infrastructure such as motorways, airports, international hotels and related facilities within certain services, the construction of an international conference centre, and the organization of international events of high standard like the Habitat II, and the International Cultural Festival of Istanbul' (Tekeli, 1994b, p.519).

As we will see in following chapters in a more detailed way, there are two other significant urban policies which have been implemented in Istanbul in the last two decades. These policies including the establishment of a new financial centre in the Levent-Maslak axis and the project of hosting the Olympic Games have obviously been prepared with global concerns. They also consist of numerous planning and construction projects in various parts of the city and they are supposed to be based on planning decisions of various master plans. As we will see in subsequent two chapters, however, the 1995 Master Plan of Istanbul, just like previous urban development plans, has quickly fallen short in guiding the ongoing development in the city with its concerns of the protection of natural and historical resources and control over the urban sprawl.

The problems among different levels of government organisations based on the use of authority in the urban space have had an important role in this failure. Within the provincial boundaries of Istanbul, the authority of provincial government, metropolitan, district, and sub-district municipalities has been divided within their planning boundaries. This situation has often created problems in implementing plans, and contradictions among the central and local government with respect to urban policies.

In this authority struggle, central government, most of the time, has been the stronger side, trying to keep the power in its hand. The Metropolitan Municipality and in a way district municipalities also have certain power of providing the interaction between related interest groups which are involved in policy and projects in public and private domains. This capacity has been demonstrated only at the level of

providing location and permission for the development area as seen in practices such as the establishment of financial centre, free trade zones and private universities, the construction of the Olympic Village and facilities and the underground in the city.

Starting from the next chapter, political and governmental relations between various levels of government will be examined with reference to specific urban policies in Istanbul, and the policy of developing a new financial centre in one of the emerging CBD areas of the city will constitute the first case study of the thesis.

# **Chapter Seven**

Governing Relations with Respect to Urban Policies:

Case Study of the New Financial Centre Development in

'Levent-Maslak Axis' in Istanbul

#### 7.1 Introduction

After having examined economic and political effects of the globalisation process in in Turkey and Istanbul in Chapter Four and Chapter Five respectively, governmental actors playing significant roles in the planning process of Istanbul and changing urban policies under the conditions of contemporary globalization were investigated in the last chapter. This and next chapter will consist of two case studies. The primary aim of these two chapters is to analyse the relationship between different levels of government with respect to specific urban policies implemented in Istanbul. The new financial centre development along the so-called 'Levent-Maslak axis' will firstly be examined in this chapter. The main focus is on various central and local actors having a role in the decision-making process of the development of a new financial centre in one of central areas of the city. In the next chapter, the city's continual excitement to host the Olympic Games will be explored as the second urban development strategy example implemented in Istanbul. Since it is a very

centrally controlled and executed project, roles of local government and various local actors for the achievement of this task will especially be questioned.

There are reasons why I have chosen these two examples. Although these urban policies appear to be quite distinct from each other, they actually share common peculiarities. As presented in Chapter Two, one of the most important aims for world cities, today, is to attract foreign investment to be able to compete in global arena. While world cities aim to this, they have various alternative policies. Two significant ones among many policies in the way to attract global capital have been either to create large international finance or business centres together with the provision of necessary high quality infrastructure or to compete for the organisation of significant global events such as international conferences, high standard academic and cultural organisations, and big sport events. For world cities, these policies are, in a way, the conditions of catching up the global economic development in the new era.

On the one hand, organisation of the Olympic Games, for instance, has been an important goal for cities to be able to benefit from global economic opportunities. In the new era, being a candidate for an important global event is a part of urban strategy, and central and local governments mostly apply this tool in order to build up cities economically and physically. On the other hand, diverting urban policies to be able to attract transnational investment and transforming cities to international finance, trade and tourism centres have been common approaches in today's urban development planning. World cities such as London, New York, Paris and Frankfurt in developed world and Shanghai, Mexico City, Buenos Aires and Sao Paulo in developing world are giant financial centres rather than large industrial cores. In the

light of these issues, the aim of this chapter will be to examine the particular urban policy of developing a new financial centre in Istanbul, and the focus will first turn to the restructuring process of Istanbul's urban core in the new era.

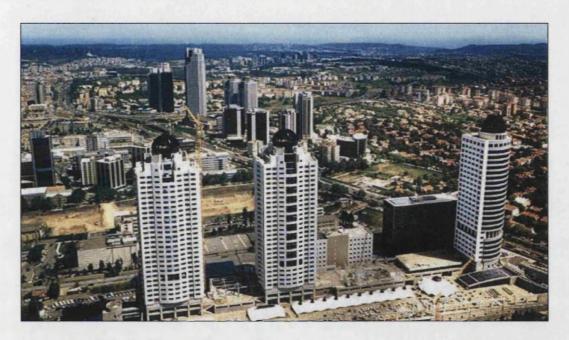
#### 7.2 Restructuring of Istanbul's Urban Core in the New Era

Istanbul has been in the process of rapid economic and social transformation in the last two decades parallel to urbanisation and globalisation trends. Especially after the 1980s, the metropolitan area of Istanbul has shown crucial change as industry has moved out from inner city areas and the city progressed to be an international financial centre where service sector activities started to occupy a notable amount of urban land even beyond the predictions of various master plans.

One of the most important indicators of Istanbul's transformation in the new era of globalisation has been the increase of high-rise developments in central areas of the city. Arrival of a series of foreign banks and a new generation of domestic trade and finance banks in the 1980s has been an important role in this development (Keyder and Oncu, 1994, p.405). 'The advent of these new banks, all specialised in international trade and finance operations, was bound with attempts to liberalise the Turkish financial system' (Oncu and Gokce, 1991, cited in Keyder and Oncu, 1994, p.405). According to Keyder and Oncu;

'Beginning in 1981, a series of policy measures were implemented with the cumulative impact of ending the historical monopoly of the Central Bank over foreign currency transactions. Thus, for the first time since the inception

of the Republic, commercial banks were granted autonomy to operate in international markets. The parallel softening of restrictions on capital flows from abroad and the introduction of a variety of export encouragement schemes, convinced international banks, which until then had avoided Turkish financial markets, to open branch offices in Istanbul in order to explore new opportunities' (1994, p.405).



Picture 7.1 High-rise developments in the city core

On the other hand, 'a new generation of small and specialised banks of domestic origin rapidly established themselves, and employing aggressive marketing techniques to compete with one another and with foreign banks, they were able to take advantage of the export boom and the increased ability of the economy to borrow from abroad' (Daly and Logan, 1986; Meyer, 1991, cited in Keyder and Oncu, 1994). Keyder and Oncu add that:

'The rising headquarters of these new banks signalled the resuscitation of Istanbul as an international finance centre. Since the 1930s, the once famous

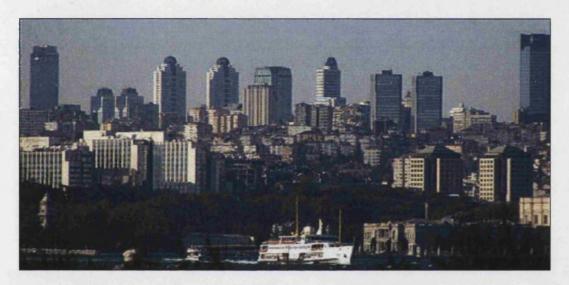
Avenue of Banks (Bankalar Caddesi) of the Ottoman capital had become progressively deserted as national banks constructed imposing new headquarters in Ankara' (1994, p.407).

From the 1950's onwards, when the growth of private banks began to gain momentum, Ankara had remained the choice location, next to the state-bureaucratic apparatus, and centrally located vis-à-vis the vast network of branch offices extending into the distant corners of Anatolia to collect deposits. 'In the post-1983 era of international operations, with the premium on flexibility, leanness, and instant access to world markets, Istanbul's status was redefined' (ibid.).

Another group of high-rise developments in the central business district area starting from the 1980s has consisted of luxury hotels. According to Keyder and Oncu, 'next to international banks and trading companies, new arrivals in Istanbul's city core in the 1980s included many new deluxe hotels constructed by special permission in choice locations overlooking the Bosporus' (1993, p.28). They underline that:

'All were beneficiaries of the post-1983 encouragement schemes to promote investments in tourism, doubling the five-star hotel capacity. Nearly all have been tall buildings, defining the new skyline of Istanbul. While land values and technological innovations in building construction and design provide sufficient motive for vertical expansion in most large cities, the timing and location of Istanbul's new tall buildings underline the symbolism of the skyscraper' (Keyder and Oncu, 1994, p.408).

Before the 1980s, only four buildings exceeding twenty stories had been constructed in Istanbul; one housing the Istanbul Chamber of Industrialists, and three international hotels. In the post-1983 period, however, more than twenty new tall buildings were erected in ten years; all hotels or trade centres, symbolizing the



Picture 7.2 The changing visage of Istanbul: A picture from the Bosphorus

booming sectors of the economy in the new era of globalisation. This development accelerated in the 1990s and the city of Istanbul started to change the visage. As we will see in the following pages, new high-rise developments are on the agenda today and this creates new tension between the metropolitan municipality and civil actors in Istanbul.

## 7.3 Liberal Vision in the 1980s and the Transformation of the City Centre

As examined in Chapter Four and Chapter Five, Istanbul has experienced the liberal transformation in the 1980s and 1990s more than any other city in Turkey. Above-

mentioned high-rise development in central areas was actually only one component of transformation of the city in the post-1983 period. As we have seen, 'the significant increase in foreign direct investment and the arrival of, first, the headquarters of major multinational corporations, then, major producer service firms in accounting, advertising, marketing, fashion and entertainment, and finally dramatic growth in the hospitality industry started to transform Istanbul both socioeconomically and physically. On the other hand, 'new wealth engendered new social groups: while the public sector professions such as teachers, writers, bureaucrats, trade unionists, suffered an identity crisis and loss of public confidence, the new private sector professions in engineering, journalism, marketing, and advertising experienced a dramatic growth of confidence' (Gole, 1993, cited in Isin, 2001, p.361).

## Moreover, according to Isin;

'The spatial organization of the city changed dramatically as well. While its traditional polarization between the rich and the poor increased, it was obvious that the new rich were those connected with the internationalized and liberalized economy. The regeneration and renovation of the historic core of the city for both the tourist industry and the new chic quarters of the wealthy continued as poverty was increasingly suburbanized further and further out from the city' (2001, p.361).

The person starting this rapid transformation has been the liberal mayor Bedrettin Dalan, who put his signature on Istanbul of the 1980s. He was a former businessman who joined the liberal central right party (ANAP) in the 1980s and remained a

politically unknown entity until he actually took office in 1984. The following paragraph quoted from Keyder and Oncu best describes his liberal vision against the city:

'He embarked upon transforming Istanbul from a tired city whose glory resided in past history, into a newly-imagined metropolis. Armed with the new executive capacity accorded to the mayoralty, and personal arrogance, he used the resources newly conferred to metropolitan municipalities in order to put into motion a series of urban renewal projects which had remained on the drawing board for more than three decades. Using an entrepreneurial style alien to the official mentality, with rapid action preceding bureaucratic paperwork, and little patience for legal procedure or for canons of historical preservation, he cleared large tracts of nineteenth-century inner-city neighbourhoods' (1994, p.408-409).

Dalan made 30,000 dilapidated buildings demolished along the shores of the Golden Horn in a very short time, and evicted large numbers of small manufacturing establishments as well as more organized and powerful ones such as Istanbul's wholesale fresh produce market in the same area.

According to Keyder and Oncu, 'the mayor Dalan's vision of an internationalized Istanbul for the twenty-first century, in its oft-advertised broad strokes, was very simple: the historical peninsula, cleaned of unsightly buildings and activities, was envisaged as an open-air museum of historical monuments and picturesque old wooden houses, now restored and cleaned up and within easy and rapid access from different parts of the city on newly-constructed throughways' (ibid., p.409). In

addition, the internationalized business centre to the north of the Golden Horn, which has been called the Levent-Maslak axis in this study, with its deluxe hotels, modern offices and wide avenues would host global functions concretized in conventions, businessmen, and tourists. Keyder and Oncu concludes that 'what is remarkable is not the simplicity of this vision, but Dalan's astounding success in actually implementing so much of it .... in the five years of his mayoralty, fraught with legal battles, rumours of fortunes changing hands in the awarding of municipal works contracts, of unprecedented corruption in city hall, and feverish construction activity, Istanbul emerged as the showcase for Turkey's new era of integration into the world scene' (ibid.).

## 7.4 Dynamics of the CBD Development in Istanbul

There has been some striking dispersal of the central business district (CBD) in the metropolitan area of Istanbul since the 1950s, as an inevitable consequence of the expansion of the whole metropolitan area. According to Tekeli;

'Before 1950, the CBD consisted of three interrelated areas. The first one was the area encircled by Eminonu, Sirkeci and Kapalicarsi, the second was Karakoy, Persembe Pazari and the Bankalar street complex, and the third was the Istiklal street, Tepebası and its environs. Other commercial and service activity concentrations such as Kadikoy, Uskudar, Besiktas, Aksaray and similar areas were distributed all over the city and functioned as local neighbourhood and district centres' (1994, p.138).

Between 1950 and 1965, both the population and geographical size of the metropolitan area increased rapidly, and the CBD not only spread into new locations but also displayed internal differentiation. As a result of this expansion, the former residential areas had been surrounded by CBD functions. Moreover, 'previous subcentres which had served as neighbourhood centres until then were modified to become part of the CBD' (ibid., p.139).

The CBD continued to expand linearly in the 1970s by following the lines of the topography and in the peripheral areas the expressways connecting main arterials. The level of topography has had its effect on the expansion of the CBD activities in the new areas. Eminonu district of the historical peninsula, Karakoy, the area between Tunel and Taksim Square, orientated along the main thoroughfare Istiklal Street, Osmanbey, Sisli and Mecidiyekoy are all connected to each other linearly. Of the districts listed, Eminonu and Karakoy can be noted as the most important CBD areas of the 1970s, and although they are separated physically by the Golden Horn, they are also connected by the Galata bridge. Istiklal Street in Beyoglu, links the historical centre to the newly developed ones, and still has the most lively and the densest CBD functions.

In the 1970s, there were nine centres spread within the city, each having their own special internal structure. In the size order, starting from the largest, these were Eminonu, Karakoy, Beyoglu, which is the area between Tunel and Taksim square, orientated along the main thoroughfare, Istiklal Caddesi, Kadikoy, Osmanbey, Besiktas, Aksaray, Mecidiyekoy and Uskudar as marked on Figure 7.1.

'While the CBD was diffusing into new areas, existing residential buildings at first assumed commercial functions and were latter demolished and replaced by shopping arcades and office buildings' (Tekeli, 1994, p.143). The spatial inequalities in the metropolitan area have been reduced by improved transport and communication systems so that traditional demands for centrality have become less important for most of the activities. However, service industries such as finance, insurance and banking, which require relatively large amounts of office space, still placed a higher premium on centrality than other urban activities, and they have been successful in forcing other land users to move from central to peripheral areas, occupying the city centre. The spatial restrictions in the historical city centre also had an important role in forcing local businesses to relocate in the less expensive and less congested peripheral areas.

Figure 7.1 The CBD areas of the 1970s in Greater Municipality of Istanbul

Note: The map was adopted from Kubat (2001); CBD areas of the 1970s have been marked as: 1. Aksaray, 2. Eminonu, 3. Karakoy, 4. Istiklal Street (Beyoglu), 5. Osmanbey, 6. Mecidiyekoy (Sisli), 7. Besiktas, 8. Uskudar and 9. Kadikoy.

