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Ethnic Entrepreneurship in Istanbul, Turkey



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Table of Contents

Foreword.....	4
1. Introduction.....	5
2. Background information of the city.....	8
3. The urban economy in general.....	11
3.1 Historical development of urban economy.....	13
3.2 Main industries and services.....	13
3.3 Size and characteristics of the workforce.....	15
3.4 Development of small and medium sized businesses (SMEs).....	17
3.5 Sectoral and spatial distribution of SMEs.....	18
3.6 Recent changes.....	22
4. Profiles of ethnic entrepreneurship.....	24
5. Rules and regulations, policies.....	30
5.1 Overall strategy, objectives and dimensions.....	30
5.2 Main actors, targets and institutions.....	32
5.3 Access and involvement in policymaking.....	34
6. Other.....	35
6.1 Good practices.....	35
6.2 Summary and conclusions.....	35
6.3 Interview partners.....	36
6.4 References.....	37



List of Tables and Maps

<i>Map 1: Ratio of Istanbul-born inhabitants (%)</i>	10
<i>Table 1: Sectoral distribution of those employed in Istanbul and Turkey (2008-2009)</i>	Fehler! Textmarke nicht definiert.
<i>Table 2: Self employed and employer in non-agricultural sector (2009)</i>	144
<i>Table 3: Professional status and gender of the working population (2000)</i>	Fehler! Textmarke nicht definiert.
<i>Table 4: Educational level of the employed</i>	15
<i>Table 5: Firms with insured workers according to sectors in 1996</i>	16
<i>Table 6: Insured workers according to sectors in 1996</i>	16
<i>Table 7: Sectoral distribution of MSEs in Turkey in 2006</i>	18
<i>Table 8: Istanbul firms according to sectors and no. of employees (ISO 2006)</i>	19
<i>Table 9: Registered industrial firms and No. of employees by sector (ISO 2006)</i>	20
<i>Table 10: Organized Industrial Zones in Istanbul in 2008</i>	21
<i>Table 11: Sectoral distribution for one of the OIZ (2008)</i>	22
<i>Table 12: Number and status of ICOC members registered by years</i>	34



Foreword

European cities, in particular major cities with strong economies, attract immigrants from all over the world. As a result, urban population has become increasingly heterogeneous. The multi-ethnic, multicultural and multi-religious structures of urban society are, on the one hand, an opportunity for cities. On the other hand, heterogeneity challenges a city's ability to maintain peaceful and productive relations among the different segments of the population. For this reason, cities have a genuine interest in successful local integration practices. Reflecting this, the Congress of Local and Regional Authorities of the Council of Europe (CoE), the City of Stuttgart and the European Foundation for the Improvement of Living and Working Conditions ('Eurofound') formed the European network of 'Cities for Local Integration Policies' (CLIP). This network, launched in 2006, brings together about 30 European cities in a joint learning process: through the structured sharing of experiences, the network aims to enable local authorities as well as national and European policymakers to learn from each other and, thus, pursue more effective integration policies for migrants at a regional, national and European level. The learning process is accompanied by researchers from six academic research centres.¹ To gather the necessary information for the common learning process, the CLIP team applies a mixed method approach; the data are collected through a standardised common reporting scheme to be filled in by city officials, statistical data as well as qualitative semi-standardised interviews with local experts. Based on this information, the research teams or the researcher produce(s) a case study on each city – as this report on ethnic entrepreneurship in Istanbul.²

This report could not have been written without the support of the local actors, particularly Ms. Zehra Taşkesenoğlu from Zeytinburnu Belediyesi, Mr. Cevat Yaman and Mr. Dr. Lütfü Özşahin from Istanbul Büyükşehir Belediyesi and Mr. Ulaş Akın from

¹ The Institute for Migration and Ethnic Studies (IMES) in Amsterdam, the European forum for migration studies (efms) in Bamberg, the Centre for Migration Policy Research (CMPR) in Swansea, the Forum of International and European Research on Immigration (FIERI) in Turin, the Institute for Urban and Regional Research (ISR) in Vienna and the Institute of International Studies (IIS) in Wrocław.

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İstanbul Metropolitan Planlama (İMP), which is the planning unit of the Istanbul Metropolitan Municipality. They advised me on collecting the necessary data, provided valuable comments for the study and suggested names of persons to be interviewed, such as those representatives of the city and governmental institutions, the local migrant organizations, chambers, members of universities and social scientists as well as ethnic/migrant entrepreneurs. I would like to thank all those who have cooperated in providing valuable resources for this report.

PD Dr. Lale Yalçın-Heckmann

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1. INTRODUCTION

Metropolitan cities can be depicted as being the center of attraction for economically mobile populations from close and distant peripheries and for offering possibilities for economic livelihood and services of diverse kinds to a large urban peripheral area. Istanbul, as one author notes, has been a world and global city in this sense all the time (Keyder 2000). Its diversity in urban population and dynamism in economic structures render the city ideal for entrepreneurship of all kinds. As the fourth module of the CLIP network is about ethnic entrepreneurship, we endeavor to examine entrepreneurs of small and medium sized enterprises (SMEs) and to come to plausible conclusions about the nature of ethnic entrepreneurship within the SMEs in Istanbul. We shall review the role of policy interventions in the process of emerging SMEs and consider how these policies might possibly affect ethnic entrepreneurs. Similar to the approach taken in CLIP Module 3, this module takes the internal migrants to the metropolitan city of Istanbul as the main group to be focused on and the ethnic or regional background of these migrants will be of secondary importance in comparison to their being migrants to the city. Wherever possible, ethnic entrepreneurs with international migration experience will also be



considered, even if among the overall population of international migrants to the city,³ the number of entrepreneurs is estimated to be very small.

The aim in this module is in general to assess the desire of municipal, national and European governments and third sector institutions to create an environment conducive to setting up and developing small and medium sized enterprises in general. Secondly this study within this module will illustrate how existing local policies lack awareness of or are not geared to reckon with ethnic differences among entrepreneurs. The institutions mentioned above do not have any specific policies concerning the ethnic belonging of the entrepreneurs or of enterprises. Hence it is worthwhile considering the consequences of this ‘lack’ or ‘unawareness’ on the part of policies, for entrepreneurs’ own strategies of establishing and developing SMEs. Ethnic entrepreneurs are invisible, even if they exist, as one interview partner has commented. This report will therefore attempt to explore and illustrate the effects of the invisibility of ethnic entrepreneurs, especially from the perspective of local governmental and non-governmental policies, even if the latter do acknowledge the need for integrating migrant populations into the urban society and structures of Istanbul. These policies of integrating migrant populations into the metropolitan city, as has been explained in Module 3, are primarily for social support, for assisting disadvantaged groups of the poor, the marginalized (e.g. street children) and the less qualified or uneducated (e.g. educating and training migrant women and children). Even if these policies indirectly influence the education and qualification of the potential migrant labor force to work in SMEs, they are not directly related to assisting the establishment of migrant and/or ethnic enterprises, which we shall discuss below. Finally, the role of some NGOs, such as the *hemşeri dernekleri* (associations for regional solidarity groups) will be illustrated, since these organizations act as buffer mechanisms for migrants to the city from various parts of Turkey and for Turkic migrants from abroad. Such organizations usually offer information, social support and contact networks for individuals and families and are often the meeting place of such immigrants. They,

³ The proportion of immigrants from abroad was, according to the population census of 2000 for the whole of Turkey, only 0.38% of the total population.



then, could be seen as having a latent role for migrant entrepreneurs to be informed about and socialized into the urban economic life.

A. Characteristics of urban economy:

The role of SMEs in general and specifically in Istanbul's economy has been considered to be very high since the 1980s, yet the structure and spatial distribution of SMEs within the urban economy has been going through some changes since then. Istanbul's economy is on the whole characterized with dynamism and growth and SMEs play an important role in making the city a national center of economic growth and change as well as a global city.

