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The Story of a Jewelry Cluster in Istanbul Metropolitan Area: Grand Bazaar (Kapalıçarşı)

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ABSTRACT

Growing cultural-products industries are discussed as one of the main tracks of the "new economy". Among these cultural industries jewelry tends to agglomerate in the core of metropolitan areas due to the characteristics of production organization. Grand Bazaar (Kapalıçarşı) located in the heart of the Istanbul can be defined as one of the world's oldest and largest jewelry agglomeration for more than five centuries. The aim of this paper is to examine the trajectory of Grand Bazaar to explain the main characteristics and evaluation processes of jewelry clusters. The paper analyses the evolution of Grand Bazaar as a jewelry cluster over the four historical stages and investigates the recent production organization of the cluster. The trajectory gives clues about the future of roles and functions of this special historic cluster.

Key Words: *Grand Bazaar, cultural industries, cluster, jewelry industry, traditional production*.

1. INTRODUCTION

The recent literature on industrial geography emphasizes the success stories of the industrial agglomerations named as "district" or "cluster". A cluster is a geographically proximate group of companies and associated institutions in a particular field, linked by commonalities and complementarities [1]. Proximity as an important concept for cluster debate brings easy access to specialized suppliers, services and human resources, information spillovers, flexibility and fast change reaction due to extreme specialization and imitation facilitates faster innovation adoption. On the other hand external economies, due to the agglomeration of firms in industrial clusters, define the context in which firms operate. According to brief literature review source of cluster externalities have been used to be defined as labour market conditions, interaction between small firms, subcontracting relations among vertically disintegrated firms as the outcome of the spatial proximity, collaboration instead of competition, permanent relationships rather than temporary ones, sense of trust in business, local production networks and the supporting local institutions [2]. Storper (1995) defined this type of collaborative environment as "untraded interdependencies" [3]. Moreover, cooperative type of inter-firm relationships, common cultural and social background and institutional thickness [4] facilitate knowledge transfers in the cluster as one of the most important externalities. Being in cluster and cluster externalities are essential for SMEs to compete globally. Moreover, global competition can be fostered with local elements of competitive advantage.

Cultural product clusters have gained importance in the literature during the last decades. The transactional model of production of cultural products industries increase the importance of proximity, causing locational agglomeration which are defined as specialized industrial clusters. Main feature of cultural product industries is that they are not needs of daily living, but they play a role at increasing quality of life. Furthermore, in cultural industry SME's (small and medium sized enterprises) operate in dense industrial clusters the characteristics of which are creation of esthetics, the importance of innovativeness, flexible specialization and flexible production, knowledge

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networks between specialized but competing firms, complementation of small firms with a small number of large firms, co-production in SME clusters to cope with competitive market conditions. Moreover, the main sense of the clusters depends on a strong private sector commitment. The public sector can only provide catalytic resources.

Scott (2000) scrutinizes cultural industrial clusters in three groups. At first group, traditional sectors based on artisanal production (clothing, jewelry, furniture etc.) are classified [5]. At second group, services depended on knowledge creation such as tourism and consultancy are defined. At third group there are music production, publication, film production, etc. Although the production clusters are found in the industrial quarters or districts of major cities, cultural industrial clusters are located in the city centre. For example the Birmingham, New York, Los Angles, Bangkok, Arezzo jewelry clusters are found in city centre [5, 6, 7]. The jewelry clusters includes different components such as diamond and gem merchants, bullion dealers, jewelry designers, precious stone cutters, ring and setting specialists, specialist transportation companies offering high security, lots of retail shops, machinery traders etc. [7].

Istanbul, the largest metropolitan area of Turkey, has also many cultural product clusters in many different sectors, such as jewelry, publication, music etc. Among these, Grand Bazaar located in Eminönü District in the heart of the city can be defined as one of the world's oldest and largest jewelry agglomeration, being the centre of craft and trade activity for more than five centuries (Figure 1). To examine the trajectory of Grand Bazaar as a jewelry cluster, four historical phases have been determined and a brief history of the Grand Bazaar from Ottoman Empire to now is outlined in the second section. The third section introduces main characteristics and evolution of jewelry industry in Istanbul and the Grand Bazaar. Section four presents the findings of the empirical research and describes cluster characteristics and the structure of Grand Bazaar in the transformation process in which many of the producers leaving Grand Bazaar to a newly planned jewelry cluster located in the northwestern part of the city. The paper concludes that Grand Bazaar and its cluster characteristics provide some clues about the jewelry clusters, moreover the paper discusses future prospects for Grand Bazaar as a jewelry cluster in Istanbul.