A study made in 1977 by the Planning Office of the Municipality of Istanbul gives some insights about different functions of the central business districts in Istanbul in the 1970s. The central business district areas in the study included both the old city cores such as Eminonu and Beyoglu, and the new centre development in areas like Sisli and Besiktas including the Levent-Maslak axis. The total number of administrative, business and service establishments in every district was investigated, and the findings have shown that;

'32.6 percent of the administrative establishments were located in Eminonu, 54.4 percent in Beyoglu, and 10.1 percent in Sisli and Besiktas in the 1970s. On the other hand, 68.5 percent of business establishments were located in Eminonu, 24.3 percent in Beyoglu, and 4.4 percent in Sisli and Besiktas. Moreover, while 43.1 percent of service establishments were located in Eminonu, this ratio was 45.2 percent in Beyoglu, and 7.4 percent in Sisli and Besiktas. Finally, when we look into the total numbers of these three types of firms, while 55.2 percent of them were located in Eminonu, this percentage was 35.3 in Beyoglu, and 5.1 in Sisli and Besiktas in the 1970s' (Dokmeci et al., 1993, p.32, translated by E. Zibel).

To sum up, 'at the beginning of the 1980s, Eminonu district still maintained its status and function as the most important core of the CBD' (Tekeli, 1994, p.219). However, the situation started to change dramatically in the 1980s. The construction of the two bridges, the Bogazici (Bosporus) and the Fatih Sultan Mehmet over the Bosporus stimulated more peripheral CBD developments in Istanbul. 'These two passages between two continents, Europe and Asia, serving for both the European-Anatolian

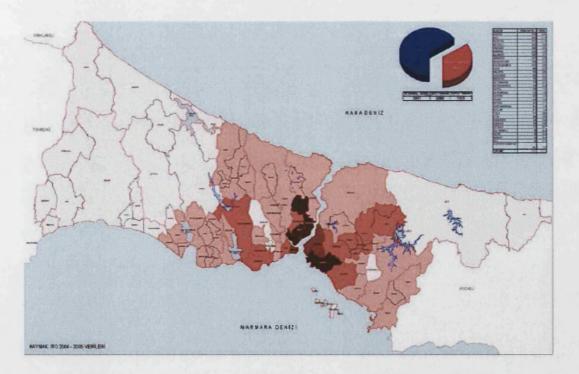
transit and the city's inner urban traffic, encouraged motor vehicle use, and caused the development of the new CBD northwards to the Black sea coast' (Kubat, 2001). According to Tekeli, 'between 1965 and 1984, CBD functions reached Mecidiyekoy centre above Halaskargazi street and gravitated even further towards Gayrettepe and Maslak along the Sisli-Buyukdere Road' (1994, p.222). 'The importance of the Taksim-Sisli-Mecidiyekoy-Buyukdere Road and traffic density on it were increased especially after the Bosphorus Bridge and its belt-ways were opened to traffic in 1973' (Tekeli, 1994, p.223). This area will be called as the Levent-Maslak axis in this following parts of this study.

'The extension of the CBD along Mecidiyekoy, Gayrettepe and Buyukdere Road began to specialize in insurance companies and as a location for the central offices of foreign banks, large holdings and multinational companies. Thus, the most important centres of control in the CBD became concentrated in that area. The high accessibility of the area for high income car owning groups via the bridges contributed to its rapid development' (Municipality of Sisli, 1987, p.51-60, cited in Tekeli, 1994, p.223)

When we look at the location of firms as one of the variables to determine the subcentres in Istanbul between 1960 and 1990, we can see the highest percentage of the new firm location has been in Sisli and Mecidiyekoy area including the Levent-Maslak axis with 17.3% of new firms choosing to locate there during this period. This ratio was 14.2% in 1960. Although Sisli and Mecidiyekoy was in the periphery of the CBD in the 1950s, their population increased from 181.402 in 1960 to 250.478 in 1990 (Dokmeci et al., 1993, p.25, translated by E. Zibel).

Figure 7.2 and 7.3 show the recent data on the spatial concentration of producer services, banks and financial organizations in Istanbul Metropolitan area. According to this data taken from the Chamber of Trade in Istanbul, Sisli-Mecidiyekoy-Maslak area as well as the old city area in Eminonu-Beyoglu in the European side of the city have been main concentration areas for the producer service firms, banks and finance organisations.

Figure 7.2 Spatial distribution of producer service firms in Istanbul Metropolitan Area by districts



Note: Map has been taken from ITO (Istanbul Chamber of Trade, 2004-2005).

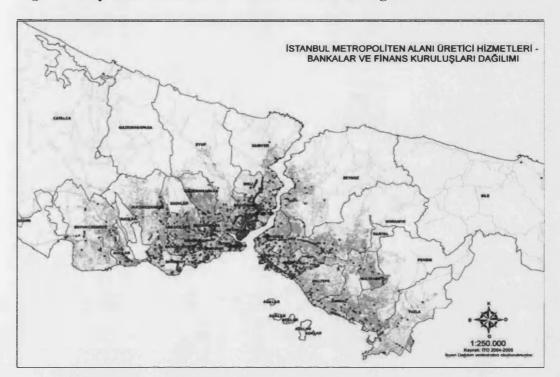


Figure 7.3 Spatial distribution of banks and finance organizations in Istanbul

Note: Map has been taken from ITO (Istanbul Chamber of Trade, 2004-2005).

To some colleagues, not only the number of producer service firms and total service employment, but also tax collected in Sisli-Mecidiyekoy-Maslak area has been the highest of Istanbul in the 1990s. The amount of tax collected in Sisli district has been \$339 million in 1990, and this amount is 28.1 % of the total amount of tax collected in the city (Dokmeci et al., 1993, p.28, translated by E. Zibel).

As a result of economic restructuring policies started to be implemented in the 1980s, the city required even more modern buildings with access to international telecommunication systems to satisfy the demand for office space by multinational businesses in the 1990s. Istanbul's growth and development during this period was enhanced by urban policies that recognise new demands for telecommunications technology on office design and transportation infrastructure. Many high-rise buildings have been constructed in the newly developing financial centre area and

many others are still under construction. This development reflects both the demand for office space and the continuing attraction of the centre for international business activities. On the other hand, this high demand has also put further pressure on rents in the area, which were already the highest in the city since the 1990s. According to the statistics, office rents in the district of Sisli have risen up to US\$25/m²/month recently, which is the highest in Istanbul (Dokmeci et al., 1993, p.28, translated by E. Zibel).

In conclusion, as the old CBD including Eminonu and Beyoglu has lost its primary role in the last two decades, the modern development of the new CBD in Sisli, Besiktas and Mecidiyekoy area including the Levent-Maslak axis gained more importance due to the sectoral change together with the economic restructuring process and intensifying globalisation trends started in the 1980s. As a result of the tremendous expansion of the centre, the city's most urgent need became to improve its seriously congested transportation system. On the one hand, the construction of a subway system was started to ease traffic problems as well as to increase the accessibility of new sub-centres. On the other hand, new major road arterials which converge towards the centre have provided some improvement in the flow of traffic and easy movement in and out of the centre's immediate surroundings. Moreover, as a consequence of the improvements in infrastructure such as the construction of a second bridge on the Bosphorus, an expressway connecting the bridges of the Golden Horn and the Bosporus, and some inner-city arterials, the area including Sisli, Besiktas and Mecidiyekoy as well as the Levent-Maslak axis started to gain some locational advantages.

## 7.5 New Financial Centre Development along the 'Levent - Maslak Axis'

Starting from the 1980s, together with the increasing transportation and infrastructure investments, which have actually begun with the opening of the first bridge passing over the Bosporus, new contemporary business districts started to develop in both the eastern and western sides of the city. These developments gained speed with the completion of the second bridge over the Bosporus in the 1990s. In the west side of the city, the expansion of the historical urban core reached to Mecidiyekoy-Sisli in the north, and the area called the 'Levent-Maslak' axis (see Figure 7.4), where a new finance and business district started to develop with many high rise office buildings and skyscrapers. While new business districts are continuing their progress, Istanbul also expanded very rapidly as a result of the high increase in its population and migration, and it had a multi central metropolitan structure in the 1990s.

What was noteworthy at this point is that the finance sector in Istanbul also followed this multi central structure and did not have to be clustered in one place, with the help of the developments in information and telecommunications technologies. While Levent-Maslak axis is developing in the western part of the city, a region along the Kadikoy-Altunizade line in the eastern part of the city also started to expand as a new financial centre.

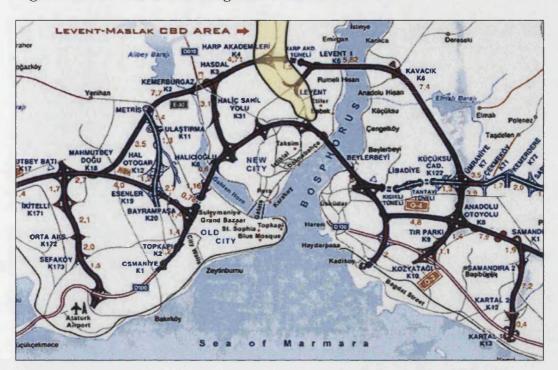
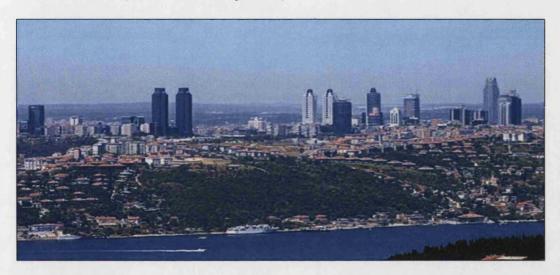


Figure 7.4 New CBD Area along the Levent-Maslak Axis

During this process some urban land use and activities such as wholesale stocks, wholesale food market, manufacturing buildings, and ship repairing places causing negative effects for the city centre were also forced to leave the historical part of the centre, including Eminonu, Sirkeci and Beyoglu. One other reason of this process actually was to open some space for the new service functions like finance, banking and insurance.

Moreover, the connection line between the International Ataturk Airport and the first and second Bridges over the Bosporus has gained some importance for location decisions of some specialised functions in the city. As a result of this, large firms started to compete with each other to be able to locate their headquarters or office towers along the north axis of the Buyukdere Street (Gayrettepe–Levent and Maslak, Mecidiyekoy-Zincirlikuyu, Besiktas-Zincirlikuyu, Zincirlikuyu-Buyukdere Street

and Ayazaga areas). The so-called 'new plazas axis', or the 'Levent-Maslak axis' today shows high concentration of finance corporations such as banks, finance and insurance companies (see Picture 7.3 showing the axis from the Asian side of the city). The new financial district that has come into being especially around the Buyukdere Street has attracted about twenty five bank headquarters, including the biggest private banks in Turkey as well as the headquarters of large companies like Sabanci Holding and IBM, and is now dubbed "the Manhattan of Turkey" by the middle of 1990s (Robins and Aksoy, 1996).



Picture 7.3 The new plazas axis between Levent and Maslak in Istanbul

Urban policies on Istanbul, special locational characteristics of the city, being a bridge between East and West, the tourism potential as a result of natural and historical beauties, economic and political effects of globalisation have given the city a multi-functional service city role, and this has also prepared convenient conditions for the developments stated above. However, all these developments have been rather unplanned. The 1980 Master Plan for the Istanbul Metropolitan Area and local plans of different municipalities having administrative responsibilities for the

Levent-Maslak axis have been insufficient for directing the rapid growth in the area as a contemporary CBD.

The crucial role of the 'Tourism Encouragement' law in 1982 (No.2634) in the development of the Levent – Maslak axis

Urban policy and developments particularly related to central areas of the city started to be controlled by the central government in the 1980s. The liberal Motherland Party (ANAP) government of that time developed a legal tool called 'Tourism Encouragement Law' in realising this policy. According to this strategy, the Ministries in Ankara were directly able to take specific planning decisions such as the declaration of some urban plots as 'tourism areas' in various cities with reference to the Tourism Encouragement Law. As we have also seen in Chapter Four, with the Tourism Encouragement Law enacted in 1982, urban segments subject to the Law can be exempted from the provisions of the Planning Law and regulations, and obviously from the control of local governments.

The first section of interviews as part of the case study has been allocated to the discussion about the Tourism Encouragement Law. Oktay Ekinci<sup>1</sup>, from the Istanbul division of the Chamber of Architects presents his opposition to the Law and points out that:

'this Law [Tourism Encouragement], was passed in the Consultative Assembly [the supposed legislative body of the post-12 September military period] in March 1982 and went into effect upon publication in the Official

<sup>&</sup>lt;sup>1</sup> Ekinci was the head of the Istanbul division of the Chamber of Architects in the 1990s

Gazette in the same year....in other words, from the beginning, this Law was "unconstitutional" [Turkey, under military rule, had no constitution at the time, the previous constitution having been suspended], and has managed to stay in force despite containing provisions which violate the 1982 Constitution' (interview with Oktay Ekinci, 11 July 2000).

Although the Law appears to be "unconstitutional", the implementation of it has been very wide. Many public and private lands in the city, including a public park, previously a part of the Dolmabahce Palace, have been declared "tourism centres" and land use rights of these areas have been taken by the central government in contrast to related master plan decisions of the local government. It would be in a way acceptable if these tourism areas have included only the places having important tourism potential. But, regrettably these special tourism areas involved not only historical and natural sites or tourism facilities serving for hospitality sector, but also business skyscrapers accommodating global finance and banking sectors and producer services. According to Ekinci:

'some striking examples of this process are the buildings that house "tourism and business centres", only some parts of which are planned as hotels but which nevertheless take maximum advantage of the right to build skyscrapers in, and only in, tourism centres' (interview with Ekinci, 11 July 2000).

## Oktay Ekinci adds that:

'in any case, the Park Hotel, the Swissotel and the Conrad, all notorious products of this law with their "incongruous" silhouettes against Istanbul's

skyline, make it clear what this law means by "tourism" without our even having to read it' (interview with Ekinci, 11 July 2000).

Under this law, the Levent-Maslak axis and Sisli and Besiktas districts including the axis became important attraction points, and have been counted among special tourism areas together with some genuine natural and historical tourism areas such as Heybeli and Buyuk islands and Galata Tower. High rise building developments in the new financial centre of Istanbul have taken its legal status with the Tourism Encouragement Law of the centre government, although the rapid growth in this so called axis has not been stipulated in the 1980 Master Plan of the Metropolitan Municipality. Nurettin Sozen<sup>2</sup> who was the mayor of the Metropolitan Municipality of Istanbul between 1989 and 1994, while answering questions about the Law and special tourism areas, has said that:

'the declaration of special tourism areas has aimed to distribute urban rent between various business interest groups which are seeking monetary profits, rather than to create tourism facilities in real terms.....as a result many valuable places, urban plots, and various buildings have been used for this aim without any planning permission and also without any control of the Istanbul metropolitan municipality.....behind all development decisions you could see the hand of the central government in Ankara' (interview with Nurettin Sozen, 15 July 2000).

Ekinci agrees to Sozen, and states that:

<sup>&</sup>lt;sup>2</sup> He has been the mayor of the Metropolitan Municipality of Istanbul between 1989 and 1994.

'the Tourism Encouragement Law has taken away the planning authority from municipalities both in Istanbul and in tourism areas of other cities, and therefore is completely against vital principles and aims of the Planning Law.....this also shows that the central government, with this Law, prefers some economic interests of business environment close to its political choices, rather than the planned development of cities' (interview with Oktay Ekinci, 11 July 2000).