B. Profile of ethnic entrepreneurship:

Istanbul owes its rate of population growth to being the city of migration rather than natural growth. Migrants to the city come from all regions of Turkey, even if some regions are prominent in this migration flow. Recent international migration to the city is small and economically marginal, especially in terms of ethnic entrepreneurship.

SMEs can be seen as the major actors and enterprises offering internal migrants employment as workers and eventually offering them the environment (in terms of economic and social capital) and encouraging some of them to develop careers as entrepreneurs. Hence SMEs are vital to the economic livelihood of migrants to the metropolis, often as the first step to employment as well as plausible models for fulfilling the 'dream of migrants' (e.g. economic success) by becoming entrepreneurs.

C. State and non-state rules and regulations governing the SMEs:

These are the same for all, including migrant or non-migrant entrepreneurs. Migrant entrepreneurs might have some special characteristics of networking, which we shall examine below, but otherwise the rules and regulations for SMEs do not differentiate between those coming from outside and those who are already there, since the dynamic demographic structure of migration to Istanbul and how migration is formally accounted for does not take such a differentiation into account. Furthermore there is no clear



migration policy for registering or controlling internal migration flows and processes; therefore even if some city administrative bodies have started to offer some support programs for migrants to the city, especially after the intensification of EU access negotiations and policies, these are primarily for social support, for families and the socially marginalised, but not for those who may want to become or already are entrepreneurs.

2. BACKGROUND INFORMATION OF THE CITY

Even if Turkey is seen as the home country of millions of migrants in Europe, the Turkish Republic is also a country of high internal migration, especially since the 1950s, as a result of modernization, mechanization of agriculture and economic development. Istanbul has been a major destination for this internal migration.

At the beginning of the last century, the Turkish history of migration was strongly influenced by the downfall of the multi-ethnic and multi-religious Ottoman Empire, the Balkan war during the years 1912-13 and the foundation of the Turkish Republic in 1923. These events had special consequences for Istanbul, the capital city of the Ottoman Empire as well. Murat Güvenç summarizes the population and urban development of Istanbul during the 20th century as follows:

In 1907 Istanbul's population was estimated to be 1.2 million. In the first population census of the Turkish Republic in 1927 Istanbul's population had gone down to 690 thousand people. It was not until 1950s that the city reached its population size of 1907. During the second quarter of the 20th century Istanbul was reduced to being a port city limited with its capacity to grow, as Ankara had become the political capital, the Second World War and the establishment of the Iron Curtain had limited the city's outer trade and economic links. As Turkey started increasing its population after successful eradication of epidemics and with improved public health, and made substantial developmental steps with agricultural mechanization, state supported industrialization and with state planned economy, Istanbul became the destination of migrants. This caused the transformation of the city from the 1950s onwards to expand and extend instead of growing through a systematic urban transformation from below. The city has been described for this quarter as a city of *gecekondu* (irregular and low quality housing), street sellers (in Turkish, *işporta*) and *dolmuş* (private public transport, sometimes also called collective taxis). In the fourth quarter of the 20th century, relatively liberal economic changes, politics of party patronage,



decentralization policies, major changes in transport, infrastructure, energy and public housing caused substantial changes in its urban structures. The *dolmuş*, *işporta* and *gecekondu*s, typical of the former decades, no longer dominate the city's contemporary urban image and fabric. Since the 1980s Istanbul contains no more the traditional industries producing for national markets alone, but has reduced the industrial sector in favor of services and banking sector, increased its white-collar population, spread the economy and labour to the integrated surrounding areas and hence has become a global economic capital, increasing its population from about a million in 1950 to over 13 million in 2009. (2009: 7-8; see also Tekeli 2009)

Another dimension of change during the 20th century Istanbul has to do with its ethnic and national composition: When Istanbul was a cosmopolitan city with only 65% of the population being Muslims in 1927, during the following quarters there was an increased homogenization and nationalization of the population structure.

In 1935 70% and in 1950 84% were Muslims. The number of Greeks in the city fell from 90,000 in 1927 to 75,000 in 1935, then to 70,000 in 1945 and 62,000 in 1950. Similarly the number of Armenians was 45,000 in 1927, and then fell to 39,000 in 1935. In 1945 Armenians in Istanbul came up to 43,000 and in 1950 40,000. The Jewish population of Istanbul was about 39,000 in 1927, 26,000 in 1935, 31,000 in 1945 and 26,000 in 1950. When one considers the population increase in this period, the decrease in population becomes even more striking (Tekeli 2009: 25).

The change in the population composition during the end of the 19th and the first quarter of the 20th centuries is strongly associated with the process of the dissolution of the Ottoman Empire, the war years and the foundation of the Turkish Republic. Towards the end of the Empire due to Russian-Ottoman and Balkan Wars a large number of Muslims immigrated into the Ottoman Empire and later into the Turkish Republic. This period is also characterized by ethnic cleansing and deportation policies of many non-Muslims, as we have seen in the figures for Istanbul above. Some of the change occurred through national and international agreements of population exchange like those in early 1920s, but also due to occasional anti-minority sentiments among the population in the 1950s and 1960s.

Further historical comparisons of Istanbul born household heads and those household heads born outside but living in Istanbul are also telling: In 1907 only 40% of Muslim household heads with permanent residence in Istanbul were born in Istanbul. In 1985



been questioned for the first time on the reason for their migration and the analysis of the details of these data still waits to be published. According to the 2009 Master Plan (İstanbul Çevre Planı 2009: 189) Istanbul receives the highest migration from the western Black Sea region, then from the eastern Black Sea Region and finally from the Southeast of Turkey.

3. THE URBAN ECONOMY IN GENERAL

Istanbul is located in the north-west Marmara Region of Turkey. The southern Bosphorus divides the city on two continents - the western European portion of Istanbul, and the eastern Asian city districts. The municipality boundaries cover 1,830.92 km², while the metropolitan region (Province of Istanbul) covers 6,220 km². The northern areas towards the Black Sea coasts are covered by extensive forests, which are protected as natural resort. They serve as recreational areas and provide important water sources for the metropolis.

Istanbul as a global city has a very large share in Turkey's economy. According to State Statistical Office's figures, Turkey had 102,109 million US Dollar worth of exports in 2009, Istanbul's share of exports was more than half of this amount (55,541 million US \$). The volume of imports in the same year for the whole of Turkey was 140,926 million US\$; Istanbul's share was again more than half of this amount (78,739 million US\$), even if these figures were both declining since 2007 for Turkey and Istanbul.⁴ Also Istanbul's sectoral share of Turkey's wealth in 2006 was in industry 28.4, in services 31.1, and gross value added (GVA) 27.5, when Turkey=100; the highest compared to all other regions and provinces of Turkey.⁵ Similarly Istanbul's share in both the sectors of industry and services to gross value added in 2006 was above Turkey's average.⁶ Finally

⁴ *Turkey Statistical Yearbook 2009*, Table 16.8 (Turkey's exports and imports by SRE –Statistical Regions-2007-2009), accessed from (www.tuik.gov.tr) on 15.05.2010.

⁵ *Ibid.*, Table 21.21 (Share of the regions by sectors, 2006).

⁶ Turkey in 2006 had GVA=100, Industry=28.2, Services=62.4, Istanbul had in the same year Industry=29.1, Services=70.6 and GVA=100. (*Ibid.*, Table 21.24, Sectoral share of gross value added, 2006).



the share of Istanbul in budget revenues has been 43.1% compared to all the other Turkish cities of 56.9%.⁷

In 2008 Istanbul had 39 districts with population ranging from ca 14 thousand (Adalar) to some 720 thousand (Bağcılar). Its total population was over 12 million with 1% annual rate of increase. In 2007 over 3 million persons were in the age group of 0-14, i.e. in schooling age and over a million persons were of the 60+ age group. Although Istanbul is similar to other urban metropolis, with its rapid yearly migration (100-200 persons per 1000 people per year) and growth rates and the population density (1,928 people/square kilometers in 1999) it can be seen to have an exceptional situation in Europe (see İstanbul Çevre Planı 2009: 35).