2. HISTORICAL TRAJECTORY OF GRAND BAZAAR AS A JEWELRY CLUSTER

Grand Bazaar, located in the center of the city, can be defined as one of the world's oldest and largest jewelry agglomeration, having been the centre of craft and trade activity for more than five centuries (Figure 2a and 2b). The evolution of Grand Bazaar has been handled over four historical stages. The first phase is the Ottoman Empire period, from establishment to the beginning of the 20th century. The second phase is determined as Modernisation period up to 1980s. The third phase, named as deterioration period, comes up to 2000s. The fourth phase is defined as a continuing transformation period.

2.1. The Ottoman Empire Period

The Grand Bazaar was founded in 1461 by Fatih Sultan Mehmet after he had conquered Constantinople in 1453 [9]. At the Ottoman Empire Period the Grand Bazaar included different professions some of which are reflected today in the names of main roads and streets of the Bazaar: goldsmiths, jewelers, knife makers, helmet makers, gun makers, carpet makers, cloth merchants etc [10, 11]. In this period, the production of goldsmiths and jewelers developed after the immigrant Armenians arrival that Fatih Sultan Mehmet has brought to settle in Istanbul after the conquest. The Armenians were famous in these crafts at that period. In fact, the Grand Bazaar is a historical document of the Ottoman Empire that reflects and tells us the life of jewelry production and the daily living related to valuables.

At the beginning, the Bazaar had not have today's complex structure and developed surroundings of inns and depended associate facilities. The Bazaar, founded by Fatih, has been improved and enlarged by his successor Kanuni Sultan Süleyman. The complex structure of the Grand Bazaar has evolved over the centuries and reached its contemporary plan in 1701 with its market of 64 covered streets [12, 9]. First, there were two Bedestens forming the nucleus of the Bazaar: İç (Inner) Bedesten and Sandal Bedesteni [11]. The four adjacent sides and the immediate surrounding of the Bazaar were encircled by hans (the business buildings) each of which were a separate unit in themselves. The jewelers have been shown to be outside the Bedesten because jewelers meant two different professions. One was the gold and silversmith, working in gold and jewels, the other jewelers dealing with precious stones like diamonds, pearls etc. In the Ottoman Empire Period, gold and silver were not a means of accumulating wealth as they are today, but were merely treated as articles for daily use, there was no necessity for the artisans and their materials to be taken within the massive Bazaar walls [11]. The jewelers were Inner Bedesten merchants [12]. Another function of the Bedesten apart from being a market for precious stones was that, it was a safe keeping institution for the valuables of the rich served parallel to the safe deposit boxes concept in modern banking. Hence, the security in the Bedesten was so firm and doubtless.

In the Bazaar in its classical pattern each street and alley were reserved for certain professions. Foreign travelers who had an interest in Istanbul noted that they find this system of grouping the trades and crafts according to the products they produce, very rational for production and trade organization [11]. This principle of settlement which was a requirement and consequence of the guild system was useful for price uniformity and control [12]. In order for a guild to be formed, there had to be sufficient traders.

Figure 1. The Location of Grand Bazaar in the Historical Peninsula of Istanbul.

Figure 2. a)Grand Bazaar in Ottoman Empire Period b) Grand Bazaar in 2007 [8].

When the necessary number was met, they were considered as a licensed trade monopoly and their numbers and working places are stabilized. Those who hadn't the required number would be attached to the nearest guild as assistant traders. In the guild system, if son was in the same profession, he was the natural member of the monopoly. There was a strong master-assistant relationship in the guild system. The beginner who completed his period of training would be made an assistant master [11]. Each guild had a financial department founded by the membership fees. The expenses comprised of all the social needs of the members.

2.2. The Modernization Period

Modernization period has been characterized by the transformation from guild type of production organization to capitalist type of production organization. After the declaration of the constitutional monarchy, when the guild system has been abolished, the merchants of Grand Bazaar have established the "Umran Association" to continue their managerial and internal relationships. In the absence of the rules of guild system, producers and traders looked for adaptation mechanisms to the capitalist system. In the capitalist condition, therefore, the cooperation became more valuable and also associations gain importance in order to be viable in the capitalist era. Later on the association took the name "Grand Bazaar Cooperative and Protection Association" [11, 12] and finally the name has changed to "Istanbul Grand Bazaar Artisans Association" [12]. Today there are many associations in the Bazaar as jewelers, dealer in antiques, craftsman.

At the second half of 19th century, the Bazaar, with its central position in the city, started to obtain today's trade habits and production spaces. Especially after 1960, with the growing international tourism, the number of jewelers has increased [12]. The number of jewelers, who were the oldest and most crowded artisans of the Bazaar, increased from 279 in 1960 to, 364 in 1972. With this increase the jewelers reached an important share in the Bazaar. In 1965 jewelers took place in and around Sandal Bedesten in the east part of the Bazaar (Figure 3). Hence, the Bazaar shifted from its aim of being a Bazaar of needs, as it was ones it had been founded, and became a core of trade, tourism and production, reflecting their contemporary cultures. From the birth of the Grand Bazaar, producers caught the opportunity to produce not just for local markets, but for foreign ones as well.