#### Sozen adds that:

'even if there are some specific planning decisions to take related to some specific tourism areas in cities, these should be taken by municipalities together with, and as part of general development plan decisions. There is no need for central planning decisions of the Ministries in Ankara to plan the development in the city' (interview with Sozen, 15 July 2000).

Senihi Kitapci<sup>3</sup>, from the Chamber of City Planners, underlines another important point in the interview, and says that:

'while the central government, with its one hand, is giving some authorities to local governments with regulations in the Planning Law numbered 3194, it is, with other hand, taking back them with such a Law [Tourism Encouragement]. Why?', and then answers his own question: 'to open the speculation paths which have been plugged...' (interview with Senihi Kitapci, 2 September 2000).

<sup>&</sup>lt;sup>3</sup> Kitapci was the head of the Chamber of City Planners in the 1990s

## Kitapci also points out that:

'who would be kept responsible from all those urban problems in centres of these cities, where the municipality has been authorised in one side of their roads, and the Ministry in the other.....who invented this kind of a planning approach?' (interview with Senihi Kitapci, 2 September 2000).

The liberal government, on the other hand, ignoring all kinds of reactions, has declared 28 special tourism areas in Turkey until 1989, giving the Ministry of Public Works and Resettlement the authority of making plans, their amendments, and approving them in those areas, and this authority was supposed to be used by municipalities according to the Legislation. To Senihi Kitapci:

'this peculiarity of special tourism areas was definitely not fitting to the Urban Planning Law that the central government decision was based on, and to general purposes of the Tourism Encouragement Law' (interview with Senihi Kitapci, 2 September 2000).

The central government declared 18 more special tourism areas in various cities, and the total number of them exceeded 40 in 1990. These special tourism areas mostly consisted of urban spots in the centre of large metropolitan cities, and coastal regions, and they were often occupying urban plots rather than regions. Ekinci also points out this and says that:

'Between 1984 and 1991 alone, close to 40 sites in Istanbul, some of which were mere 'lots' while others were entire zones, were declared "tourism centres" by a decree of the Council of Ministers under law no. 2634' (interview with Oktay Ekinci, 11 July 2000).

Subsequent national governments in the 1990s also carried on this 'Loot Encouragement Law' (Ekinci, 1998, quoted from Cumhuriyet 28.09.1998), and continued to declare special tourism areas by distributing planning and development rights to particular individuals. A daily newspaper has also used the term 'looting' for this process, and given 'the big looting in Istanbul' headline in the paper. The news continued as follows:

'the special urban lands in the Bosporus and conservation areas are being opened for the construction by the central government. Among these special tourism areas, which have actually been declared by the Council of Ministers in order to bypass planning restrictions, there are Mavramoloz forest in Sariyer which has been allowed for the use of the big business giant, Koc Holding, the Sultansahili area in Kurucesme which has been bought by the other giant Sabanci Holding in 1993. Both places are in the boundaries of conservation areas. The Council of Ministers, moreover, has also declared the Barboros Park in the Yildiz Palace conservation area, Istinye hills, the beer factory of Tekel Bomonti, Ataturk Anadolu highschool, the Sumerbank area in Zeytinburnu and the Atakoy - Kazlicesme coastal area as the special tourism area in order to bypass the planning restrictions. The Chamber of Architects and Planners showed severe reactions against the declaration of new tourism areas in Istanbul, claiming that this is a process of sharing the rent from urban land' (Cumhuriyet<sup>4</sup>, 20.01.1998).

<sup>4</sup> Cumhuriyet is a national newspaper published in Istanbul, and it is ideologically close to leftwing.

The number of special tourism areas reached to 160 at the end of the 1990s, and as a result of this, the central parts of Istanbul, today, are full of skyscrapers, or, with Ekinci's words, 'ugly high rise monuments of a legal crime' (1991, p.44), creating serious urban infrastructural problems for the city.

## Rising infrastructural problems together with the new CBD development

The second part of conducted interviews aims to find out the consequences of the new CBD areas in city's physical and infrastructural development. Various negative effects of these 'nodal' areas have been visualized in the over-loaded capacity on infrastructure, such as additional traffic load, loss of public/open spaces, forest areas and impaired artificial built environment that are not intertwined to the neighbourhood, both socially and aesthetically. Sozen argues that:

'as far as building rights and conditions are concerned, these nodal areas are now regarded as "outside the scope" of the building and reconstruction plans in effect for those parts of the city; and the land owners and developers have consequently acquired the right to construct buildings of extra-ordinary density through the regional and "tourism centre building plans" that were put into effect with direct Ministry approval' (interview with Sozen, 15 July 2000).

## According to Ekinci:

'the many tall buildings called "plaza" or "business centre" which were built as part of the new CBD development process are today sprouting up all over Istanbul and destroying almost all aspects of the urban fabric' (interview with Oktay Ekinci, 11 July 2000).

Rafet Bozdogan<sup>5</sup>, the director of the transportation division in the metropolitan municipality of Istanbul, moreover, mentions about the challenging characteristic of planning the development in the new financial centre, and says that:

'the goal of city planners is to achieve a balance between continued viability of the CBD as the dominant office area on the one hand, and the growth of suburban office space in line with centrifugal growth of the population on the other.....Office buildings in new financial centres of Istanbul including the Levent-Maslak axis have a high density of employment, higher than for any other land use. These office buildings are therefore important traffic generators, especially during peak hours.....It is necessary to supply the transformation requirements of these new centres as well as the old CBD' (interview with Rafet Bozdogan, 16 July 2000).

Bozdogan, however, appears to be highly hopeful about developments in the transportation sector, and adds that:

'the construction of the new underground line between Taksim and Levent became quite helpful in solving the transportation problems around the new financial centre district including the Levent-Maslak axis.....and in the middle term, the Metropolitan Municipality of Istanbul is planning to construct an extension line between Levent and Ayazaga....by 2010 we are

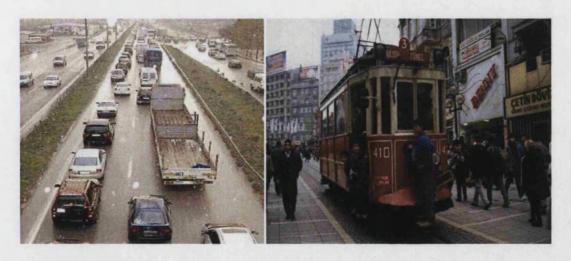
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<sup>&</sup>lt;sup>5</sup> He is the director of the Transportation Division in the Metropolitan Municipality of Istanbul since 1999.

planning to reach 225-250 km railway system in Istanbul' (interview with Bozdogan, 16 July 2000).

Yusuf Namoglu<sup>6</sup>, the mayor of the Municipality of Besiktas, explains projects of the Municipality, which is one of two districts (Sisli and Besiktas) including the entire Levent-Maslak area. He mentions about infrastructural problems in the Levent-Maslak axis in the interview, and says that:

'whenever the Metropolitan Municipality of Istanbul and the District Municipality of Besiktas finish all road construction works in the region, the road traffic congestion problems in the axis of Zincirlikuyu-Etiler-Levent-Hisarustu, the Buyukdere Street, the Nispetiye Street and the Akmerkez shopping mall will have been solved' (interview with Yusuf Namoglu, 23 July 2000).



Picture 7.4 Congestion as one of the most important problems in Istanbul

<sup>&</sup>lt;sup>6</sup> He is the mayor of the District Municipality of Besiktas in Istanbul between 1999 and 2004.

The infrastructure and transportation problems in the Levent-Maslak area often becomes subject to daily newspapers and their news. In one of those news, it has been said that:

'lets think about how the traffic problem in the Zincirlikuyu (Levent)-Maslak line, which will turn to a tower field in the next years, will be solved? If the metro (underground system) cannot save the area (from the congestion problem), all the expenditures for a modern Turkey profile will be wasted, and all news agencies will be announcing this flashy news to all the world: "traffic congestion was not able to be opened for days (in Istanbul)....!"" (Hurriyet<sup>7</sup>, 14.01.1999).

Another news from a daily paper is also worth to mention since it also presents the incapability of the state bureaucracy with respect to urban policies:

'the new road between Etiler and Zincirlikuyu (in the the Levent-Maslak area), which is the most congested road in Istanbul, has at last come to the construction stage....the project of the road, which would have jointly been constructed by private sector, the Metropolitan Municipality and the Municipality of Besiktas, has been completed 11 years ago, but because it had faced to some bureaucratic obstacles, it could not have been finished until today' (Hurriyet, 18.12.2000).

Although central business district areas already have some serious infrastructural problems, local governments have sometimes attempted to establish new entertainment or shopping complexes within those areas, as an approach to improve

<sup>&</sup>lt;sup>7</sup> Hurrivet is one of the biggest national daily newspapers published in Istanbul

the attractiveness of downtown office locations. Sinan Bolek<sup>8</sup>, from the Directorate of Urban Planning, who has been interviewed in the Metropolitan Municipality of Istanbul, gives an example for this and says that:

'in the Istanbul Metropolitan Municipality, we are trying to locate some theatres to the central and historical district of Beyoglu in order to create new attraction points....the re-establishment of the traditional tramway on the main artery is also a part of the plan to attract more people to this nostalgic area' (interview with Sinan Bolek, 5 August 2000).

Growing urban infrastructural problems often bring about the necessity for a new Master Plan to control rapid developments in the city. Since the 1980 plan shortly became inadequate against those developments, the new Master Plan for the Istanbul Metropolitan Area was approved in 1995. Developments in Istanbul were so rapid that the time of this Plan also became very short, and the Metropolitan Municipality of Istanbul prepared a new Plan in 2006 as seen in Chapter Six. However, since the 1995 Master Plan has been the main scheme to shape CBD areas in the last 10 years, it will be examined with reference to its approach to CBD developments in Istanbul.

## A new plan, an old story: 1995 Master Plan and CBD development

The Master Plan developed by the Greater Municipality of Istanbul in 1995 has targeted the year 2010 for the completion as we mentioned in Chapter Six. The aim of the 1995 Master Plan was, on the one hand, to deal with the rising infrastructure problems coming with the rapid developments in the city. On the other hand, as a

<sup>&</sup>lt;sup>8</sup> He is an architect, working in the Directorate of Urban Planning in the Metropolitan Municipality of Istanbul

more general objective, realising the global economic development parallel to the country and region without forgetting the conservation of cultural, natural and historical characteristics of the city has also been put into the agenda. In other words, the Plan involved establishing a balance between economic and physical development, and history and conservation.

The previous 1980 Master Plan of Istanbul suggested a hierarchical structure for the CBDs. 'The area remained south of the Bosphorus Bridge and its belt-ways on the Beyoglu side plus those quarters of the historical peninsula were designated as the core of the CBD, and it was estimated that this centre would extend from Zincirlikuyu towards the north, to Maslak via Buyukdere Road' (Tekeli, 1994, p.211). According to the 1995 Master Plan the multi-centred structure has in general been encouraged in the city. In relation to CBD areas, various strategies can be noted from the 1995 Master Plan of the Metropolitan Municipality of Istanbul and we can see those strategies in Table 7.1. Interviews with officials and planners in the Metropolitan Municipality of Istanbul preparing the Plan have also revealed that recent CBD developments in the city are mostly against the 1995 Plan's objectives as we can see in Table 7.1.

As seen from these strategies, the 1995 Master Plan did not bring any new idea for Istanbul. The Plan only encouraged current developments in the city. The strategies such as decreasing urban development pressures on the historical peninsula and the Bosporus by creating new attraction zones towards the east and west poles of the city were not new ideas at all. While the Plan confirmed world city functions of Istanbul

Table 7.1 The 1995 Master Plan: Objectives-Outcome Matrix for CBDs

The 1995 Master Plan Objectives	Realisation		
A linear and multi-centred development was emphasised	The result has been more concentration in particular CBD areas such as Levent-Maslak, Ataturk Airport, Beyoglu and Kadikoy		
In order to achieve population decentralisation in highly populated urban areas, the development of subcentres was encouraged	This was to a certain extent realised with new housing projects in various parts of the city		
The transportation and infrastructure system would support the linear development within the whole metropolitan area	Investments in these sectors just followed CBD developments in the city which followed non-linear path		
The structure of the historical peninsula would be preserved	Although the development of CBD activities was not restrained in the area, the historical trade and tourism centre was preserved in historical zone. In the outer areas of the historical city wall, a world trade centre which is close to Ataturk International Airport was established in order to decrease the pressure on the existing CBD area		
The physical development of sites along the Bosporus, Golden Horn, and the area inside historical walls which define the identity of Istanbul was to be controlled and protected from land uses causing high population	These areas remained under the pressures of dynamic physical development in neighbouring CBD areas. There have been some clearance of land uses such as storage, production and industrial activities in the area as well		
The service sector in the metropolitan area of Istanbul would be encouraged whilst ensuring decentralisation of industries on both regional and country wide levels	Together with financial centre development in the city, service sector developed rapidly and manufacturing continued to decentralise		
A balanced dispersal of centres in the entire metropolitan area was aimed	Because of CBD concentrations, it is difficult to talk about a balanced dispersal of centres in the city		
The concept of concentric development would be avoided, as it was found to be the biggest danger that could destroy the historical uniqueness of the city	The historical character of the city is under danger because of the high scale developments in central areas		
East and west sides were to be considered as individual regions, ensuring a balanced distribution of sectors for a preferable population-employment relationship	Employment and workplaces concentrated in the western part of the city. A balanced distribution of sectors was not able to be provided		

and foresaw it as a future leading city in the region, it did not provide any new vision for the city's economy and industry. The Master Plan targeted a linear development in Istanbul, refusing the concentric development with definite words. This means that the Plan ignores some rapid and unplanned developments within central areas of the city, and the best example of this is actually the new financial centre development in Levent-Maslak axis and its adjacent areas. The growth in the Levent-Maslak area has essentially become a development which encourages the expansion of the city centre into the north, threatening forest areas which are vital for the city. Reasons of this ignorance can be looked for in limitations of the Metropolitan Municipality in decision-making, planning and controlling process of this particular area, and also in involvement of the central government in local planning process.

Although globalisation is an objective according to the Plan, it generally does not bring any provisions other than locational allocation. Even in the location allocation it appears that there are some problems. While the 1995 Master Plan aims some of the present industrial areas to be transformed into service, tourism, administrative and financial centres, it also imports deficits in solving infrastructural problems. The insufficiency of infrastructure in new CBD areas, today, is one significant dilemma, which has been a product of the rapid socio-economic transformation started in the 1980s.

## Continuing Political Struggle in the City

The 1995 Master Plan, in general, became far from controlling developments in macro scale. As we have seen before, economic policies of the central government in the 1980s and 1990s brought new functions and activities in urban agenda. There was an urgent need for office spaces in new central business districts to rapidly locate growing financial activities, and services, because there was not enough land in the old historical centre of the city. At this point, as we will remember, the central government's declaration of special tourism centres with reference to the Tourism Encouragement Law, serviced to response those pressures. This decision of the central authority without any consultation with the local administration and NGOs was actually a preparatory stage of a long process which would end up many office towers to be built in several areas of Istanbul, and the Levent-Maslak axis has been the densest one among them. Many other areas in Istanbul have also been affected from the Law, when declaration of special tourism areas has given the land use and construction permit to central government bodies without any control or authority of the local government.

The most important aspect of this decision of the central government can be underlined as that the authorisation to make a plan, to change or approve it has been taken from the local government in Istanbul and various other cities, and given to the Ministry of Construction and Resettlement with the provision of consulting to the Ministry of Tourism. Through these authority takeovers in planning, local opposition has been ignored, although there have been some warnings to central government on possible negative consequences of centralized planning decisions at the local level.