The burden on the city with its rapid growth and being the center of internal migration has been a well known issue and a concern to politicians as well as urban planners, social scientists and economists. The urban planners for instance have been suggesting to ‘out-source’ some of the activities in the metropolitan area and distribute it to and reorganize its immediate surrounding Marmara regional area (see İstanbul Çevre Planı 2009). The urban planners favor a distribution of the functions of the metropolitan city to the surrounding area and integrate the surrounding area also better into Istanbul’s economic, demographic and urban structures.

Industrial activities have long been attracted to the Marmara region and in particular to Istanbul, as it places them at the centre of largest market in the country with an abundance of cheap labor, easy access to raw materials, technical infrastructure and social facilities. Concurrently, however, agglomeration economies have moved in favor of a more decentralized economic model structure (Istanbul Master Plan Summary 2007, p. 10). Currently 60% of the industrial production takes place in the European side of Istanbul and 40% in the Anatolian side (İstanbul Çevre Planı 2009: 220). 25% of the production in the European side is in textile and textile retail industry (İstanbul Çevre Planı 2009: 222).

⁷ Istanbul Chamber of Commerce, *Social and Economic Indicators of Istanbul*, Publication No. 2009-46, p. 30.



3.1 Historical development of urban economy

Throughout the 1980s, industrial decentralization has been a key policy objective aimed at providing a more balanced approach to development throughout the country. Therefore, Istanbul Master Plan proposes to improve the structure of the industrial sector in Istanbul by stimulating innovative and high value-added industries. This would increase the competitiveness of the sector, while rehabilitation and reorganization strategies should be developed for the existing industrial activities. In this respect, Istanbul is seen to have recorded a noticeable increase in the service sector, which is also expected to continue in the future (Istanbul Master Plan Summary 2007, p. 11).

3.2 Main industries and services

In terms of the sectoral distribution of those employed (and above 15 years of age) in Istanbul and Turkey is as follows:

Table 1: Sectoral distribution of those employed in Istanbul and Turkey (2008-2009)

	Year	Industry (including construction)	Services
Turkey	2008	26.8%	49.5%
	2009	25.3%	28.7%
Istanbul	2008	40.1%	59.5%
	2009	37.9%	34.8%

Note: These figures exclude the trade sector.

Source: TUIK, *Bölgesel Göstergeler, TR-10 Istanbul 2009*, Table 2.32.

The Statistical Office gives the following figures for those trading companies established in 2009: for Turkey this figure was 44,050, for Istanbul it was 15,182, meaning that nearly one third of newly founded trading companies were in Istanbul.⁸

As for the employment situation of those who worked (and were 15+ in age) in 2009, the figures provided by the Turkish State Statistical Office concerning self-employed and employer in non-agricultural sector might help to estimate the number of entrepreneurs in general:

⁸ TUIK, *Bölgesel Göstergeler, TR-10 Istanbul 2009*, Table 3.6.



Table 2: Self employed and employer in non-agricultural sector (2009) (in thsd.)

	Year	Waged/salaried labor	Employer/self-employed	Unpaid family labor
Turkey	2008	12,503	3,257	417
	2009	12,304	3,265	454
Istanbul	2008	3,174	708	27
	2009	3,207	659	27

Source: TUIK, *Bölgesel Göstergeler, TR-10 Istanbul 2009*, Table 2.35.

This means that one fifth of all Turkey's employers and self-employed and one fifth of waged or salaried laborers are in Istanbul.

Istanbul Chamber of Commerce has the following figures concerning the professional status and gender of the working population in Istanbul in 2000:

Table 3: Professional status and gender of the working population (2000)

2000	Turkey		Istanbul	
	Male	Female	Male	Female
Employee	9,024,700	2,289,330	1,963,247	673,127
Employer	592,563	84,753	188,046	19,029
Self-employed	4,664,344	564,147	335,130	29,465
Unpaid family work	2,283,709	6,491,303	86,797	176,205
Other	2,089	203	327	27
TOTAL	16,567,405	9,429,736	2,573,547	897,853

Source: *Social and Economic Indicators of Istanbul*, Istanbul Chamber of Commerce, Publication no: 2009-46, p.13.

Here one sees that in 2000 nearly one third of Turkey's employers were in Istanbul. When one looks at women employers, over one fifth of Turkey's women employers were also in Istanbul. The category of self-employed is difficult to interpret here, but it is very likely that the majority of SME owners are counted as self-employed.

Of the economically active population in 2000 in Istanbul, men were represented the strongest in manufacturing, trade and community services and women were represented



strongest in manufacturing, community services and trade. Moreover when compared to Turkey in general, nearly one third of women occupied in trade were in Istanbul.⁹

3.3 Size and characteristics of the workforce

In 2009 Turkey had officially 14% unemployment, in Istanbul this figure was 16.8%; of those above 15 years of age in Istanbul 38.8% were employed.¹⁰

The educational levels of the employed have been presented in official statistics as follows:

Table 4: Educational level of the employed (in thousand)

	Year	Total	Illiterate	Less than lycée	Lycée educated	University educated
Turkey	2008	21,194	960	12,525	4,568	3,140
	2009	21,277	1,002	12,563	4,392	3,321
Istanbul	2008	3,923	30	2,114	960	819
	2009	3,726	31	2,021	874	800

Source: TUIK; *Bölgesel Göstergeler, TR-10 Istanbul 2009*, Table 2.34.

The problem of non-insured workers and the unaccounted character of labour conditions in many firms is endemic in Turkey. Hence, when one looks at the number of insured workers and their distribution according to different sectors of production, trade and services, the following comparisons for Turkey in general and Istanbul in particular are available. In 1996 the firms with the highest number insured workers were ranked in the following sectors:

⁹ *Social and Economic Indicators of Istanbul*, Istanbul Chamber of Commerce, Publication no: 2009-46, p.12.

¹⁰ TUIK, *Bölgesel Göstergeler, TR-10 Istanbul 2009*, Table 2.31.



Table 5: Firms with insured workers according to sectors in 1996

	Sector		Sector
Turkey (total)	Wholesale and retail trade	Istanbul	Wholesale and retail trade
	Construction		Construction
	Personal services		Law, trade, technical services
	Law, trade, technical services		Ready-made clothing industry

Source: *Sayılarla İstanbul*, İBB, APK Daire Başkanlığı, Araştırma Md., 2001, p. 227.

In terms of the highest number of insured workers and their distribution according to different sectors, the following comparative picture emerges.

Table 6: Insured workers according to sectors in 1996

	Sector		Sector
Turkey (total)	Construction	Istanbul	Wholesale and retail trade
	Wholesale and retail trade		Ready-made clothing industry
	Personal services		Law, trade, technical services
	Law, trade, technical services		Construction

Source: *Sayılarla İstanbul*, İBB, APK Daire Başkanlığı, Araştırma Md., 2001, p. 227.

From this comparison, we can see that although in terms of numbers of insured workers, the construction industry scores highest in Turkey, it scores the lowest in Istanbul. Here the highest score goes to wholesale and retail trade, and secondly to ready-made clothing industry, which comes fifth in Turkey's overall ranking. Furthermore, more than half of the insured workers in Turkey in the clothing industry were registered as working in Istanbul. And nearly 38% of all those insured workers in wholesale and retail trade in Turkey were working in Istanbul. The number of those insured workers in the transport sector was also high in Istanbul; more than one fourth of these workers were working in Istanbul, although only one sixth of such firms were in Istanbul. On the whole, then, one can say that Istanbul draws a large number of insured workers and enterprises employing these and there is a concentration of such sectors like wholesale and retail trade (one third of firms – with insured workers - in Istanbul), clothing industry (more than half of these firms in Istanbul) and transport.