2.3. The Deterioration Period

The 1980s has been characterized by the liberalization policies. In this period, the heart of Turkey's gold market and unofficial foreign exchange market began to beat in Grand Bazaar. National economic crises caused stagnation in the local and national markets and these crises require integration to foreign markets. Therefore with the effect of neo-liberal policies export values had increased sharply in this period. Within this context, the number of exchange offices has dramatically increased with the growing foreign currency usage in the last 10-15 years.

Nonetheless, the handcraftsmanship and the effect of local culture in the production process had decreased dramatically causing the deterioration of the uniqueness of the cluster. The production and trade in Bazaar shifted from handmade craftsmanship that represented the traditional structure, to manufactured goods. Hence, the traditional artisanal production processes are dramatically abandoned, and the names of streets do no more reflect the production clusters within the Bazaar, but are stayed as the names inherited from the history. Unrelated businesses have taken the place of the traditional craftsmanship. This also was observed in jewelry sector, in which the manufactured goods take the place of handmade products. Hence, with the increasing role of manufacturing process in jewelry, the production within the center of the city became a problem. Furthermore, the growing consumption of chemicals used in production processes caused pollution at and near the Bazaar, which resulted with important problems.

2.4. Continuing Transformation Period

Due to the problems caused by the existence of jewelry production in Grand Bazaar, a project of jewelry cluster has been prepared to carry the production facilities out from the region. Many of the producers already left the Grand Bazaar and settled to the newly planned jewelry cluster located in the northwestern part of the city. Number of jewelry shops in the Bazaar has reached to more than 370 in the beginning of 2000s. These jewelry shops show more widen pattern in the Bazaar and are located in and around Sandal Bedesten, on the Kalpakçılar Street, Kuyumcular Street (Figure 4).

Within the transformation process both the structure of Grand Bazaar is changing, and a new jewelry cluster is emerging in Istanbul. However, the outcomes of this transition are not clear yet. There seems to be an ambiguity for both of the jewelry clusters, as the intensive production relations in and around Grand Bazaar continues. How the jewelry sector and tourism in Grand Bazaar will survive the transition is not clear. Whether the new cluster will succeed at establishing new relations and benefit from its agglomeration is also a question. These indecisive circumstances require the analysis of the Grand Bazaar as a jewelry cluster with its characteristics and structure.

3. JEWELRY INDUSTRY IN ISTANBUL AND THE GRAND BAZAAR

Anatolia is a place that has been producing jewelry for 5000 years. Gold was refined first in Anatolia. The first coin was minted again in Anatolia. Then, there is Grand Bazaar which took over the Ottomans' technique and accumulation of knowledge. And today Istanbul is the center of Turkish jewelry production and trade.