Central business districts have been developed as individual places disregarding surrounding areas, and local needs and problems in those areas. Since the central government's decision excluded local opinion and demands, and the overall context of place, local actors have often opposed this practice during the 1990s, although their voice has not been taken into consideration most of the time.

Under these conditions, there has been a continuing struggle between the local and central government since the 1980s. When these two government offices have been filled by politicians having opposing ideologies, the tension between two levels has even grown. Central government ministries such as the Ministry of Culture and Tourism still continue to use their constitution-based legal authority to intervene in the process of local planning in Istanbul. While doing this, it claims that its intervention is to guarantee the maximum economic return to the public in an area with very strategic location values, such as tourism, retail trade and finance. However, this judgment was independently created from the participation of local government agencies, which are responsible for the supply of goods and services to local business and residents in the nearby area.

Recent examples of those interventions have been faced in projects such as Dubai Towers, Galataport or Mashattan. Table 7.2 presents recent high-rise building developments in Istanbul, and as we can see from the Table, the Dubai Towers project is the most important one and is worth to mention here (see Picture 7.5). With the encouragement of the central government, Dubai International Properties (DIP), recently decided to make an investment of US\$5 billion in Istanbul, and the Dubai Towers project became part of that investment with US\$500 million spending. The

Towers will be built in a parcel of 46,000 m<sup>2</sup> in Levent, and will accommodate a 5 star luxury hotel, office spaces, an entertainment and shopping centre (quoted from Milliyet newspaper, 25/10/2005).

Dogan Tekeli, who is one of the well known architects in Turkey, also declared his opposition to the Dubai Towers project in one of his statement in a magazine. Although he is the architect of famous high rise buildings and shopping centres such as Metrocity in Istanbul, he thinks that 'the Dubai Towers are inharmonious with their surrounding area, not appropriate for Istanbul's silhouette and they must not be constructed in their current condition' (Tekeli, 2005, p.12). Oktay Ekinci also emphasises that 'the European [planning] Laws which are based on themes such as urban culture and protecting urban identity does not allow towers like Dubai to be erected in this way' (2005, p.16).





Picture 7.5 A Model of the Dubai Towers Project and its location on the picture (taken from Milliyet newspaper, 25/10/2005)

Table 7.2 Ongoing high-rise buildings development in Istanbul

Name of the Building	Zone / Borough	Height / No of Floor	Construction ends	Owner of the Project
Diamond of Istanbul	Maslak/Sisli	238 m. 53 floors	2008	Hattat Holdings
Istanbul Canyon I	Levent/Besiktas	118 m. 30 floors	2006	Eczacibasi / Tepe Groups
Istanbul Canyon II	Levent/Besiktas	22 floors	2006	Eczacibasi / Tepe Groups
Dubai Tower I	Levent/Besiktas	101 floors	2009	Sama Dubai
Dubai Tower II	Levent/Besiktas	81 floors	2009	Sama Dubai

Another example called Mashattan mainly is a housing project for high income groups working in the new financial centre of Levent-Maslak. The project also includes numerous social and cultural facilities and shopping areas for its inhabitants alongside 10 high-rise apartments having 33 floors each one. The project, obviously, has taken its name from Manhattan in New York, and the word *Mashattan* has been



Picture 7.6 A Model of the Mashattan Project (taken from Insaat Dunyası-Construction World- Magazine, October, 2005)

created to be able to give the message of 'Manhattan in Maslak'. This project is also planned by a local construction company entitled Taşyapı, with the support of the central government.

Examples of the central government's intervention on urban policy and decision-making process can be increased. The Galataport project including rent facilities between Galata and Kabatas, the Haydarpasa project containing international trade centre in Harem, and well known third bridge project across the Bosphorus can all be evaluated in this framework. According to Ekinci, 'decisions for all these projects are being taken by the central government, for urban projects such as the Galataport and Haydarpasa the central government has enacted a special bylaw and we can not talk about transparency' (2005, p.16).

Although the current Metropolitan Municipality of Istanbul and its mayor particularly have no any opposition against these projects, there has been a conflict over the authority take over in previous times depending on political relations between central and local level governments. When the Metropolitan Municipality of Istanbul and the central government have been under control of different political parties and ideologies, this issue was frequently brought to the public attention. Then the local authority declared their opposition since they had excluded from decision-making process while they were at the same time being expected to solve problems arising from these intense developments in the city.

In general, as summarised in this chapter, the decision-making process for urban policies in Istanbul in the last two decades has clearly showed the authoritarian

approach of the central government which ignores the planning concept and the autonomous local administration principle. All these urban strategies and policies are not based on a healthy urban regime which includes various actors in the city. There appears to be a working coalition between the central government and business. In the last three or four years local government in a way participated to this coalition by remaining silent against harmful effects of rapid developments in the city. However, local civil organizations and local community have never been included in an urban regime although they have generally been the groups which have been affected most from the implementation of various projects in the very heart of the city.

#### 7.6 Conclusion

As examined in Chapter Two, as a result of globalisation process, transnational capital concentrates in some particular locations called as world or global cities. The intensification of advanced producer services including finance, banking, legal, accountancy, advertising and consultancy is one of the distinctive features of these cities (Sassen, 1991 and Sassen, 1994). This new economic restructuring has had important effects on the spatial structure of world cities. According to Keyder and Oncu, producers services are often the most dynamic sector of the economy, providing investment and constituting demand; they employ a greater-than-expected share of the labor force; and their impact on the spatial and social structure of the urban area is disproportionately large' (1994, p.389).

Chapter Three, on the other hand, revealed that the existence of some locations with a definite orientation to world market raises a question about their connection to nation states. We have seen that globalisation is also bringing about the necessity for decentralisation of governmental organisations. The reflection of this development in urban level has become the transformation of urban policy and strategies in world cities.

Chapter Four, Chapter Five and Chapter Six then presented the case that the economic and political globalisation process has mostly affected the city of Istanbul in the Turkish case. According to some colleagues, this is very natural since 'the city, with its geographical and strategic location, historical and cultural assets, dynamism and functional capacities carries on its process of transformation towards becoming a global city' (Karaman and Levent, 2001, p.1). The spatial-economic conditions of Istanbul on the way becoming a world city started to be highly attractive for global capital and investments in the last two decades. A study made by Beaverstock and his colleagues (1999) also has confirmed this. According to this study, Istanbul ranges among 55 top world cities in an hierarchy of world cities. The study is based on the construction of an inventory of 122 cities with reference to their level of advanced producer services. While 'global service centres are identified and graded for accountancy, advertising, banking/finance and law' in this inventory, 'the global capacity of cities is considered in terms of selected services they provide and defined empirically according to their scores as prime, major and minor global service centres' (Beaverstock et al., 1999, p.445-446). The results of this inventory shows that Istanbul has been designated among major global advertising service centres and minor global banking and legal service centres (also see Appendix II).

In the light of these arguments, this Chapter has confirmed that Istanbul has potential to be a world city. The physical transformation in the urban core of the city in the last two decades demonstrates that Istanbul is rapidly transforming into an international finance and banking centre. Developing a multi centred structure of Istanbul also helps the city to distribute some special functions in its sub-centres. As explained in a detailed way in this Chapter, there have been new central business district developments since the 1980s together with greater involvement of the central government in Ankara in urban policies. The most notable one of these developments has been in the 'Levent-Maslak axis'. The transformation of the area to a global finance centre appears to be a promising attempt in taking Istanbul forward in global city competition. However, what this Chapter has also revealed is that all these developments in the Levent-Maslak area have not been based on a contemporary planning approach and a Master Plan of the local government. Instead, the central government behind these urban developments most of the time intervened local planning process, enacting special legislations, and trying to use its authority on local governments and local actors in Istanbul.

When the decision-making process behind urban policies such as new financial centre development in the Levent-Maslak axis has been examined, we can clearly see not only the central government's cooperation with business and capital, but also its application of imposition and authority over local government. In other words, the new financial centre development policy in Istanbul is not based on an urban regime. Instead, civil actors have mostly been excluded from the process, and the local government's participation has also been low and far from being satisfied. This situation has created both tension between the centre and local government and

problems on urban area since central government's specific decisions and legislations in various areas of the city have not been compatible with the Master Plan and urban policies of the Metropolitan Municipality of Istanbul and district municipalities. The local government has mostly been the weaker side in this power relationship. On the other hand, companies and multinationals which have good relationship with the central government because of economic and political reasons have benefited from these policies based on specific legislations and made important amount of speculative gains as an outcome of spatial decisions in central areas of the city.

While these were happening, other significant urban planning objectives such as improving standards of living, increasing the quality of municipal services and protecting cultural, historical and natural heritage and environment have often been ignored under the conditions of globalisation.

To sum up, the examination of decision-making process behind recent important urban policies like developing a new financial centre in Istanbul has clearly shown that the authoritarian approach of the central government has most of the time ignored the concept of planning and the principle of autonomous local administrations. In the next chapter, another urban strategy of the central government aiming at making Istanbul more competitive in the global arena will be examined in a detailed way.

# **Chapter Eight**

An Urban Policy for Global Competitiveness:

Case Study of the Olympic Games Organisation Project

# in Istanbul

## 8.1 Introduction: Hosting Olympic Games as an Urban Policy Tool

World cities have been ushered into a new era of redefined relations in the beginning of the 21st century under the powerful impact of globalization as we have already seen in previous chapters. The setting has been quite competitive. Cities are forming new urban systems and assuming new roles as they re-emerge beyond their national boundaries. Given this framework, many cities need large urban projects and comprehensive urban policies to trigger their strategic development and to compete in the global arena. 'The more intense competition between cities manifests itself in competition for large-scale events, such as the Olympic Games, trade fairs, conferences and world expositions, and these prestige-laden events have led to a kind of 'festivalization of urban development policy' (Krantz and Schatzl, 1997, p.479). According to Thornley, 'the particular image or vision adopted can determine policy priorities, and a typical emphasis is given on mega-events and developments that attract media attention' (1999, p.4). Short and his colleagues also agree that 'some of the most important global spectacles are sports mega-events such as the Olympic Games which reach a worldwide television audience and offer perhaps the best stage

upon which a city can make the claim to global status' (2000, p.320). They include that 'as a factor in globalization, the Olympics and other global and regional media spectacles like the World Cup have an immense impact on the urban image, form and networks of the host' (Short et al., 2000, p.321).

The goal of the large-scale event in general is 'to reconstruct the city, mobilize endogenous potential, improve the city's image in the world outside and identify the inhabitants with their city' (Krantz and Schatzl, 1997, p.479). In this manner, the Olympic Games almost necessarily leave favourable footprints in the world cities and countries that take Games organization seriously and undertake the investment that the Olympics deserve. According to Burbank and his colleagues, 'the appeal of hosting the Olympic games for a city ought to be obvious' (2001, p.1). 'The games last only a short time but promise many benefits, both tangible and intangible, and the real value of the games comes from being associated with the Olympic image' (Burbank et al, 2001, p.1). 'Hosting a premier event such as the Olympics or a world's fair is central to the deliberate strategy for promoting local economic growth because city leaders are seeking not just short-term tourist revenues but to change their city's image and perhaps even the city's physical structure' (Essex and Chalkley, 1998, cited in Burbank et al, 2001, p.4).

The big world-event strategy has been used by city leaders for a long time. According to Burbank and his fellows, 'various American cities have sought to host showcase events in the hope of making their city a tourist destination' (2001, p.4). But, 'in recent years, the mega-event strategy has taken on renewed prominence in cities as the result of the confluence of several factors: the success of the

entrepreneurial Los Angeles Olympics, the demise of federal urban aid, and the rise of the global economy' (Burbank et al, 2001, p.4-5). Therefore, 'the event that triggered the contemporary focus on using the Olympic Games as an urban megaevent has been the 1984 Los Angeles Olympics' (Burbank et al, 2001, p.5). 'For city leaders looking to refurbish their city's image and get the attention of businesses around the world, hosting the Olympics now appeared to offer a perfect way to generate positive publicity for the city and its tourist industry and to attract transnational businesses with little cost to local taxpayers' (Burbank et al, 2001, p.5).

Hosting the Olympic Games as a global urban strategy has been widely used since the 1980s in many cities around the world from the United States to South-east Asia, and from Europe to Australia. According to Burbank and his colleagues, 'one of the most important factors that lead cities to embark on a mega-event strategy is the existence of an established growth regime in the city together with a desire to create or change the city's image' (2001, p.7). 'A growth regime in this frame can be defined as a network consisting of public and private leaders that functions as an informal government within a city' (Stoker, 1995 and Stone 1993, cited in Burbank et al, 2001, p.7). When we talk about the organisation of a big international event such as the Olympic Games, 'the regime's goal is to encourage growth within the city, its existence is vital to an Olympic bid, and without an established government-business network in place to provide authority and resources, the chance of an Olympic bid is very small' (Burbank et al, 2001, p.7).

These kinds of networks or growth regimes between government organisations, business and NGOs have been established in many world cities, and the mega-event

strategy has been used as a development tool in global urban competition. These established growth regimes mostly aim to change cities' image by linking Olympic viability to long-term urban development policies. Additionally, social as well as physical and technical criteria have thus gained importance and entered into the selection process and choice of Olympic site locations.

In the light of these issues, this chapter will examine hosting the Olympic Games project of Istanbul in a detailed way. As we have seen previously in Chapter Five, Chapter Six and Chapter Seven Istanbul's long-term planning strategies have based on its vision of competitive integration in global terms in the last two decades. Istanbul's vision of the Olympic Games, therefore, is expected to be shaped by its long-term development plans, which in turn are guided by the Games as the single largest project that would improve the quality of life and contribute to social integration throughout the city.

Following parts of this chapter will examine the existence of such a vision of the city. The political mechanism behind the Olympic Games organisation project will be explored. Since it is a quite centrally controlled and implemented project, the role of various governmental organisations and civil actors in the city will be questioned for this specific mission. The main aim of this chapter is to find out growth regimes, if there are any, and power relationships behind this global urban policy. Before starting that examination, I will briefly look at the candidacy of the city for the Olympic Games organisation from an historical perspective in the next section.

## 8.2 The Candidacies of Istanbul for the Olympic Games

The idea of hosting the Olympics flourished especially after the 1980s with the increasing globalisation, and reached its peak in the 1990s, when Istanbul resolved to bid for the Games. Sharing this resolution, the Parliament unanimously passed the Turkish Olympic Law on April 30, 1992, and the Turkish Olympic Law (No: 3796) went into effect on May 5, 1992 after its publication in the Official Gazette. The Law established the Istanbul Olympic Bidding Committee (IOBC), which soon decided on Istanbul's candidature to host the 2000 Summer Olympic Games.

Istanbul competed against Beijing, Berlin, Sydney and Manchester to host the 2000 Olympic Games. These five cities were voted among the members of the International Olympic Committee (IOC) on September 1993, and since Istanbul was not able to get enough votes, it was eliminated in the first round of voting. At the end of four rounds, Sydney was elected to host the 2000 Summer Olympic Games by a margin of two votes. This first failure did not letdown the policy makers, and Istanbul announced its candidacy for hosting the 2004 Olympics right after the host city election in Monaco in 1993.

The city submitted its official candidature file in 1996 in accordance with IOC bid calendar. IOC rules for the 2004 Olympic Games involved a selection and an election process to determine the city to host the Games. The selection stage was mainly to eliminate some candidate cities and allow others to continue as finalists. In the 2004 Olympic race Istanbul's rivals were St. Petersburg, Buenos Aires, Stockholm, Cape Town, Rome, Seville, Lille, Rio de Janeiro, San Juan and Athens.