3.4 Development of small and medium sized businesses (SMEs)

Small and medium sized enterprises (SMEs) in Turkey have been assessed to account for over 75% of employment in Turkey in mid 2000 and they have been a consistent contributor to the national economy both in employment and value-added¹¹ since the 1970s. In a representative study, covering all sectors except for agriculture and carried out between 2001-2004, enterprises engaging up to 50 people were studied; there the share of such micro and small enterprises (MSE) among the country's total non-agricultural enterprises was found to be 96% (Özar 2006: 40). The author, critically reflecting on the attitude of international organizations like the OECD and EU, points out the role of SMEs as being perceived as 'the engines of growth in the economy', that they possess innovative capabilities for competitiveness in global markets (Ibid.: 11; see also Özar 2009). The study which was carried out during the years of Turkey's serious financial crisis deals with the role of entrepreneurs, the sustainability of such enterprises under duress, and estimates their strength on the basis of low rate of closure, exploring how MSEs were able to continue their existence even in times of economic crisis. The author's conclusions are significant, especially in terms of the role of entrepreneurs and the false expectations concerning the sustainability of such enterprises:

Contrary to the commonplace view, low demand and high competition do not lead to a fall in the entry of new enterprises to the market. Evidently, under the conditions of high and persistent unemployment, the failed entrepreneurs have no choice but continue with their business or start new enterprises that are likely to be unsuccessful too. Survival of such enterprises is maintained by the conduct of the entrepreneurs himself/herself in the market place rather than by the economic functioning of the enterprise or its engagement in any kind of productive activities. (Özar 2006: 29)

Şemsa Özar seeks the explanation for the sustainability of SMEs within the urban economic system in the particular quality of entrepreneurs, which match well with the qualities of migrant entrepreneurs as well:

¹¹ Value added is 'the difference between production (or output) that is assimilated to total sales revenues ... and intermediate consumption which is comprised of raw materials and purchase of goods, energy consumption and other expenditures' (Özar 2006: 15).



The system is generally based on the personal ability of the entrepreneur to start-up a business usually from scratch. Entrepreneurs of failed enterprises usually point to the lack of information on the nature of their businesses. Such enterprises could only survive in the market by engaging in self-exploitation, exploitation of the family labor as well as hired labor. (Özar 2006: 29)

With this comment the author indicates the dilemma of assessing the value of SMEs in terms of their role in integrating the urban poor and the disadvantaged sections of the urban population into the economy and that SMEs could also be seen as a sign of the failure of the economy in providing these people with productive jobs (Ibid.).

3.5 Sectoral and spatial distribution of SMEs

Within the development of SMEs the trade sector has been dominant: Özar notes that from 1970 to 1992 MSEs accounted for 98% of the total trade sector (2006: 27). One field of vulnerability of the SMEs has to do with the nature of their structural connectedness with macro-economic conditions: during the 2001-2004 economic crisis, for instance, SMEs producing for the larger industries such as the construction sector were more effected by it than those in the automotive industry, as this larger industry was less effected by the crisis itself.¹² Özar gives the sectoral distribution of MSEs for the whole of Turkey, according to the representative survey she has done for the Economic Research Forum, as follows:

Table 7: Sectoral distribution of MSEs in Turkey in 2006

Economic activity of MSE	Percentage of total
Manufacturing	19.3
Construction	2.5
Trade	56.4
Hotels/Restaurants	10.7
Other services	11.1
TOTAL	100.0

Source: Özar 2006: 31

¹² Turkish Ministry of Industry and Commerce reports for instance that the SMEs in automotive industry were better off than the large enterprises in 2004 and 2005 in using their full capacity (T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008, p. 122, Table 96). This factor of SMEs being more dependent on the type of sector than the scale is also supported by other authors, such as Murat Güvenç (2009) who has been working on the sectoral and spatial developments of enterprises in Istanbul.



The distribution of the size of enterprises changes according to sectors as well. Özar’s study shows for instance that ‘while the share of the manufacturing sector increases with size, the share of trade sector falls’ (2006: 31f). Furthermore, of all MSEs with 1-2 employees, the share of trade sector is above 60%, i.e. at least 60% of MSEs with the size of 1-2 employed people are in trade sector; suggesting that these are mostly small retail shops in urban neighborhoods.¹³ Another significant indicator concerning the MSEs according to Özar is the gender difference among the entrepreneurs, such that the MSEs favor male entrepreneurs: “Contrary to the situation in other developing countries of Africa and Latin America where large numbers of MSEs are owned and operated by women, [her] results show that, in urban Turkey, only 6.1% of the MSE entrepreneurs are women. The share of women entrepreneurs is proportionately higher in manufacturing and service sector than in other sectors” (Özar 2006: 32).

Istanbul Metropolitan City Planning and Ministry of Industry and Trade have been planning and organizing since the early 1980s industrial zones for the development of SMEs in these urban peripheral areas. Istanbul Chamber of Industry (İSO, *İstanbul Sanayi Odası*) notes that after trade, industry is the second most important economic factor in Istanbul and states that of all the 11,170 firms and companies registered with their Chamber in 2006,¹⁴

Table 8: Istanbul firms according to sectors and no. of employees (ISO 2006)

Industrial Sector					No. of Employees				
Textile*	Machine Metal	Chemical	Food	Other	< or = 10	11-50	51-100	101-250	> 251
37.5%	54%	20.5%	5%	7.3%	36.4%	54%	10.2%	7%	3.4%

Source: T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008, p. 118.

* According to İstanbul Çevre Planı (2009: 264) 36% of all those enterprises in textile industry had 10-24 and 28% of them had 25-49 employees.

¹³ İstanbul Çevre Planı 2009 indicates, for instance, that 75% of services sector in Istanbul consists of micro enterprises with up to 9 employees (p. 232).

¹⁴ Here the Ministry explains that in fact the number of registered is firms is 16,280, but as they did not have all the necessary information on all the firms, data analysis has been carried out only on 11,170 firms.

This shows that among the members of the ISO 90% had employees up to 50 people, meaning that we are indeed talking about MSEs (instead of SMEs) as indicated above by Özar in this case.

In terms of employment figures in all firms, however, the number of registered industrial firms (of all sizes) and number of employees distributed according to different sectors was as follows:

Table 9: Registered industrial firms and No. of employees by sector (ISO 2006)

Sector/Branch	Number of firms	Number of employees
Textile/ready-made clothing	4,105	241,842
Food industry	585	42,570
Transport machines and parts	330	36,442
Construction material	320	24,175
Steel products	427	19,900
Leather products	407	12,975
Machines, repair parts and metal products	432	11,849

Source: T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008, p. 119-120

The table above shows that textile and food industries have both the highest number of firms and employees, followed by transport machines industry and construction material industry for employment and leather products and steel products in terms of number of firms in these sectors.

According to a publication of the Ministry of Industry and Commerce, SMEs were distributed to eight Organized Industrial Zones (OIZ), which we shall show below. The same publication of the Ministry of Industry and Commerce indicates that other than the OIZs in Istanbul, SMEs are spatially and with their specialization also organized into 20 small industrial settlements (*Küçük Sanayi Siteleri*). These latter contain 6,162 firms which employ 73,162 people and are distributed all over the metropolitan area (T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008, p. 101).



The following table shows the location of these Organized Industrial Zones (*Organize Sanayi Bölgeleri*) for SMEs and the details about their size, year of establishment and number of firms and employees.