Istanbul was eliminated in the selection phase together with five other cities in March 1997. As finalist cities, Athens, Buenos Aires, Cape Town, Rome, and Stockholm competed in the final vote in September 1997 in Lausanne, and Athens won the election by receiving 66 of the 107 votes cast by IOC members.

After the second failure, both national and local policy makers started to understand the toughness of the process and capabilities and limits of the city. To elect the host city for the 2008 Olympic Games, on the other hand, the IOC first called for applications for candidacy, with the successful applicant cities being eligible for running as candidates. There were 10 applicant cities for hosting the 2008 Games. The IOC Executive Board evaluated these applications in August 2000. As the result of such evaluation, five cities, Bangkok, Cairo, Havana, Kuala Lumpur and Seville was eliminated. Five cities, namely Istanbul, Osaka, Toronto, Paris, and Beijing were accepted as candidates. Thus, it was officially confirmed that Istanbul was capable of hosting the Olympics. This positive development encouraged the national and local policy makers and increased the expectations in the public even more. Then, Istanbul, Osaka, Toronto, Paris, and Beijing submitted their official candidature files to the International Olympic Committee in January 2001.

IOC Evaluation Commission visited Istanbul and four other candidate cities to review and discuss their projects on site. However, the result of all these efforts became another disappointment, and this time Beijing has been elected as the host city for the 2008 Olympic Games in the IOC Session in Moscow on July 13, 2001. While Beijing was winning the election in the second round by receiving 56 of the

105 votes cast by IOC members, Istanbul was eliminated again by getting only 17 votes in the first and 9 votes in the second round.

Figure 8.1 Logos Used in Istanbul's 2008 and 2012 Candidacies





Note: Figures have been cited from http://www.olympist.org

After three consecutive unsuccessful attempts, the government and the national committee decided Istanbul to be the candidate city once more for the 2012 Olympic Games, although they were not so enthusiastic on that time. Istanbul's rivals this time were Havana, Leipzig, London, Madrid, Moscow, New York, Paris and Rio de Janeiro. These nine cities have been voted in Lausanne on May 2004. Istanbul once again failed to make short list, and was not selected to the candidate list together with three other cities. As finalist cities, London, Paris, Moscow, Madrid and New York competed in the final vote of the IOC in July 2005 in Singapore, and London has been elected as the host city for the organisation of 2012 Olympic Games.

Istanbul's bidding for four consecutive times as a persistent ongoing effort can be evaluated as the sign of both the nation and city's determination and seriousness on the issue. Many other cities around the world have also applied more than once for

hosting the Games, and will continue to do so. There are however some peculiarities that differentiate Istanbul's candidacy from other cities. Other candidates generally form a Bidding Committee each time they run, and prepare a new Olympic project from the beginning. Istanbul's bid, on the other hand, has been a continuous process, and the city has a legally established Bidding Committee that is permanently responsible for the city's candidatures. This Committee is aimed to be transformed into the Organising Committee upon the awarding of the Games. Thus Istanbul has been able to build on its Olympic project continuously since 1992, and the central government has had a very important role in this ongoing process.

In relation to this, since the central government rather than the Metropolitan Municipality of Istanbul has predominantly involved in the process, the central government control in urban area has considerably increased because of the Olympics-related urban policy and projects. The local government once again has been excluded from the decision-making process in urban area and given minor roles such as basic administrative duties or land allocation. In the next section, the role of the central government in the process will be examined in a detailed way.

## 8.3 Support from the Central Government

The government support for the bid has unique characteristics since Turkey is one of the rare countries having a specific national Olympic legislation. The Parliament unanimously enacted the Olympic Law in 1992 and declared its active endorsement for the preparation process. Both the government in power and main opposition parties give strong political support for the bid.

The following points bear on the status of national and local government support: First, the IOBC benefits from top-level representation of central and the city government. The Minister of State in charge of Youth and Sports, who holds a Cabinet post as Deputy Prime Minister in the present Government, chairs the committee while the Governor of Istanbul, the Mayor of Istanbul and the President of the National Olympic Committee (NOC) are its vice-presidents. This committee of top officials and elected office holders directs Istanbul's preparations to host the Olympic Games. The 13-member Preparations Committee includes experts from all ministries directly involved in the organization of the Olympic Games.

Secondly, Olympic legislation obliges all public bodies to support the IOBC in preparations for and the organisation of the Istanbul Games. The 'Priority of Service' clause states that 'all public institutions including provincial administrations and municipalities will be obliged to give priority to the execution of any and/or all services that may be required by the IOBC during the preparations for and organization of the Olympic Games' (retrieved from www.olympist.org). This noticeably gives central government considerable amount of authority, and also prevents any opposition that may sprout during the process.

Thirdly, the support from the Turkish government and parliament for Istanbul's bid to host the Olympic Games was reconfirmed in June 2000, when the parliament ruled to put into effect the government's 8<sup>th</sup> Five-Years Development Plan for the period

2001-2005, which decrees the continuation of the work to create the infrastructure necessary for hosting the Olympic Games (DPT -State Planning Organisation-, 2000). A special commission entitled Physical Education, Sports and Istanbul Olympic Games in DPT was founded for this purpose and included the President of the NOC, General Director of IOBC, two IOBC members and the Chairman of the Preparation Committee.

Finally, both the President and the Prime Minister of Turkey often re-confirm their commitment to the bid, and meet members of the NOC Executive Board and the IOBC General Director to discuss priority matters on Istanbul's Olympic agenda.

All these details draw attention to the level of support given to Istanbul's bid by the state. The IOBC has spent bulk of its financial resources guaranteed by the Turkish Olympic Law since 1992 in order to construct and upgrade sports facilities in Istanbul. The first part of interviews in this chapter has actually consisted of investments in Istanbul for the Olympic Games and possible benefits of those investments for the city. According to Sinan Erdem<sup>1</sup>, who is the first Chairman of the Turkish National Olympic Committee:

'the total investment made by 1997 has been 150 million US\$ for Olympic-related projects without any guarantee of being awarded. Foremost among recent constructions is the 80,000-seat Ataturk Olympic Stadium in the Olympic park area, and the stadium will be inaugurated at the end of 2001.....the Olympic Stadium as the first step of this project covers 30 percent of the whole area.....the stadium constituting the main component of

<sup>1</sup> Sinan Erdem has been the chairman of the National Olympic Committee from the beginning of the 1990s until his death in 2003.

249

the Olympic Park has been constructed irrespective of the outcome of Istanbul's consecutive bids to host the Olympic Games' (interview with Sinan Erdem, 9 July 2000).

### The National Olympic Committee officials added that:

'more than 50 percent of the main infrastructure for the Istanbul Olympics has been completed by the beginning of 2000.....as an important part of the Istanbul's candidacy for the Olympics, the Olympic Park is in the stage of being founded upon an area of 584 hectares (6 million square metres) in Ikitelli area, and this land has been allocated by the Treasury of the State' (interview with NOC officials, 9 July 2000).

The Olympic Stadium was at the designing stage during Istanbul's candidacy for the 2004 Games, and the construction progressed very rapidly for the possible 2008 Games organisation. The Ataturk Olympic Stadium was opened by October 29, 2001, in the 78th anniversary of the foundation of the Turkish Republic. This date miserably was the time when the city had just lost against Beijing in the competition for the organisation of the 2008 Olympic Games. Sinan Erdem also mentioned about some other physical developments related to the Olympic Games candidacy of Istanbul, and said that:

'many developments have been achieved since Istanbul was the candidate city for the 2000 Olympic Games for the first time in Turkish history....various transportation and infrastructure projects such as the Ataturk Airport International Terminal and brand new Sabiha Gokcen

International Airport in Kurtkoy have definitely been positive scores for Istanbul' (interview with Sinan Erdem, 9 July 2000).

All facilities planned for use in the 2008 Games have been presented in Figure 8.2. Istanbul's Olympic project for the 2012 Games can also be seen in Appendix 3A and 3B.



Figure 8.2 Facilities planned for use in the 2008 Olympic Games

Note: The figure has been cited from http://www.olympist.org/2008e/index1.asp.

Erdem believes that this investment will definitely return the country as benefit, and said that:

'hosting the Olympic Games would allow Turkey to improve education and training in sports for its young people, since the country has the youngest population among European countries' (interview with Sinan Erdem, 9 July 2000).

#### NOC officials also agreed to this and pointed out that:

'Istanbul, with its history, natural wealth and cosmopolitan structure has many features to contribute to the Olympic Games....on the other hand, the Olympic Games will also open new doors for the country....who is going to benefit in return will be the city and its people again due to all those domestic and international investment which will be attracted to the city' (interview with NOC officials, 9 July 2000).

As seen in other world cities, the Olympic Games can make some economic contribution to the country in short term by creating employment opportunities and attracting foreign investment and tourists. This contribution coming with the organisation of the Olympics can help to improve urban infrastructure and environment. When this was reminded to Sinan Erdem, he agreed that:

'holding of the Olympic Games in Istanbul means a lot for the city and its people....that is why, it is time that we have to get into action at once and rectify our deficiencies.....we have lost the competition two times so far, but this does not mean we will not win ever....believing is halfway of winning, you know...' (interview with Sinan Erdem, 9 July 2000).

In the second part of interviews, questions objected to find out the chance of Istanbul in this global competition. Erdem stated that:

'you cannot find a city, which does not have its own deficiencies. But, the important thing is to find out your faults and rectify them....In this respect, Istanbul, occupying a place where two continents meet, has at least an equal chance with other candidate cities' (interview with Sinan Erdem, 9 July 2000).

Yalcin Aksoy<sup>2</sup>, the general director of the Istanbul Olympic Bidding Committee, on the other hand, admitted current problems of the city and said that:

'Istanbul needs a lot of betterment. Environmentally the city is a disaster. The air quality is bad, the water quality is not good, the water treatment has started, but not enough. The city is more than 10 million now and it is increasing by 400,000 people every year. What a burden on the municipality...the existing infrastructure of Istanbul is not pleasing yet, and the situation is slowly getting better' (interview with Yalcin Aksoy, 9 July 2000).

#### Aksoy continued as:

'you see...we have almost lost Istanbul...but winning the Games will be like winning Istanbul back....the Olympics would be Istanbul's defining modern event, patching up its dichotomy, and perhaps helping Turkey enter the European Union...this is the ultimate goal of this society...in more than 75

<sup>&</sup>lt;sup>2</sup> Yalcin Aksoy is the general director of the Preparation and Organization Council in the National Olympic Committee.

years we haven't even come close to it, but we want to' (interview with Yalcin Aksoy, 9 July 2000).

#### 8.4 The Turkish Olympic Law (No. 3796)

As mentioned in the previous section, Istanbul's candidature is endorsed by a special law, passed quasi-unanimously by the Turkish parliament on April 30, 1992, published in the Official Gazette and took effect on May 5, 1992. This Law actually made Turkey one of the rare countries enacted such a legal instrument. The Turkish Olympic Law (No. 3796) established the Istanbul Olympic Games Preparation and Organisation Council, also known as the Istanbul Olympic Bidding Committee, and authorised it to take all necessary action in the pursuit and organisation of the Games. It recognises and respects the supremacy of the International Olympic Committee in all Olympic matters.

The law requires that all public institutions and agencies, as well as all local government bodies, give priority to the requests of the IOBC in relation to the pursuit and organisation of the Games. This law earmarked permanent sources of revenue to finance the preparations for and the eventual organization of the Istanbul Games, and ensured the Treasury's allocation of 584 hectares of land for Olympic Park development. It also enabled Istanbul to bid for the Olympic Games organisations between 2000 and 2012.

This comprehensive law covers all Games-related matters, including organizational, financial, legal and auditing, and obliges all public bodies, administrative, national and municipal government offices to give priority to any and/or all services as may be required by the Istanbul Olympic Bidding Committee. The twelve years of implementation has resulted in massive land allocation, investment in major sports infrastructure, and some collaboration with national and local authorities towards the organization of the Olympic Games in Istanbul.

Following sub-sections will give some details about the administrative structure of the Turkish Olympic organization, land allocation for facilities and the finance issue respectively.

### **Organisational Structure**

There are three main organs related to the organisation of the Olympics Game bid.

These are the preparation and organisation council, the executive committee and the preparation committee.

#### 1. The Preparation and Organisation Council

A Preparation and Organisation Council for the Istanbul Olympic Games was established along with its affiliated Executive Committee and Preparation Committee to enable the fulfilment of the objectives included within the scope of this Act. Consisting of a total of 13 members, the Preparation and Organisation Council for the Istanbul Olympic Games (referred to as the Istanbul Olympic Bidding Committee

in all bid documents) is being chaired by the Minister of State in charge of Youth and Sports; and is comprised of, as its members, the Governor of Istanbul, an Ambassador to be appointed by the Ministry of Foreign Affairs, the Mayor of the Metropolitan City of Istanbul and two members to be appointed by him/her, the General Director of Youth and Sports and two members to be appointed by him/her, the President of the National Olympic Committee of Turkey and two members to be appointed by him/her and the Secretary General of the National Olympic Committee of Turkey.

The Preparation and Organisation Council for the Istanbul Olympic Games was authorised and obliged to carry out any and/or all tasks, operations, transactions pertaining to the preparation, organisation and finalising of the Olympic Games. The Council may, in compliance with the provisions of or pursuant to this Act, set up service committees and administrative units; may transfer, in part, its powers and obligations to the Executive Committee.

#### 2. The Executive Committee

The Executive Committee, consisting of a total of 5 members; two of which was appointed by the Mayor of the Metropolitan City of Istanbul, two by the General Director of Youth and Sports, and one by the President of the National Olympic Committee of Turkey; is held responsible to carry out any and/or all operations, render any and/or all services, and undertake any and/or all duties designated by the Preparation and Organisation Council for the Istanbul Olympic Games. The

Executive Committee also appoints a Chairman and a Vice Chairman from its members.

#### 3. The Preparation Committee

The Preparation Committee for the Istanbul Olympic Games consists of a total of 16 members; where the Prime Ministry, the Ministry of Defence, the Ministry of Interior, the Ministry of Finance and Customs, the Ministry of Public Works and Housing, the Ministry of Communications and the Ministry of Tourism each appoints one member; and the Mayor of the Metropolitan City of Istanbul, the General Directorate of Youth and Sports and the Presidency of the National Olympic Committee of Turkey each appoints three members. The Chairman and Vice Chairmen of the Preparation Committee is appointed by the Preparation and Organisation Council for the Istanbul Olympic Games, based on the recommendations of the Executive Committee.

The powers, duties and obligations of the Preparation Committee are determined in Article 8 of the Olympic Law. The Preparation Committee, subject to the approval of the Preparation and Organisation Council for the Istanbul Olympic Games and under the directions of the Executive Committee is held obliged to:

- a) Locate and build up areas for the Olympic Games,
- b) Assess the projects of all Olympic facilities and buildings; and arrange for the construction of those deemed appropriate,
- c) Modernise and/or arrange for the modernisation of all existing facilities and buildings in accordance with the Olympic specifications,

- d) Cooperate with local and central authorities in planning and building of the Olympic Village as well as in the preparation of the infrastructure for transportation and communication services,
- e) Employ the local and foreign personnel as may be required by the Olympic Games and specify their remuneration,
  - f) Accept any and/or all donations,
- g) Assume the role of an institutional authority in international relations concerning the Olympic Games,
- h) Purchase, provide and/or arrange for the provision of goods and services as may be required,
- i) Manage, arrange for the management of, rent, lease, sell or purchase any and/or all facilities and buildings,
- j) Carry out all other duties as may be designated by the Executive Committee (Olympist<sup>3</sup>, 1999).

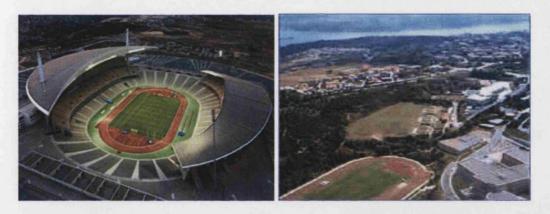
#### Allocation of Land and Olympic Village

According to Article 9 of the Turkish Olympic Law, the land recommended by the Preparation and Organisation Committee for the construction of the Olympic Venues is, by virtue of a Government Decree, allocated by the Metropolitan Municipality of Istanbul, the Treasury or the Directorate of Private Administration of Istanbul to the use of the General Directorate of Youth and Sports. The Metropolitan Municipality of Istanbul finalised all transactions pertaining to the development of the said land.

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<sup>&</sup>lt;sup>3</sup> Olympist is the official presentation book for Istanbul Olympic Games.

The Olympic village area is in close proximity to the Olympic Park and in an convenient location with respect to other Olympic sites. 'The village site of Halkali is already served by municipal buses and commuter trains, and its planned connection via light-rail to the urban rapid transit system will be completed in the future when the Games organisation has been taken' (Istanbul 2008 Candidature File, Vol.2, p.305).



Picture 8.1 The Olympic Stadium and the Olympic Village in Istanbul

'The Olympic village has been conceived within the framework of an ongoing housing project carried out by the Housing Administration of Turkey (Toplu Konut Idaresi-TOKI)' (ibid., p.307). 'It has been constructed in the northern part of the extensive area that TOKI is developing in Halkali, where there is a very high demand for real estate' (ibid.). 'The Village within this new town of Halkali has been designed in accordance with Olympic requirements, as well as in consideration of end-user needs: Sporting, catering and medical facilities in the Residential Zone and other facilities in the International Zone of the Olympic village will benefit the whole of the new community following the Games' (ibid.).

As for environmental issues, which is one of the criteria of an Olympic bid, the Istanbul Olympic Bidding Committee (IOBC) had the Olympic Park Master Plan drawn with the collaboration of a leading environmental group.

#### **Finance**

The Olympic Law guarantees a continuous flow of funds, both for the pursuit and the organisation of the Games. With reference to Article 11 of the Turkish Olympic Law, the revenues of the Preparation and Organisation Council for the Olympic Games consist of the followings:

- 1) one percent of the total revenue of the Sports Lottery,
- 2) five percent of the preceding year's net earnings of the General Directorate of the National Lottery,
  - 3) one percent of the monthly revenue of the Housing Fund,
- 4) annual allocation from the consolidated budget, the amount left to the discretion of the legislature,
- 5) one percent of the confirmed budget of the Metropolitan Municipality of Istanbul,
- 6) one percent of the total betting ticket sales for horse racing organised in compliance with the Horse Racing Act (No.6132), and other revenues (Olympist, 1999 and 2004).

Moreover, the central government has been entitled to increase the above-mentioned funds up to five-fold. On the other hand, all broadcasting, publication, communication, advertising, sponsoring, marketing and urban planning services in connection with the preparation for and the organisation of the Olympic Games are

subject to the approval of the Preparation and Organisation Council, and the rules and regulations set forth by the International Olympic Committee. The same Council also appoints the committees to render the said services.

#### 8.5 The Role of Local Government

As seen in organisational structure, the local administration has quite limited role in the decision-making process for the policies related to the Olympic Games project, although these planning decisions completely require the responsibility of the Metropolitan and other local municipalities. According to the Olympic Law, the Istanbul Metropolitan Municipality has only some representative roles and responsibilities for the allocation of land in the development areas.

The local municipality officials who have been interviewed also emphasise this situation, and ask from the central government for a more active role in planning and construction of infrastructure facilities, in works related to transportation projects and in presentation of the city in international arena. According to Sebnem Yuzer<sup>4</sup>, one of the Metropolitan Municipality officials:

'in the current system, the roles of the metropolitan municipality and local authorities are very limited, and the local government in general does not have much initiative and authorization over decisions' (interview with Sebnem Yuzer, 5 August 2000).

<sup>&</sup>lt;sup>4</sup> Sebnem Yuzer is an urban planner, and she was working for the Metropolitan Municipality of Istanbul at the time when she was interviewed.

Sinan Bolek<sup>5</sup>, from the Directorate of Urban Planning in the Metropolitan Municipality, also emphasised that:

'in this respect, the municipality appears to be only an official body represented in various committees, although the real owner of the work should actually be municipalities and local civil actors as it is in contemporary cities of the world' (interview with Sinan Bolek, 5 August 2000).

#### Bolek added that:

'municipalities should be authorised and given more initiatives and responsibilities, so that they can participate in decision-making process, which may affect urban life and citizens' (interview with Sinan Bolek, 5 August 2000).

The Metropolitan Municipality officials also believe that local municipalities are in general doing their job well even under those restricted conditions with limited authority. The Istanbul Metropolitan Municipality, for instance, made an investment programme on the transportation sector in order to improve the quality of transportation infrastructure of the city. This investment will obviously rise the chance of Istanbul for hosting the Olympic Games organisation. The investment will be on the underground system, the light railway system, the streetcar system and the sea transportation for both short and medium terms. In short term for the next five years, the total cost of investments planned is about \$2 billion (Istanbul Ticaret<sup>6</sup>,

<sup>&</sup>lt;sup>5</sup> Sinan Bolek was one of the officials in the Directorate of Urban Planning in the Metropolitan Municipality of Istanbul when he was interviewed.

<sup>&</sup>lt;sup>6</sup> Istanbul Ticaret is a weekly newspaper published by the Trade Chamber of Istanbul.

April 13, 2001: p.2). According to Rafet Bozdogan, the director of the transportation division in the Metropolitan Municipality of Istanbul:

'totally 36 underground, light rail, and rail system lines have been planned in the long run. The overall cost of those investments will be about \$12 billion, and they will be completed until 2023 according to the plan' (interview with Rafet Bozdogan, 16 July 2000).

The current chairman of the Turkish National Olympic Committee, Togay Bayatli<sup>7</sup>, on the other hand, was a little bit sceptical about the Municipalities' support for the Olympic Games organisation. According to Bayatli:

'the Municipality sees the Olympic Games as an event which takes out some national treasury money from their budget, and this thought should be changed immediately' (interview with Bayatli, 6 July 2004).

Bayatli also emphasised ways to be successful in this global competition for the organisation of the Olympic Games:

'it is necessary to develop the infrastructure of the city and to increase living standards of citizens first of all....beside investment and co-finance from national government and business, a productive co-operation between the central government, business and municipalities in the form of an urban partnership is very vital for a successful bid' (interview with Bayatli, 6 July 2004).

Togay Bayatli concluded that:

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<sup>&</sup>lt;sup>7</sup> Togay Bayatlı is the chairman of the National Olympic Committee since Sinan Erdem dies in 2003.

'although our job as a candidate city and nation is very difficult, we will continue to work on this until hosting the Olympic Games in Istanbul' (interview with Bayatli, 6 July 2004).

While Bayatli were giving signals in the interview conducted in July 2004 for Istanbul's candidacy for hosting the 2016 Olympic Games, his statement in a newspaper, that is "we will be candidate for the 2016 Olympics", made clear that Turkey's Olympics adventure will continue in the new era (Hurriyet newspaper, 20.12.2005).

There are, on the other hand, some criticisms from local administrations about the candidacy for the Olympic Games and related investments. When we look into the total amount of public investments in Istanbul in 2000, the 37,4 percent of them goes to the Asian side, and the 62,6 percent goes to the European side of the city (Istanbul Governorship, 2001). In the interview with the deputy governor Kamer Diribas<sup>8</sup>, who is responsible person from local administrations, he said that:

'there is no any division between the Asian and European side of the city while decisions about planning and distribution of public investments are taken in Istanbul' (interview with Kamer Diribas, 7 August 2000).

However, the mayor of the largest Asian district of Kadikoy, Selami Ozturk<sup>9</sup> emphasised in the interview that we have conducted in the Municipality of Kadikoy that:

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<sup>&</sup>lt;sup>8</sup> Kamer Diribas is the Deputy Governor of Istanbul, who has responsibilities for the relations with municipalities.

<sup>&</sup>lt;sup>9</sup> Selami Ozturk is the mayor of the District Municipality of Kadikoy, which is the largest district in the Asian part of the city.

'the Asian side of the city was already being ignored for years, but it was clearly seen with the candidacy for the Olympic Games that the European side of Istanbul has been given a priority in investments related to the Games' (interview with Selami Ozturk, 8 August 2000).

#### Ozturk added that:

'Istanbul is a candidate for the Games as a city where two continents meet, and is using "the meeting of continents" phrase with its Olympic Games logo, but in reality we do not see the Asian side in most of the investments....the underground system and the light rail system investment together with many sports facilities, cultural and entertainment investment have all objected the European side, and the Asian side of the city was almost forgotten' (interview with Selami Ozturk, 8 August 2000).

It appears that investments related to the Olympics try to meet not only the requirements of the organisation of the Games, but also increasing infrastructure necessities due to rapid developments in particular areas of the city. In other words, the central government's enthusiasm to go on bidding is because that provides some functions beyond the Olympics itself. In this way, the central government is able to divert investments according to its own considerations regardless of winning the bid.

After presenting diverse thoughts of people in local and central government organisations, reflecting various aspects of the candidacy of Istanbul for the Olympic Games, the ordinary people's opinion on this centrally executed policy of the national government will be examined in the next section of the chapter.

#### 8.6 Public support for Istanbul's candidacy in the city and the country

Since Istanbul's first Olympic bid to host the 2000 Olympic Games, her candidature has enjoyed strong support from the general Turkish public and Istanbulites. Nation and citywide polls taken in 1992, 1996 and 2000 revealed that Istanbul's project of hosting the Olympic Games has solid support of the general public. Findings of the IOC poll referred to in the IOC Evaluation Commission Report (April, 2001) also confirm strong support of the general public.

Two opinion polls, taken by Taylor Nelson-Sofres-PIAR at the end of November 2000 (see Appendix 9 for the general framework of the survey), confirmed that a great majority of Turkey's and Istanbul's citizens favour the city's candidature for the Olympic Games organisation. The results of these polls have been publicised by both the national and local press.

One of these polls was conducted in 11 provinces in Turkey, statistically representative of the country's entire over 18 years of age urban population, and the other among Istanbulites, sampled to represent all of the province's over 18 years of age inhabitants. Five main topics, which the study covers have been determined as the overall perception of the Olympics, evaluation of Istanbul's candidacy, evaluation of benefits from the Games, tasks for different groups of people in hosting the Olympic Games in Istanbul, and the general interest in sports.

When specifically asked whether they want the 2008 Olympic Games to be held in

Istanbul or not, results revealed that '88 percent of the general Turkish public, and 89 percent of Istanbulites, support Istanbul's bid to host the Olympic Games' (Hurriyet<sup>10</sup>, 22.02.2001).

Foremost among the reasons given by respondents for favouring Istanbul's candidature was 'the opportunity that playing host to the Games would offer for elevating the world's perception of Turkey' (Hurriyet, 22.02.2001). Other reasons can be lined up below in the order of importance attached:

- 'an increased popular interest and involvement in sports,
- enhanced sports infrastructure and facilities,
- diversification of sports other than football throughout the country' (Hurriyet,
   22.02.2001).

In general, survey respondents attached a very high value to the importance of the Olympic Games as an international event. According to the statistics taken from the official web site of the Olympic organisation (http://www.olympist.org), for 60 percent of Turkish citizens at large, and 61 percent of Istanbul's inhabitants, the Olympic Games exceed in importance all other international events that Turkey has ever hosted or may consider hosting in the future. The most important features, for respondents, that distinguish the Olympic Games from all other international events were:

- 'their contribution to a better knowledge of the host countries and cities all around the world,
  - the participation of almost all nations of the world,

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<sup>&</sup>lt;sup>10</sup> Hurriyet is a national daily newspaper published in Istanbul.

- the upholding of a philosophy of peace, brotherhood, and unity between nations, and
- the Olympic programme's coverage of the widest possible range of sports' (retrieved from http://www.olympics.org).

Even those respondents, in both polls, who seemed to withhold their support from Istanbul's Olympic bid mentioned at least one aspect in which Turkey or Istanbul would benefit from hosting the Games. These include 'the contribution to the city's well-being and the creation of new job opportunities, the contribution to an improved infrastructure and transport system in the city, and the promotion of international cultural exchange' (retrieved from http://www.olympist.org).

There is no organized opposition to Istanbul's hosting the Olympic Games. Individual opposition to Istanbul's candidature reflected in survey findings, on the other hand, was justified mainly on the grounds that:

- 'Istanbul currently lacks sufficient sports infrastructure to host an event of such size, and that Turkey does not have sufficient experience in international multisport events, and
- Istanbul's problems in the area of urban transportation would make staging such an event difficult' (Hurriyet, 22.02.2001).

#### 8.7 Conclusion

As mentioned in the literature review in Chapter Two and Chapter Three, there is an ongoing global competition between world cities, and new urban politics emerged as a result of this competition. One common strategy for urban governments in world cities in order to compete globally has been to implement such urban policies that can be used to attract foreign investment. While city governments are aiming at this, they have implemented various types of policies. One significant strategy among several alternatives in the way to attract global capital, as we have seen in Chapter Seven, has been to encourage finance sector and producer service activities to be able to create large international finance or trade centres together with the provision of necessary high quality infrastructure.

Moreover, another important strategy for world cities, as examined in this chapter, has been to organise significant international mega-events in order to attract inward investment, world attention and tourists. These international events may be academic conferences, high standard business and cultural organisations, international fairs or big sport events having media attention. This policy is strongly rooted in discourse about the competition between cities and the use of strategies for promotion. For many world cities, these strategies, in a way, have been tools of catching up global economic development in the new era.

The organisation of the Olympic Games, within this frame, has been an important goal for both national and local urban governments and politicians to be able to benefit from global economic opportunities. In the new era, the candidacy for the

Olympic Games is a part of the urban strategy, and the central and local governments mostly apply this strategy in order to develop cities both socio-economically and physically. The situation for Istanbul within this regard has been indifferent from other world cities such as Barcelona, Beijing, Sydney or Athens.

When we look into Istanbul's consecutive candidacies for the organisation of Olympic Games in the last two decades, one common inference can be underlined that all segments of the community have had an agreement on the issue. As Keyder and Oncu have also emphasized;

'the attempt to sell Istanbul as a global venue received the full support of the national government and, seemingly, of the city's public opinion, during the competitions for the organisation of Olympic Games' (1994, p.416).

Istanbul was a relatively weak candidate against other cities such as Sydney, London, Paris, Beijing, Osaka and New York. However, central government and, in a way, the municipality collaborated to prepare a relatively credible case, all the while stressing the probable impact of the Olympics, and the preparatory investment, for the business potential of the city. On the other hand, according to IOC Evaluation Commission Report in May 15, 2001, Istanbul's elimination has been justified as follows:

'the Commission believes that there are uncertainties regarding the overall status and projections of Games finance. The time lines and costs for all necessary transport infrastructure could be difficult to achieve and these would be essential for the conduct of a successful Games....Despite the presence of some major new facilities, the Commission is not confident that

the complex planning required for a Games has been fully addressed' (IOC, 2001).