Table 10: Organized Industrial Zones in Istanbul in 2008

	Location	Year of establishment	Area in hectares	Number of active firms	Number of employees
Dudullu*	Ümraniye	1995	265	2,316	31,100
İkitelli**	K. Çekmece	1986	700	24,000	139,738
Tuzla Leather	Tuzla	1982	689	723	13,000
Paint and varnish	Tuzla	2000	51	60	2,400
Mermerciler	Tuzla	2000	72	106	4,700
Chemical Industry	Tuzla	2001	74	128	2,863
Textile	Tuzla	2000	60	28	970
Beylikdüzü Copper and brass industry	B. Çekmece	2002	152	654	10,363

Source: Istanbul Chamber of Commerce, *Social and Economic Indicators of Istanbul, Publication 2009-46*, p. 19 and *T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008*, p. 103-114.

* Dudullu is cited as having 1,357 firms and 41,000 employees in 2000, according to *Sayılarla İstanbul, 2001*, p. 229.

** İkitelli is cited as having 30,000 firms and 70,000 employees in 2000, according to *Sayılarla İstanbul, 2001*, p. 229.

It should be then possible to say that the structure and rate of change of SMEs and their spatial distribution in Istanbul is very dynamic. From the two examples of Dudullu and İkitelli Organized Industrial Zones in Istanbul, one sees that in Dudullu between 2000 and 2008 the number of SMEs has increased, but the number of employees has declined, suggesting that the sectoral distribution of SMEs has changed or the SMEs have acquired additional equipment which led to lay-offs. Whereas in İkitelli, during the same period, the number of SMEs has declined (by one fifth), but the number of employees has nearly doubled. This could be explained either with the change of sector of SMEs in this zone or



that the SMEs have increased their labor force. This might also be an effect of the economic crisis mentioned earlier; that those smaller SMEs which could not survive the crisis have given their place to larger SMEs.

As an example, the Ministry of Industry and Trade's publication from 2008 gives the following sectoral distribution for one of the OIZ, İkitelli, as follows:

Table 11: Sectoral distribution for one of the OIZ (2008)

Sector/Branch	Percentage
Leather products, shoes, saddlery	30%
Machine, metal products and spare parts	30%
Textile, fabrics, ready-made garments	13%
Plastic products	10%
Car repair	8%
Furniture, timber products	7%
Other	2%

Source: T.C. Sanayi ve Ticaret Bakanlığı Yayın No. 183, 2008, p. 114.

The source also cites 37 cooperatives which use these facilities in İkitelli and mentions that although the Organized Industrial Zone was planned as part of the program for carrying SMEs away from the urban area, now it finds itself in the middle of the city (Ibid.: 103). All of these OIZs are reported to have the support of the national and municipal policies for transport, infrastructure, energy, logistics and other services.

3.6 Recent changes

Recent changes concerning the SMEs in Turkey have to do with definitional and hence policy implications for the SMEs. Many authors point out the inconsistency in the definition of SME and that these definitions do not always help to account for local and global concerns of SMEs and the economies they are functioning in (Istanbul Ticaret Odası 2008, Özar 2009). Nevertheless, definitions do exist and change and influence the policies concerning the SMEs. The most significant change in this effect is the taking over of the EU definition of SME in Turkey, which uses the criterion of the number of workers and the yearly turnover or sales revenues: SMEs are considered to have up to 250 employees and that their yearly sales revenues do not exceed 50 million Euros or their yearly turnover is not more than 43 million Euros. There is a further differentiation



of micro, small and middle size enterprises.¹⁵ The EU recommended its member countries to adjust their economic policies concerning the SMEs on the basis of this definition and after the Turkish government has been pulling through various structural adjustments as part of EU access protocols, a regulation which was passed in 2005 took over the EU definition.¹⁶ It is according to this definition that economists and specialists declare 98% of Turkey's firms consisting of SMEs, and that they account for 65% of employment, 28% of total investments, 40% of total production and 35% of value added.¹⁷ Özar (2009) critically comments that the promotion of the SMEs and improving their competitiveness is also politically linked to the restructuring of the state owned enterprises, where the government is under pressure from the EU accession agreements for slimming down the state owned firms and encouraging the private sector.

There are, therefore, numerous recommendations about how to improve the integration of SMEs into national and global economies; **yet none of these recommendations mention the ethnic origin of the entrepreneur or of the employees or any possible ethnic networks of SMEs.** Therefore, it is hardly possible to deduce directly from the discussions on SMEs whether these are all relevant for ethnic entrepreneurs and their businesses. In this report, therefore, we focus on ethnic entrepreneurs' own statements and views concerning whether SMEs are strategies of survival, accumulation and/or growth for them.

Özar's study on MSEs (micro and small enterprises) has been carried out during the economic crisis years in Turkey, hence reflects the problems of urban small and micro sized enterprises in early 2000.¹⁸ Moreover the author examines the dynamics of growth of SMEs comparing the period of start-up and 2001, the survey year. She assesses the

¹⁵ Istanbul Ticaret Odası, Yayın No: 2008-23, 2008: 33-36.

¹⁶ Istanbul Ticaret Odası, Yayın No: 2008-23, 2008: 147. Turkish definition also is based on the number of employees being up to 250 and the yearly sales revenues or turnover not exceeding 25 million YTL.

¹⁷ Istanbul Ticaret Odası, Yayın No: 2008-23, 2008: 3. See Özar (2009) for a critical evaluation of the low value added of SMEs. She argues that there is a significant fall in productivity between the first group of 500 top industrial enterprises (of which the very few are SMEs) and the SMEs in the second group of top industrial enterprises in Turkey. Furthermore she points out the SMEs are to a large extent dominated by large enterprises.

¹⁸ Özar (2009) notes that although the 2001 economic crisis affected the SMEs adversely, there are no reliable data on the actual number of SMEs which had to close down.



sectoral differences as well as differences rising out of the orientation of the entrepreneurs. Even if the enterprises do not constitute a homogenous group, the differences among the entrepreneurs seem to be more significant than the sectoral differences. “It is necessary to make a distinction between MSEs that are being started as survival activities of a person who has no other choice but earn his/her living by doing business on the one hand, and the entrepreneurial and forms of business proprietorship which differ in their orientation to capital accumulation. (...) Proprietorship offers employment and may open possibilities for raising, at least to some extent, the living standards of those who cannot find jobs as wage/salary earners. But they offer little in developing innovative products and in generating dynamic economic growth” (Özar 2006: 39).

The general picture of SMEs in Turkey is portrayed to be one of “high number of turnover, start-ups and close downs” and that “these enterprises are likely to be engaged in activities responding to existing or potential demand for a good or service rather than for longer term capital growth” (Özar 2006: 39).¹⁹

4. PROFILES OF ETHNIC ENTREPRENEURSHIP

In this study the ethnic entrepreneurs are found to be primarily among the internal migrants to the city of Istanbul. There are, however, some exemplary studies on international migrants to Istanbul who also became entrepreneurs. One of them is summarized in the case study of Neri Karra et.al., who studied a successful ethnic enterprise of Bulgarian Turks in Istanbul. Ethnic Turks from Bulgarian had a massive emigration to Turkey, primarily to western Turkey, Istanbul and Bursa in the year 1989. Between June and August of that year more than 360 thousand ethnic Turks from Bulgaria arrived in Turkey (Karra, Phillips and Tracey n.d., Kaşlı and Parla 2009). Some of these migrants returned back to Bulgaria after the fall of the socialist regimes in the Eastern Bloc. Their migration experience, however, came to be also intrinsically integrated into the new postsocialist economic trade and circular migratory movements

¹⁹ Murat Güvenç notes that in 2009 228 thousand firms were registered with Istanbul Chamber of Commerce (ITO), 200 thousand of them had been existing for less than three years (Interview on 20.03.2010).



between Turkey and other former socialist especially neighboring countries. Two main sectors have been established as primary economic activities of these migrants from former socialist countries: one was the suitcase trade (Yükseker 2003), practiced by many especially women, arriving initially to the border towns like Trabzon and Ağrı, but also to major metropolis of Istanbul by bus or airplane. This trade has been recently assessed to have declined since 2000 but the trade links to the former socialist countries remain, even if not anymore dominated by ‘suitcase or shuttle trade’. The second major economic activity of these migrants has been and continues to be as laborers in the services sector, primarily as household help in Istanbul’s middle and upper class families, taking care of the household, children, the old and the ill (see Akalın 2007, Keough 2004, Salomoni 2010).