In other words, the bid lost because the IOC Evaluation Commission apparently found urban problems such as traffic congestion, pollution and garbage collection not likely to be surmounted in the near future. According to Keyder and Oncu, nonetheless, 'the attempt made a real contribution toward sensitizing the public opinion in favour of a global perspective on local problems. During the process of selection, the media treated the event as a popular match and beginnings of a civic consciousness were visible, even among the more recent immigrants in the city' (ibid., p.417).

From the political perspective, however, this strategy also verified that the central government has a full control on the process, setting up special institutional arrangements for important development projects, establishing the framework within which the city and the Metropolitan Municipality operate, sometimes enforcing various urban policies, and most of the time bypassing the local democracy principle. While the central government with significant political and financial support was, on the one hand, dominating every step of the policy, the local government has, on the other hand, had a very limited representative role although it has also many interests on the implementation of the policy. Moreover, another important point should be underlined as well. Although the private sector and business organisations both in Istanbul and nationwide would be main beneficiaries from the implementation of the project if the Olympic Games organisation is taken by the country, their effort on this particular issue have been surprisingly inadequate. The reason of this may be

explained in such a way that they do not have enough confidence about Turkey's likelihood to organise an Olympic Games, and therefore, they do not want to spend more money, time and energy for an investment area in which the amount of profit seems quite uncertain.

As we have seen at the beginning of this chapter, urban regimes and different actors in these regimes are very important for the success of big urban projects. In the case of Istanbul, companies, business and non-governmental organisations, media and public have all supported the central government on this specific urban strategy. But it is difficult to talk about the establishment of an urban regime for the Olympic Games organisation project of the city. A sceptical business, a disgruntled municipality, a passionate but centralist national government and the lack of cooperation among them have all contributed to the failure of the project so far. For a successful bid, Istanbul needed an established government-business partnership or an urban regime providing authority and resources, and encouraging growth within the city. However, this kind of a regime did not exist in the city's project for hosting the Olympic Games yet.

In relation to this, although Istanbul's long-term planning strategies have recently based on its vision of global competitive integration, consolidating relations with new trans-national urban systems in international and regional terms, the city's vision of the Olympic Games has not been shaped by its long-term development plans. When the city and citizens started to face increasing infrastructure problems in various areas which has been developed aiming at the organization of the Olympic Games, Istanbul Olympic Bidding Committee had the Olympic Park Master Plan

made. But since it was prepared late, even completed projects such as the Olympic Stadium have suffered from serious infrastructure problems. People were not able to access the Stadium because of the transportation and parking problems. In conclusion, the organization of the Olympic Games and the implementation of urban projects aiming at this mission have remained disintegrated with other urban development policies in the city, just like an island in the middle of an ocean.

# **Chapter Nine**

## Conclusion

#### 9.1 Introduction

This thesis examined the changes in urban policies in the new era with reference to the ongoing economic and political globalisation process affecting the state and cities globally. The political aspects of globalisation process contain highly complex issues and generate differing interpretations. It is a huge area of research, and it has many different, but at the same time interconnected sub topics. The main question of this research study, however, was to establish to what extent the economic and political globalisation process has affected the state and its sub-levels, and how this process has changed the way in which urban policies are implemented by these various levels of government in Turkey.

In order to be able to answer this question, the globalisation discourse has been taken into consideration initially. As Chapter One and Chapter Two have outlined, globalisation has various dimensions; the economic and political ones are especially well known. First of all, it is commonly asserted that economic globalization is an inevitable and universal force that undermines political regulation in general and transforms nation-states in particular. Notwithstanding the need to understand globalization as a political and discursive construction, it is important to examine the

complexity of the hollowing out of the nation-state. Multiple scales of regulation emerge in the context of economic globalization, and new political spaces have been created through such transformations. It is also important to recognise that there is considerable variation in the form and degree of state intervention and the mode of social regulation from one country to another; the outcomes of the processes of economic and political globalisation therefore vary between particular countries and especially particular cities.

Secondly, as a result of globalization and increasing economic competition, many world cities have redefined their roles, emphasizing entrepreneurial or proactive strategies in order to be competitive and market their cities in a global context. Attracting investment and local economic development have therefore become a prominent point of concentration for municipal government activity. Rupert states that 'urban regimes have become emblematic of a shift from municipal welfarist and bureaucratic politics to that of a dynamic and entrepreneurial business leadership' (2000. p.281). Harvey (1989b) also emphasises this turn on urban politics and potential gains from urban entrepreneurialism compared to the effective delivery of welfare services.

Thirdly, changes associated with the globalising international economy have had significant effects on the nature and functions of nation states. The process of globalisation has created a situation which we can call the "paradox of state power", in which the nation state has simultaneously been weakened and strengthened. Although, 'much of the research on global capitalism has been premised upon the assumption that intensified globalization entails an erosion of state territoriality'

(Brenner, 1998, p.8), in both relevance and effectiveness, the state remains central to processes of transformation at the national, regional and global levels. On the other hand, as a result of the location of significant decision-making authority at the regional and global levels, and also as a result of the changing policy environment associated with financial globalisation, the policy-making options available to national governments have significantly been diminished.

As Chapter Three made clear, globalisation has especially challenged the role of developmental states. In the early political economy of development, the state was assigned a key role in correcting market failures and ensuring economic efficiency, growth, macroeconomic stability and social development. With economic globalisation and new neo-liberal discourses, developmental states have been 'hollowed out', i.e. their regulatory capacities have been diminished and transferred to sub- and supra-national institutions (Jessop, 1993 and 1994a). Simultaneously, neo-liberal development discourse has brought about a dramatic shift by refuting state regulation and promoting market liberalism as the most efficient development strategy within a global market system. This singular emphasis on deregulation has been modified recently through an additional emphasis on institutional reforms.

However, many world governmental systems, including the Turkish one, have shown strong centralism even up to the present day. Chapter Four stated that continuity rather than change characterizes Turkish political culture, and 'there are several lines of continuity between Ottoman and Republican political traditions' (Heper, 2000, p.63). On the one hand, 'the Republican modernization effort, similar to the preceding Ottoman attempts, was elite and state driven' (Barkey, 2000, p.89-90).

Through their political and administrative influence on the state bureaucracy, the political elite wished to tightly control local government politics from the capital Ankara. 'They wanted to concentrate power at the centre and to keep at bay the periphery through the distribution of patronage to local persons of influence' (Erguder, 1987, p.10). 'An important consequence of the state tradition for politics in Turkey is that it has been strongly shaped by the concentration of power and rewards at the centre' (Danielson and Keles, 1985, p.99).

Similar to the classical modernising élite of Ottoman origin, Turkey's current political leaders are often characterised by their authoritarian, elitist and undemocratic behaviour. As party leaders they almost completely control the structures of their respective parties and hold the monopoly to distribute from top to bottom the material and legal resources that are acquired through the state institutions. Turkish parties are wide-spread patron-client systems, and in analysing them, Nimet Beriker came to the conclusion:

'It is evident that politics in general has been reduced to a game of capturing public resources and then redistributing them through legal and illegal means. There is an almost complete absence of meaningful debate among the political elite' (1997, p.449).

On the other hand, the modern Turkish state emerged in an environment in which there was no state-society interaction. 'The new state had not inherited a strong civil society; on the contrary, the Ottoman Empire had discouraged autonomous civilian activity' (Barkey, 2000, p.90). Heper also agrees that 'the absence of civil society in Turkey was an inheritance from the Ottoman Empire, where political, economic and

social power coalesced in the center' (2000, p.78). In relation to this, 'the Ottoman-Turkish political structure did not have a tradition of self-government, as well' (Heper, 1986, p.7-36). 'In the Ottoman structure the periphery was totally subdued by the centre .... in Ottoman patrimonialism the local notables did not have extensive political-territorial rights, and the system also lacked free cities' (Heper, 1989, p.3).

The economic side of the story actually has complementary characteristics with the political side as we have seen in Chapter Four. Under the conditions of intensifying globalization, Turkey implemented a series of important economic reforms in the early 1980s including a stabilization and structural reform programme aimed at liberalising the Turkish economy, which had relied on the import-substitution development model for a long time. The most important aim was to integrate the country into the global world order. An important reflection of these developments on the state was that state power was simultaneously weakened at the global level, as a result of the restructuring in the global economy, and, strengthened at the domestic level as a result of the space created by the globalisation of the state for the consolidation of economic and political reform in Turkey. In other words, the Turkish state kept its centralist structure in the local policy area.

On the other hand, theoretical discussions in Chapter Two and Chapter Three showed that globalization has also brought some opportunities to world cities, and the only way to benefit from those opportunities is to establish new urban policies to attract transnational investment and capital and to supply international cultural and touristic events to the world. Chapter Four and Chapter Five made it clear that the administrative decentralisation and increasing financial sources coming with the

liberalisation process in Turkey have given some impetus to Istanbul in global competition. However, since the local governance mechanism in Turkey has not been developed in a vigorous way, new urban policies have been shaped with global concerns. Those global capitalist policies implemented in the urban area of Istanbul mostly bypassed local planning principles and local claims as seen in Chapter Six. Although the nation-state is supposed to have an important intermediary function as a regulatory body between global capitalist interests and various local demands, this study did not exhibit this kind of a role in the Turkish state. Case studies in Chapter Seven and Chapter Eight showed that the central government mostly prefered to stay close to business interests and global capital rather than local demands. The financial centre development project in the Levent-Maslak axis, for instance, has shown how informal arrangements or so-called regimes easily filled the gap in urban policy area. The urban strategies determining developments in the new CBD area of Istanbul have been shaped by co-operation between the central government and local/global businesses excluding local municipalities and local actors in the city. On the other hand, the Olympics project of the city was completely owned and driven by the central government, and even local and global business, consciously or unconsciously, did not make much contribution during the competiton process.

#### 9.2 From Government to Governance and Decentralisation

One important issue highlighted in this study has been that many analyses of statelocal relations argue that there is a change under way from government to governance, implying a shift in the distribution of local power away from municipalities to other bodies. With this shift, local state and civil society have emerged as the arenas in which a host of objectives are to be achieved. 'The term governance is now being used to denote the range of service delivery mechanisms at local level, and expresses the shift from provision by local and central government structures to a number of fragmented agencies within the public, business, voluntary and private spheres' (Malpass, 1994). But as we have seen in the case study chapters; governance in the Turkish case has implied the shift in local power away from local governments and local people to business and global capital organised by the central government.

Chapter Three showed that since the early 1980s there has been a trend in most countries of the world towards decentralisation from national governments regarding responsibility for delivering services. This has paralleled a similar decentralisation in the private sector where strategic planning may be centralised but production and distribution are decentralised or spun off. Governmental decentralisation has sometimes taken the form of a national government delivering more of its responsibilities through regional offices or decentralised agencies. More frequently, in recent years, it has been through the privatisation of national agencies or services. In several European countries such as France, Spain, Belgium, and Italy, national powers have been decentralised to existing or newly created sub-national regional governments.

A significant result of this decentralisation has been the transfer of more responsibility to local authorities. In part this has come about because necessities can be more easily satisfied when services are delivered by agencies closer to their

recipients. In part decentralisation of responsibility has been the result of fiscal constraints at national level. The trend towards the decentralisation of responsibilities to local authorities has brought both benefits and problems. While in cities in some parts of the world, new responsibilities and autonomy have led to creative responses to urban issues, in many others decentralization of authority has not been accompanied by adequate fiscal resources or capacities and the situation has become even worse, especially in developing countries.

As Chapter Four pointed out that the outcome in the Turkish case has also been unfavorable and no different from other developing countries. However, it is better to underline some Turkey-specific issues here. On the one hand, the rate of urbanisation particularly since the 1980s has been phenomenal in Turkey, even by today's international standards. This has posed a great challenge to the expansion and maintenance of physical infrastructure, which falls mainly within the responsibility of local governments. Chapter Five and Chapter Six revealed that there has been massive investment in an effort to catch up with growth by expanding and modernizing the city's infrastructure in Istanbul since the 1980s. The goal has been not just to meet the basic needs of the population but, as in the nineteenth century, to revitalize the city, and in the process to re-establish Istanbul as a great international centre for trade and finance. There has been a strong focus on the physical infrastructure and appearance of the city. These efforts to renovate the urban fabric have not been without controversy. In the process of modernization and improvement, some of the social and economic inequalities have become more visibly entrenched in the urban landscape. Thus, high-rise financial towers and 'deluxe hotels, conference centers and the luxury villas along the Bosphorus stand in sharp contrast to the generic blocks of apartments and the temporary housing and unpaved roads of the newer squatter settlements' (Manners and Marcus, 2002, p.4-5).

On the other hand, in the mid-1980s the liberal Turkish government began a process of decentralization by devolving power and providing funds to local administrations. Those developments in the 1980s in the structure and financing of urban local government, particularly in the metropolitan areas, undoubtedly improved the ability of city administrations to respond to these challenges in Turkey. Events such as water shortages or earthquakes at the end of the 1990s, however, have called dramatic attention to the continuing inadequacy of planning and control of urban growth and the social and physical response to it.

# 9.3 Legislative Innovations and Inceasing Central Government Involvement in Urban Policies

A city's ability to serve a growing population clearly depends on its financial as well as legal and human capacity. Financial capacity depends in turn on both the adequacy of its revenue base and the efficiency with which this is utilised by city officials. The 1980s legislative reforms significantly increased the flow of national taxes into urban infrastructure, but the basis of distribution was too simplistic and arbitrary to distinguish adequately between the needs and revenues of individual cities in Turkey. In addition, the abovementioned liberal government decided to take some powers back in the late 1980s because of increasing inflation and the view that local governments suffered corruption and were irresponsible in their spending.

There have been more recent reforms in the budgetary frameworks but continued progress has always been needed to encourage municipal governments to make the most productive use of what will always be limited resources. Since the beginning of the 1980s, different national governments, liberal, islamist or leftist, have all placed administrative reform proposals in their programmes. Although there has been a process of transferring responsibilities and financial resources to local authorities, most of the decisions even in local issues are still being taken by the central government today. The current government composed of the conservative Justice and Development Party (AKP) has also taken the task seriously, and made another start in the longlasting decentralization process. It is necessary here to emphasise that according to the recent law passed by the Turkish parliament which has been under discussion for a long time, the decision making on most local tasks and services has been taken under the responsibility of local governments after determination of their main duty and functions by the central government.

It is also important to note the legal and constitutional frameworks underlying the local government system of the Turkish state. Article 127 of the 1982 constitution defines and regulates local authorities within the framework of a pluralist democratic process albeit with a strong emphasis on control by central authorities "where the protection of public interest requires it". This rather interesting arrangement under Article 127 permits the Minister of Interior, to suspend elected officials from their posts within the local administrative process as a provisional measure, pending a court decision relating to their conduct in office or with the performance of their functions. As we have seen in Chapter Four, the 'Tourism Encouragement Law' in

1982 (no. 2634) has increased central government involvement in urban policies. We can go on to cite numerous examples of hindrances to an otherwise important arrangement that is aimed at promoting and consolidating democracy in Turkey. In this respect, the country needs more democratic openness and accountability enforced at the local level in order to benefit both the state and its citizens.