Ethnic entrepreneurship among the Bulgarian Turks has been studied by Karra et.al., with the example of the firm Neroli, which has apparently grown out of the experience of the former luggage/suitcase trade of mainly leather goods produced in Turkey. The founder of the firm C. arrived in June 1989 and “as a Turkish Bulgarian, he was in an ideal position to build on his knowledge of the Turkish language and culture, and his knowledge of Russia and the former Soviet Union, to forge an ethnic network to support his new venture” (Karra et.al. n.d.: 15). Realizing that his former profession of welder will not help him earn his living in Turkey and provide his children his children with good education and life style, he came to the conclusion that: “The only option [he] had was to create something, have my own business ... do something on [his] own” (cited in Karra et.al., n.d.: 16). He went back to Bulgaria, sold his remaining assets and went to Eastern Europe and Russia to observe the market and decide about profitable goods for sale. After trying out the trade of some construction material to Russia, he decided on leather goods for Russian women, especially leather bags. Karra et.al. describe the founder entrepreneur’s next steps as follows:

Upon his return to Istanbul, he got in touch with a Turkish Yugoslavian acquaintance whom he had met years ago while vacationing in southern Bulgaria. He was an owner of a moderately successful leather factory manufacturing Jenni branded leather fashion goods for the local market. Since C. was not familiar with the Turkish market and its regulations, and he did not have enough capital to start up his own business, he

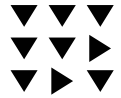


offered his friend a partnership that consisted of opening a small shop in the luggage trade area that was attracting many post-socialist consumers and entrepreneurs. The owner of Jenni agreed on the condition that C. would only own ten percent of the store and would demand no percentage of the Jenni products sold. Although this does not seem like a very exciting offer in retrospect, it was a great opportunity for an immigrant who had neither capital nor any knowledge of the Turkish market. C. asked his wife to join him in the store, as majority of the luggage traders were women and he anticipated that it would be much easier to gain and retain customers if they “worked hand in hand” as husband and wife. (Karra et.al. n.d.: 17)

Karra et.al. show how the founder entrepreneur was able to use his ‘cultural’ advantage of establishing trust networks with his customers. After offering the potential customer to come in only for ‘homeland coffee’, and socializing with them by taking them out to dinner, attending birthdays and drinks, hence exploiting his position as a cultural broker, he also used his ‘cultural knowledge’ about Russia and the Eastern Bloc for extending credit relations to his potential customers, unlike many Turkish traders who were hesitant to sell their products to unknown traders from Russia only on credit. C’s partner, a Russian trader explains his own reasons for working with C. as follows:

The luggage trade area at the time consisted of cheap, but bad quality products. People who were coming from Russia to the area would not have much money and that’s the type of products they could only demand. Jenni products were ten times more expensive among the leather goods being sold in the area. Not one of the Russian consumers would have been able to buy them if it was not for C. who trusted us and allowed us to buy the goods in advance. This is how I, like many other customers working with C., was able to start business too...Before C., I worked with insignificant small shop owners who would never allow me to buy anything in advance. (Karra et.al. n.d.: 17)

As C.’s brand became successful, he chose among his former customers to be main distributors in Russian cities instead of having all different customers come to Istanbul to buy the goods. This was the stage of selling Jenni products now from stores in Russia with the brand name, instead of on the streets. Through this success C. was able to cooperate and draw the attention of other leather producers in Istanbul who were now willing to work with him as a business network. Some of these other producers were also



organized loosely as ethnic networks, e.g. migrants from Macedonia to Turkey, who also possessed the social and cultural capital of dealing with early Russian traders and customers. Karra et.al. explain the next stage of the business network of C. as follows:

This level of understanding and cooperation led to the formation of a highly successful distribution network. C. used this network to enter the market with his own brand, Neroli, which he created after disagreements with the owners of Jenni about the future of the brand. The owners were reluctant to invest in the brand, and expand into more countries. (Karra et.al. n.d.: 18)

C. explains his difference from the Turkish owner of the Jenni brand in terms of lacking innovative motivation and willingness to risk, accusing him of being a man of ‘9 to 5 o’clock’ mentality. Such differences in business style and motivation apparently led C. to create his own business and brand. Karra et.al. write that the two brands still ‘operate in the same market using the same distribution network, [but] their marketing strategies remain distinct’ (Karra et.al. n.d.: 19). C. apparently has feelings of loyalty to the owner of the initial company Jenni, and similarly such feelings of moral obligation and loyalty seem to dominate the relations between the distributors and the partner companies; C.’s personality and integrity, according to the authors, plays an important role in the trust relations between the original companies and the distributors, such that one distributor claims she would buy anything C. sells: “If C. sells X brand, I will have that in my store. If one day, he sells clothes, I will sell that. I trust him. He is a good businessman...Good person” (Karra et.al. n.d.: 20).

Karra et. al. describe the next stage of Neroli firm as being one of structural limitations to growth even if “after just ten years, the Neroli network (including outsourced production, in-house production, distribution and retail) has grown to incorporate about 750 people and 77 stores in Eastern Europe, Russia and its former Republics” (Karra et.al. n.d.: 20). They argue that despite this successful expansion and growth as a firm, “the reliance on ethnic ties began to inhibit the development of the network in some important respects” (Ibid.). The limitations came from the same ethnic ties which have been an advantage to the business; C. complains about his own lack of English as the language for international trade and that he finds it difficult to find suitable and competent network members outside his own ethnic network, even if he claims ethnicity is not an important criterion



for him. He feels he is lacking the cultural and linguistic capital to expand to North American markets, even if he apparently made successful expansion to the UK.

Karra et. al. summarize the success of Neroli in using ethnic ties in networking as follows:

Neroli's development trajectory over the past five years has been remarkable. With limited resources and industry experience, C. has established the network in nine countries, with combined sales of almost 700, 000 units per year. This feat is even more impressive when one takes into account the backgrounds of network members – like C., they were most often Balkan immigrants who were new to the fashion industry and had little business experience or personal wealth on which to draw. (Karra et.al. n.d.: 21)

Karra et.al. explain the advantages of the ethnic entrepreneurial network in the fields of a) enabling access to resources, b) establishing trust relations within the network, and c) enabling the emergence of a strategic group identity, which is based on understanding the logic of other members' decision-making, rather than straightforward or initial sharing norms and values (Karra et.al. n.d.: 21, 25). These are explored in the rest of the study, which will not be cited here. What is interesting is the argument that **ethnic ties are not ties of blind altruism**, but it was a relationship which needed to be invested in and developed and that to many it might have looked outright risky in terms of business logic. These trust relations were not based on written contracts but were based on day to day interactions and decisions, which became mutually and reciprocally supporting. Access to capital or knowledge on trade was less important or significant compared to “the ability to develop these relationships ... to be a crucial strategic advantage for the network as it sought to expand throughout Eastern Europe” (Karra et.al. n.d.: 24). Despite all the international political tensions and common sense assumptions about the possible conflicts between ethnic Turks in Bulgaria and Russians from the former dominant communist country, here is how an ethnic Turkish Bulgarian member of the network explains the affinity between Bulgarian Turks and Russians as partners in trade:

We are very close and get along with Russian people... We have been through communism but not only that... During the communist times, Bulgaria was like 16th republic of Russia... We are born in Bulgaria, and this is where we had our personalities develop. No matter how much of



Turkish ethnicity we are, and no matter how long we live in this country, we will never change... We understand where they [Russians] come from, what they want, what they cherish. We have the same integrity.
(Karra et.al. n.d.: 24)

Karra et.al. find that three factors “inhibited the capacity of the network to enhance its competitive position and acted as constraints on its development”; these were a) membership lock-in, b) over-embeddedness and c) lack of competence diversity (Karra et.al. n.d.: 26). The first factor was due to retaining individuals “within the network beyond the point at which they have ceased to play a constructive role in its development and/or despite the emergence of a more effective alternative”; over-embeddedness is explained as “patterns of behaviour and interaction that were very entrenched, the result being that network members struggled to respond to deviations from established norms. This meant that relationships with potential partners who were not part of the same ethnic group often became strained as actions and decisions were misinterpreted” (Karra et.al. n.d.: 26). The third factor of limitation, lack of competence diversity was “because the network showed a strong preference for individuals with a shared ethnic heritage, and appeared better able to build relationships with them, the network did not always have access to the key skills necessary for effective performance in the leather goods industry” (Karra et.al. n.d.: 27). The authors further give examples for how these factors were limiting and damaging the expansion of the firm, which we will not get into here. The authors’ conclusions are striking, however: They argue that their case study “reveals that ethnic entrepreneurship may be far more ambitious and sophisticated than the extent literature suggests” and that “**the depiction of ethnic entrepreneurial ventures as small enterprises exclusively serving similar ethnic needs and tastes is an outdated stereotype**” (Karra et.al. n.d.: 32). The example shows that **ethnic entrepreneurs may well develop into large and non-traditional kinds of businesses**. Secondly, with respect to network relations, she suggests that “networks based on ethnic ties exert both enabling and constraining forces on members which affect their capacity to combine resources in new ways in order to exploit market opportunities, i.e. their capacity to be entrepreneurial ... [T]hese forces are not fixed, and take different forms as the network



and its constituent relationships evolve” (Karra et.al. n.d.: 32f.). This processual aspect of ethnic ties, as well as their geographic and temporal components, are worth considering before establishing ethnic ties as a fixed kind of resource with expected outcomes and advantages in economies where ethnic migrants are excluded from economic possibilities.²⁰

5. RULES AND REGULATIONS, POLICIES

SMEs in Turkey and in Istanbul have been around since centuries in the Ottoman society and economy and after that during the Turkish Republic. The association of traders and artisans is led back to the 13th century. A more modern association for regulating and organizing SMEs is Istanbul Chamber of Commerce (ITO) which was established in 1879.²¹ The first bank which was opened in 1933 especially to give credit to SMEs was Halk Bankası (People’s Bank) which still exists. Even if since the beginning of the planned economy system in 1963 policies to improve the situation of SMEs were developed, they have been hardly effective.

5.1 Overall strategy, objectives and dimensions

Local and national policies concerning the SMEs (without any specification of its ethnic or non-ethnic character) aim at providing the enterprises with information on national markets, global networks and new technologies, providing vocational training for the workforce and assisting future entrepreneurs in improving their managerial skills (Özar 2009). More specifically the state agencies have the following goals for promoting and supporting SMEs:

“(1) Enhancing entrepreneurship, (2) enhancing the management capabilities of enterprises, (3) integration of SMEs into international markets, (4) improvement of the business environment and (5) enhancing the technological and innovation capacity of SMEs” (Özar 2009, citing State Planning Organization’s strategy paper from 2007).

²⁰ For a further analysis of the same case of Neroli firm from the perspective of it being a family business, see Karra, N., P. Tracey and N. Phillips (2006).

²¹ Istanbul Ticaret Odası, Yayın No: 2008-23, 2008: 145.



Özar indicates that within these strategic areas “the state limits its functions to a minimalist role. The centre stage is given to learning, technological adaptation and creating an enabling environment and it is considered that the remaining problems will be resolved by integrating into global markets” (Ibid.).

Other local administrative and planning bodies, such as İstanbul Büyükşehir Belediyesi, İmar ve Şehircilik Daire Başkanlığı, Şehir Planlama Müdürlüğü (Istanbul Metropolitan Municipality, Department for Urban Construction, Office for City Planning) which has prepared an 800 page report on Urban Regional Planning for Istanbul (1/100.000 Ölçekli İstanbul Çevre Düzeni Planı) mentions in its executive summary the SMEs primarily as a problem issue which needs to be resolved, similar to the effects of migration to Istanbul metropolitan region. One of the goals is expressed as: “*Bölge genelinde sosyo-ekonomik gelişmişlik farklılıklarının giderilmesi ile Bölgeye yönelen göçün olumsuz etkilerinin bertaraf edilmesiyle sürdürülebilir ve yönetilebilir ölçekte yerleşimlerin oluşturulması*” (to remove the regional socio-economic differences and through overcoming the negative effects of migration directed to the region, creating sustainable and manageable sized living areas). In another section of the executive summary, on ‘Goal nr. 5, Strengthening the social capital’, migration to the metropolitan area is specifically addressed as follows: Efficient control and management of migration to the city; setting up demographic and labor force projections for the city and developing relevant migration policies for sustaining the needs of the city such as estimating the upper limit of migration to the city; restraining from decisions with which this optimal city population size will not be transgressed; to increase the level of education in the metropolitan city, especially to suit the needs of knowledge society and developed urban society; especially in those areas where migrants live to support women’s education and vocational training; to attract high social capital owning migrants to the city by offering them high quality residential areas and suitable social environment (executive summary pp.31-32). Strategy 2 of the same goal (nr. 5) addresses maintaining social equality within and integration into the city.



5.2 Main actors, targets and institutions

Main state actors for research and policies concerning the SMEs are KOSGEB (*Küçük ve Orta Ölçekli Sanayi İşletmelerini Geliştirme ve Destekleme İdaresi Başkanlığı*; in English Small and Medium Sized Industry Development and Support Organization) founded some 20 years ago and situated within the Turkish Ministry for Industry and Commerce, State Planning Organization, and Turkish Statistical Institute. Furthermore there are other formal institutions such as TESK (Turkish Confederation of Craftsmen and Tradesmen), TOBB (The Union of Chambers and Commodity Exchanges in Turkey) of which Istanbul Chamber of Commerce (ITO) a member, ISO (Istanbul Chamber of Industry). Again all of these organizations are involved in supporting and guiding SMEs without paying any specific attention to the ethnic identity or ethnic organization of the entrepreneur and the enterprise.

KOSGEB which has regional offices has primarily the goals of supporting, promoting SMEs with information and training.²² They also help with assisting SMEs when these apply banks for taking credits. All the support and assistance is given to member SMEs. One example of cooperation for supporting such member SMEs is the program for credit by Halk Bankası: the bank gives credit for exporting industrial SMEs with low interest rate, six months grace period where after 2/3 of the interest would be paid by KOSGEB and 1/3 by the credit customer SME (see www.halkbankasi.com.tr). Furthermore, the bank gives credit to be spent for the working capital or for investments, with favourable conditions like up to one year grace period and four to five years for paying the credit back, as long as KOSGEB supports the projects and the firm is in industrial production sector. For the commercial sector Halk Bankası offers similarly credits for covering liquidity shortages, with credits which have grace periods of three or six months, with payment periods up to 36 months, if the firm is a member of ITO, for instance. Finally, the same bank offers women entrepreneurs start-up capital as micro credit: women entrepreneurs who can provide no past business experience with documents, are still supported with credits from 5,000 to 25,000 YTL, with up to six months grace period and

²² See also Sarısoy 2008: 146.



maximum payment period of 36 months. Similar favourable credits exist also for franchising SMEs.