Another important discussion under the globalisation discourse being examined in this thesis has been that the massive transformations taking place in the global economy resulting from economic globalisation, trade liberalisation, privatisation, and enhanced telecommunications, which are possibly the biggest factors affecting the operating environment and placing the most constraints on all Turkish cities' development. As we have seen in Chapter Two and Chapter Three, with globalisation, urban areas have become increasingly important; they form part of a global economy and are much more closely interconnected than they used to be. Globalisation has encouraged interaction between cities as a key element of the global economy since it relies on a network economy in which the cities are the nodes. Therefore, the city has become a functional, social, cultural and political interface between local and global levels. Many multinational companies now operate on the basis of global strategic decision-making with specialised components or processes being produced in far flung cities in different continents. Individual cities have become competitors as to which can be the most effective suppliers. Cities are not only engaged in ever more intense competition for capital and investment, but also increasingly dependent on each other. They are at the same time cooperating more as they attempt, through joint action, to strengthen their position and to limit the negative effects of competition. The response to the challenge of worldwide competition, and city-to-city cooperation and networking can, ideally, help boost the competitiveness of the entire world. The ability to network is thus one of the major factors contributing to cities' success.

Furthermore, this competition among cities has forced local authorities to be constantly aware of their competitive strengths and weaknesses, and has constrained them from taking measures that could improve the local and global environment. The worldwide transformation in both economic and political areas has posed formidable challenges for local governments since the effects of economic liberalisation and globalisation are felt most sharply at local level. As we have seen in Chapter Two, globalisation has on the one hand provided new opportunities for devolved governments, which face the results of economic shifts that dramatically affect the economic health of their municipalities and the livelihoods of their residents. As mentioned in Chapter Three, new concepts and procedures for planning at different levels have also emerged as a response to the growing trend toward economic and political globalization. Urban planning and policies have accordingly also been considerably affected by the conditions of globalisation which leads to increased competition for investment between world cities.

On the other hand, whilst many cities or localities have benefited from these processes via local policy and strategies such as new inward investment into local economies, the growing gap between rich and poor, with increases in absolute poverty levels in many places, has led to growing problems of insecurity, social exclusion and of environmental degradation. These negative impacts of globalisation are felt everywhere, but particularly in developing countries, and threaten to

undermine the positive work of local authorities. Unsustainable production and consumption patterns likewise can also be added to these negative impacts.

In global competition there are inevitably winners and losers, since not all cities are equally competitive. Globalisation has therefore affected different cities in different ways. Despite the fact that some cities have benefited from the economic globalisation process and developed rapidly, others have shown a decline as a result of this process. This is one important issue that actually needs tackling while determining urban policy and strategies. Under these circumstances, as many studies have revealed, Istanbul has the potential to be a world city. But this study also presented that the city can compete in the global arena if only the problems imposed by the political sphere constraining the global position of the city can be overcome.

As examined in Chaper Seven, developments in the urban core of Istanbul in the last two decades have shown that Istanbul has rapidly transformed into an international finance and banking centre. The multi centred structure of Istanbul also helps the city to specialise in various functions in its sub-centres. There have been few new CBD developments since the 1980s parallel to urban policies directly implemented by the central government. Although the flourishing new financial centre development in the 'Levent-Maslak axis' seems one of the relatively few attempts to take Istanbul forward into global city competition, this urban policy has not followed a 'development with planning' approach. In contrast, central government has most of the time intervened in the local planning process, enacting special legislation, and trying to use its authority over the local government and local actors.

This situation has created not only tension between Ankara and local government, but also problems for the urban land of Istanbul since the central government's specific decisions and legislation for some areas of the city have mostly not been compatible with the master plans and urban policies of the Metropolitan Municipality of Istanbul and different district municipalities. While the local government has mostly been the weaker side in this power relationship, private bodies and business organisations close to central government for economic and political reasons have benefited and made important speculative gains from specific decisions and policies arising from legislation such as the Tourism Encouragement Law (No. 2634) and the Urban Planning Law (No. 3194), as well as the 1982 Constitution.

On the other hand, as presented in Chapter Five, with economic globalisation the role of the city of Istanbul as the largest city and as the motor of the national economy has been highlighted, and the responsibility of the city for economic competitiveness has grown. There has also been a consensus among different levels of government and other actors on the role of Istanbul in the new era. Urban policies of government organisations also started to aim at making Istanbul a world city. Business and nongovernmental organisations as the representatives of relatively organised citizen groups have been activated by the idea of Istanbul as a world city. Istanbul today is an important promoter of growth sectors, including information technology, bioscience, media and culture. This has stressed the city administration's ability to foster cooperation between universities, the business community and public administration. As shown in Chapter Eight, during the competition to host the Olympic Games between the years 2000 and 2012, attempts to sell Istanbul as a

global venue received the full support of national and local governments, civil society and business organisations.

However, from the political perspective, this attempt and related urban strategies have also verified that the central government has full control over the process, setting up the special institutional arrangements for important development projects, establishing the framework within which the city and the Metropolitan Municipality operate, sometimes enforcing urban policies, and most of the time bypassing the local democracy principle. Moreover, one other important point is that the main target of attracting international capital has also been reflected in the influence of the private sector and business organisations in Istanbul.

By tailoring economic policies to exploit local capabilities, regional and city authorities are today more effective than central governments in meeting the challenges of tougher international competition. Moreover, devolution is more than just a transfer of power, it is also a new spirit of co-operation and networking between different levels of government and their civil society partners. On the one hand, the globalisation process requires harmonious relations between international, national and local actors. On the other hand, today's development programmes seek to initiate economic and social development through local partnerships between state institutions, businesses, and different actors in civil society.

However, this kind of cooperation has mostly been the missing element in the local economic development efforts of different Turkish governments since the beginning of the 1980s. On the one hand, the central government has always had tutelage

control over local government, and the use of discretionary powers over local government has even entered legislation via particular bylaws. Local governments have often been left without legislative or fiscal tools by the central government to deal effectively with local issues. The Turkish experience has consisted of struggle and conflict rather than cooperation in relations between the central and local government. On the other hand, local governments in Turkey have repeatedly failed to transform their role from providing urban services to 'urban management' by incorporating the private sector's strengths into the urban governance phase. However, although the private sector and business organisations have stayed close to the central government in such areas as developing various city segments without planning restrictions to gain speculative benefits, their participation in urban policy and issues has been very limited. According to the Chairman of the Turkish National Olympic Committee, Togay Bayatli:

'in a huge global project such as the organisation of the Olympic Games, the support from private sector including big holdings has not been as large as we expected when it is compared to other European cities' (interview with Togay Bayatli, 6 July 2004).

#### 9.4 Conclusion

At the close of this thesis, I would like to underline some important points to conclude the issues highlighted throughout the thesis. Given its history and geography, the city of Istanbul is in fact well placed to play a global role if the obstacles imposed by the political sphere constraining the global position of the city

can be overcome. The local dynamics of Istanbul need to be analysed further as this may help to solve critical problems of the city. The city has today become divided into formal and informal settlements occupied by highly diverse economic, social and cultural groups. Urban politics of the government encompass only a limited area of urban dynamics in Istanbul. The decision-makers should be far more mindful when determining the priorities on urban policy and strategies under the effect of global pressures.

Local government administration in Istanbul is prone to political influences of the state and various power groups and needs to be re-established according to the changing and varying needs of its population. The experiment examined in two case studies has revealed that it is quite difficult to talk about the real existence of a growth regime in the case of Istanbul. There have certainly been some weak growth coalitions between various sectors of the social and political community. But, when we consider a mega-event or big project, these delicate partnerships were far from providing a comprehensive vision of the city, transforming the city's image or increasing the chances of the city in global competition.

Global influences may support or distort the direction of metropolitan governance in Istanbul. Local government in Istanbul today appears to need a vision of devolved local economic development policies capable of responding to the challenges of globalisation. The key features in this vision are flexible and networked institutions and local strategies emphasising entrepreneurship, human capital and social cohesion. It is a priority for the local authority in Istanbul to recognise the trends and challenges the city brings, and to grasp the opportunities presented by the emergence

of new roles for the city and its government. This requires the local government in Istanbul to work closely with its national government, local actors and the private sector in a concentrated effort to cope with the necessary transformations for the city.

The process of European accession will, gradually, provide Turkish civil society with a stronger voice and give it more self-confidence in its dealings with the state. The strenghtening of civil society will also lead to a stronger and more capable Turkish state by forcing it to divest itself from issues it has proven ill-equipped to handle. The Turkish state can learn from its European counterparts the contradictory lessons of globalisation. While globalisation has given rise to greater regionalism and a general decentralisation of state functions as regions and localities insist on making decisions autonomously and more efficiently, the state is becoming more efficient, better managed and more accountable as it sheds some of its powers. As Barkey underlined (2000, p.105), 'the challenge for the Turkish state and Turkish society now, is to adapt to the changes that are taking place in Europe and learn that strength and legitimacy does not come from controlling individuals, but rather from becoming more responsive and accountable to them'.

In conclusion, we can state that although accession to "world city" status due to globalisation has benefited many cities around the world, the lack of an effective role for local government and actors in the case of Turkey has prevented major developing cities such as Istanbul from achieving their full potential as a consequence of inferior urban planning policies. If Istanbul is to achieve its aim of becoming a more competitive city in the global arena, it needs an efficient system of

urban governance which can provide a concrete strategic framework for the future development in the city.

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### F. Opinion Poll

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### **Newspaper and Magazine Sources**

Cumhuriyet newspaper

Hurriyet newspaper

Insaat Dunyası Dergisi (Construction World Magazine)

Istanbul Ticaret (Istanbul Trade)

Milliyet newspaper

Mimarin Dunyasi Dergisi (The World of Architect Magazine)

Turkish Daily News newspaper

### **Web Sources**

http://www.kulturturizm.gov.tr/portal/

http://www.mfa.gov.tr

http://www.olympist.org

# **APPENDICES**

# Appendix I

### **List of Interviews**

Name	Title	Date
Selami Ozturk	Mayor of the District Municipality of Kadikoy	8 Aug. 2000
Kamer Diribas	Deputy Governor of Istanbul	7 Aug. 2000
Nurettin Sozen	Ex-mayor of Istanbul Metropolitan Municipality	15 July 2000
Oktay Ekinci	Head of the Chamber of Architects, Istanbul Division	11 July 2000
Rafet Bozdogan	Head of Transportation Division, Istanbul Metropolitan Municipality	16 July 2000
Yusuf Namoglu	Mayor of the District Municipality of Besiktas	23 July 2000
Senihi Kitapcı	Head of the Chamber of City Planners, Ankara Division	2 Sept. 2000
Sinan Bolek	Urban planner in the Directorate of Urban Planning in the Metropolitan Municipality of Istanbul	5 Aug. 2000
Sebnem Yuzer	Urban planner in the Metropolitan Municipality of Istanbul	5 Aug. 2000
Sinan Erdem	Chairman of The Turkish Olympic Committee (From the beginning of the 1990s to 2003 when he passed away)	9 July 2000
Yalcın Aksoy	General Director of the Istanbul 2004 Olympic Bidding Committee	9 July 2000
Togay Bayatli	Chairman of The Turkish Olympic Committee (After the death of Sinan Erdem)	6 July 2004

There have been other interviews with a few urban planners and various officials in the Metropolitan Municipality of Istanbul, the District Municipality of Sisli, the District Municipality of Besiktas and the Turkish National Olympic Committee in July and August 2000.

# Appendix II

A. Global Advertising Service Centres

Prime	Major	Minor
Chicago	Amsterdam	Auckland
London	Athens	Bangalore
Minneapolis	Barcelona	Bangkok
New York	Boston	Beijing
Osaka	Brussels	Bogota
Paris	Caracas	Bucharest
Seoul	Copenhagen	Budapest
Tokyo	Dusseldorf	Buenos Aires
	Frankfurt	Cape Town
	Helsinki	Dallas
	Hong Kong	Detroit
	Istanbul	Dublin
	Lisbon	Geneva
	Los Angeles	Hamburg
	Madrid	Jakarta
	Melbourne	Johannesburg
	Mexico City	Kuala Lumpur
	Milan	Lima
	Prague	Manila
	San Francisco	Miami
	Santiago	Montevideo
	Sao Paulo	Montreal
	Singapore	Moscow
	Stockholm	Mumbai
	Sydney	New Delhi

Toronto	Oslo
Vienna	Rio de Janeiro
Zurich	Taipei
	Tel Aviv
	Warsaw
	Wellington

Source: Beaverstock, Taylor and Smith, 1999, p.453.

### **B.** Global Banking Service Centres

Prime	Major	Minor
Frankfurt	Bangkok	Abu Dhabi
Hong Kong	Beijing	Amsterdam
London	Bogota	Barcelona
Milan	Buenos Aires	Boston
New York	Caracas	Bratislava
Paris	Geneva	Brussels
San Francisco	Houston	Budapest
Singapore	Jakarta	Cairo
Tokyo	Johannesburg	Chicago
Zurich	Kuala Lumpur	Colombo
	Labuan	Dallas
	Los Angeles	Dubai
	Luxembourg	Dublin
	Madrid	Edinburgh
	Manama	Glasgow
	Manila	Istanbul
	Mexico City	Lima
	Miami	Lisbon
	Montreal	Lyon

Moscow	Melbourne
Mumbai	Montevideo
Prague	Munich
Sao Paulo	New Delhi
Santiago	Osaka
Seoul	Rio de Janeiro
Shanghai	Rome
Sydney	Tehran
Taipei	Vienna
Toronto	
Warsaw	·

Source: Beaverstock, Taylor and Smith, 1999, p.454.

### C. Global Legal Service Centres

Prime	Major	Minor
Brussels	Almaty	Abu Dhabi
Chicago	Bangkok	Amsterdam
Hong Kong	Beijing	Athens
London	Berlin	Atlanta
Los Angeles	Budapest	Barcelona
Moscow	Cleveland	Boston
New York	Dallas	Bogota
Paris	Frankfurt	Bratislava
Singapore	Geneva	Brasilia
Tokyo	Ho Chi Minh	Buenos Aires
Washington	Houston	Bucharest
	Kiev	Cairo
	Madrid	Caracas
	Mexico City	Dubai

	Milan	Dusseldorf
	Minneapolis	Guangzhou
	Prague	Hamburg
	Riyad	Hanoi
	Rome	Istanbul
	San Francisco	Jakarta
	Sao Paulo	Kansas City
,	Seattle	Madrid
	Shanghai	Manila
	Sydney	Melbourne
	Toronto	Munich
	Warsaw	Philadelphia
	Zurich	Richmond
		Rio de Janeiro
		St Petersburg
		Santiago
		Stockholm
		Taipei
		Tashkent
		Tijiana

Source: Beaverstock, Taylor and Smith, 1999, p.455.

# Appendix III Istanbul's Olympic Project

### Appendix 3.A



# Appendix 3.B



### Appendix IV

### Survey conducted by Taylor Nelson-Sofres-PIAR in Nov. 2000

### • Questions asked:

- Concepts associated with the Olympic Games,
- News interests,
- Bidding cities,
- Attitude towards (support/opposition) Istanbul's hosting the Olympic Games,
- Reasons for such support or opposition,
- Preparations needed for organizing the Games,
- Adequacy of Istanbul's sport and general infrastructure to host the Games,
- Perceived positive and negative impact of hosting the Games,
- Istanbul's bidding history,
- Level of interest in sports coverage by events/disciplines,
- Active participation in sports.

#### • Area covered:

- Istanbul,
- Turkey (urban).

#### • Date:

- November 2000.
- Samples and respective sample sizes:
- Turkey: 1002,
- Istanbul: 815,
- Turkish youth (14-22 years of age): 501,
- Amateur athletes: 212.

### • Results revealed that:

- 88 percent of Turkish public,
- 89 percent of Istanbulites support Istanbul's bid to host the Olympic Games.

# Appendix V

# 1995 Master Plan of Istanbul