Istanbul Metropolitan Municipality (İBB) is involved in the support programs for SMEs usually in cooperation with other organizations like KOSGEB and ITO. The Municipality organizes courses in cooperation with others for teaching workers further job qualification and unqualified ones for learning a trade. For instance, İBB has financed machines for working with metal in Tuzla and cooperated with its organization İSMEK (*İstanbul Büyükşehir Belediyesi Sanat ve Meslek Eğitim Kursları*, Adults arts and crafts training courses) for teaching young adults and pupils various metal works. The Municipality with the support of various social project programs of EU varies its courses for teaching different skills to migrants, to improve their economic livelihood chances and mostly to find a job in the new urban environment. Some of those who attend the courses obviously use these new skills for starting a small enterprise. The İBB cites as many as 190 thousand people, primarily women and young girls, housewives, unemployed, young men, pensioners, disabled and former prisoners having attended these courses which are free of charge. The courses are offered in 39 districts and 218 training centres.

Istanbul Chamber of Commerce (ITO) is surely one of the important institutions, which deals with SMEs and other commercial enterprises. The Chamber cooperates with 11 banks which all provide its members, upon request and after scrutiny, credit for their commercial activities at low interest rates, such as 0.25% per month. It also supports entrepreneurs with advice and mentoring and has a special program for women entrepreneurs since 2007. The Women Entrepreneurs' Organisation within the ITO has 56 members. Finally the Chamber provides its members with legal advice concerning the firms and enterprises. The Chamber provides the following figures about the number of individual firms (*ticaret firması*) and companies (*şirket*) which are its members and their totals.



Table 12: Number and status of ICOC²³ members registered by years

Year	Individual firms	Companies	Total
2003	89,431	239,277	328,708
2004	51,518	193,342	244,860
2005	61,443	206,220	267,663
2006	71,517	217,170	288,687
2007	67,223	202,000	269,223
2008	79,762	216,597	296,359
2009 (July)	79,548	213,063	292,611

Source: Istanbul Chamber of Commerce, *Social and Economic Indicators of Istanbul*, Publication 2009-46, p. 39.

Although the Chamber does not have exact figures about how many of these firms and companies are SMEs, it is reasonable to assume that the majority of them are SMEs, since larger enterprises are members of the Chamber of Industry, instead of the one for commerce. The drastic fall in the number of firms and companies from 2003 to 2004 can also be explained with the economic crisis the country was experiencing.

The individual firms and companies are distributed across the districts of Istanbul, not necessarily following the distribution of population. For instance, although Bağcılar was cited as the district with the highest population of 720,819 in 2008 (see above), it had 10,426 with ICOC registered firms and companies.²⁴ In 2009 the highest number of ICOC registered firms and companies, was 29,235 in the district of Kadıköy, with a population of 533,452 in 2008.²⁵ The second highest number of firms and companies was in Şişli with 24,728, a district which had the population of 312,666 in 2008. These figures could be seen to reflect the economic power in these districts rather than the population/firm direct ratio.

5.3 Access and involvement in policymaking

Migrant entrepreneurs of SMEs, like all other entrepreneurs with enterprises based in the metropolitan area of Istanbul have the possibility and obligation of registering with the

²³ Istanbul Chamber of Commerce.

²⁴ Istanbul Chamber of Commerce, *Social and Economic Indicators of Istanbul*, Publication 2009-46, p. 41.

²⁵ See the tables in Istanbul Chamber of Commerce, *Social and Economic Indicators of Istanbul*, Publication 2009-46, p. 10 and 41. The table on p.10 shows a dramatic decline of population in Kadıköy from 2007 to 2008 (from 744,670 to 533,452), which might be a printing mistake or due to a change in administrative district borders.



Istanbul Chamber of Commerce (ITO), with Istanbul Chamber of Industry (ISO) or with the Istanbul Union of Chambers of Artisans and Traders (İSTESOB, *İstanbul Esnaf ve Sanatkarlar Odaları Birliği*). As long as they are members of these organizations, they have all the rights and duties of engaging in local and national policies and represent the concerns of enterprises.

6. OTHER

6.1 Good practices

The SMEs are part and parcel of governmental ‘good governance’ practices. The state policies try to alleviate the hardships of SMEs and work to provide an enabling competitive environment for them. “For the promotion of SMEs, it is suggested that governments should pursue only policies that eliminate conditions unfavorable to the SMEs and ensure that they are not discriminated against by larger enterprises. The policies and programs suggested in these [state] reports conform to the neoliberal paradigm as well as the strategies and policies set by international organizations such as the Bretton Woods Institutions and the EU” (Özar 2009). Hence it can be assumed that ethnic enterprises will also benefit from the good governance policies which are to apply to SMEs. Yet, whether they can assure any further advantage from being ethnically oriented and structured needs further research.

6.2 Summary and conclusions

Istanbul is a global city of migrants and has a long history of incorporating migrants from other parts of Turkey as well as international migrants into the metropolis. The regional ties from the home country usually function first as networks for chain migration and later as support ties within the community of migrants, often developing into some associations. These associations might act as stepping stones for finding a job in the city, for lobbying the local politicians but are hardly enough for starting up an enterprise.

The migrant entrepreneurs might use the knowledge and experience of other migrants for accumulating social and even economic capital. But otherwise they have to follow the path of every other SME in mostly learning the trade on the job, being flexible in



changing sectors and taking high risks of going bankrupt as sectors get affected by global market and economic waves.

Ethnic ties sometimes help the former international migrants, such as the Bulgarian Turkish ones, to mobilize ethnic ties transnationally and seek markets and trade possibilities abroad. Again, such ethnic entrepreneurs primarily follow the careers of other SMEs in developing their enterprises, and do not necessarily accept or get any local support from local municipalities or other institutions. In fact, bank credits have a rather negative reputation for being the cause of bankruptcy in times of liquidity shortage. Especially micro and small enterprises seem to be very cautious with taking bank credits, even if women entrepreneurs may be an exception. The entrepreneurship among ethnic migrant communities could be on the whole then estimated to be functioning with private loan and capital investment system and not using the bank or other credit or financial support systems.

6.3 Interview partners

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Murad Daoudov, Marmara Belediyeler Birliği, AB ve Uluslararası İlişkiler Merkezi Direktörü, 22.03.2010

Alan Duben, İstanbul Bilgi Üniversitesi, 25.03.2010

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İlker Gürbüz, Esnaf ve Sanatkarlar Odaları Birliği, 23.03.2010

Mustafa Kemal İşler, İstanbul Büyükşehir Belediyesi, Stratejik Planlama Müdürü, 16.03.2010

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- Ferhunde Özbay, Boğaziçi Üniversitesi, Emeritus, 18.03.2010
- Hüseyin Özger, O-M-S Tencere Firması, 19.03.2010
- Fabio Salomoni, Koç Üniversitesi, 25.03.2010
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- Hacı Tamer, Adıyamanlılar Derneği, Beylikdüzü, 19.03.2010
- Zehra Taşkesenlioğlu, Zeytinburnu Belediyesi, Yerel Kalkınma ve AB İlişkileri Koordinasyon Merkezi, 16.03.2010
- Dilek Tosun, İstanbul Büyükşehir Belediyesi, 16.03.2010
- Nafiz Yalkın, Meslek Eğitim ve Küçük Sanayii Destekleme Vakfı, İstanbul Projeleri Başkanı, 23.03.2010
- Cevat Yaman, İstanbul Büyükşehir Belediyesi, 16.03.2010
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