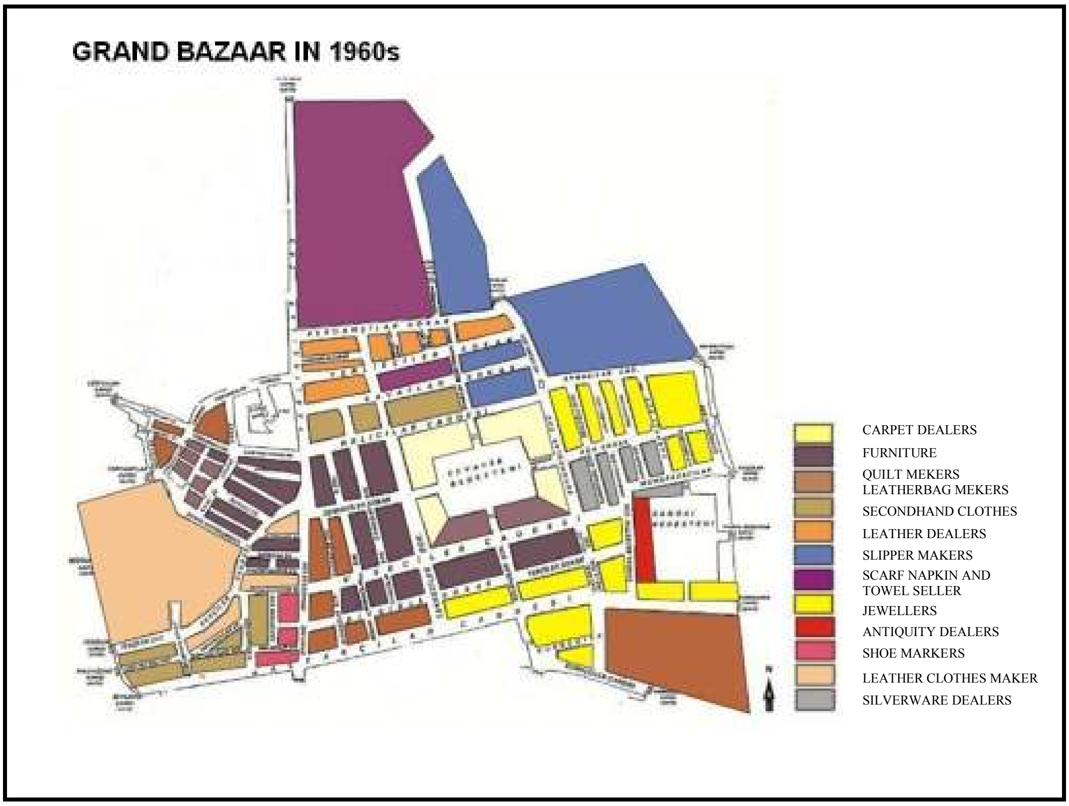

Figure 3. Grand Bazaar in Modernization Period (1960s) [9].

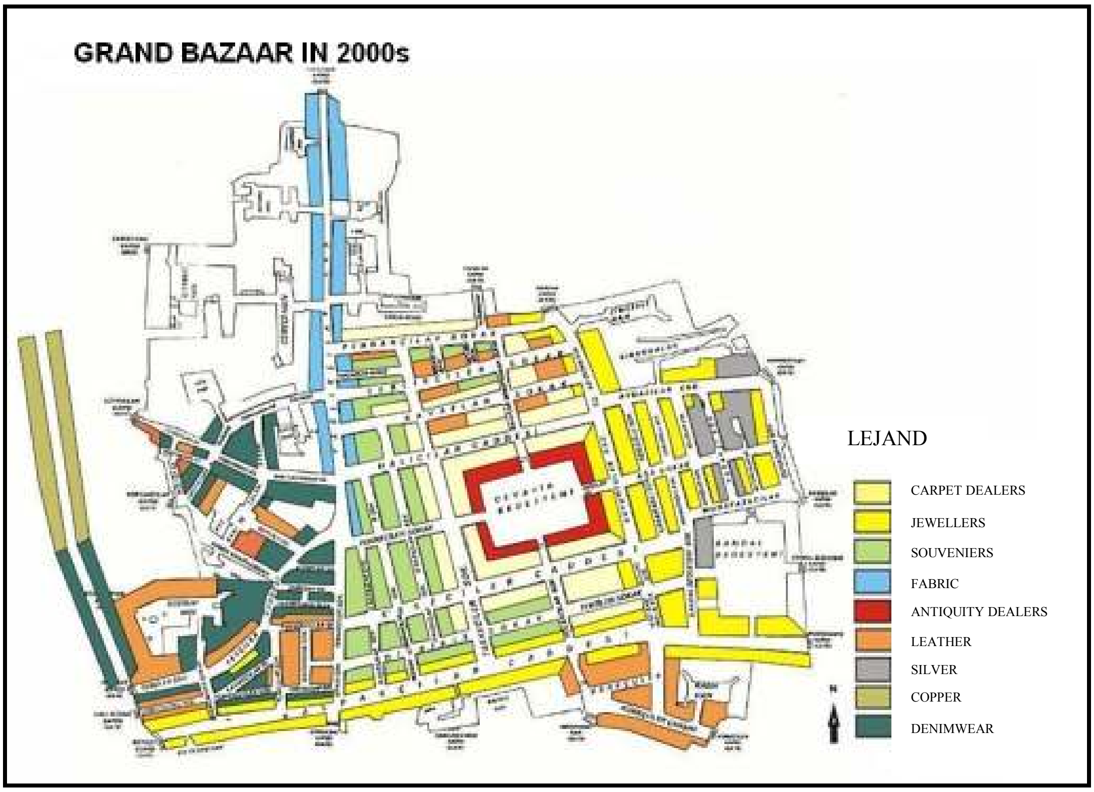

Figure 4. Grand Bazaar in Transformation Period (2000s) [13].

Turkish jewelry sector has progressed tremendously especially among the 1990 and 2000s. In this process, although Turkey has actually lived through the most critical economic crises of its history, she has increased nearly three times the number of people working and has increased twelve times the value added in this sector (Table 1) [14].One of the reasons behind this extraordinary growth was probably the export capacity of jewelry sector. According to Turkish Association of Jewelers annual export reports while the gold jewelry export values for 1992 was 12.7 million $, it has reached about 1.00 billion $ in 2006. With the growing export capacity Turkey is the second biggest exporter after Italy and stands among the first five countries in the world jewelry production.

The number of firms and employments and the values of value added indicate the dominant position of Istanbul in the sector (Table 1). Istanbul accounted for 85% of all Turkey employment, 79% of all Turkey firms and 96% of all Turkey value added in jewelry industry in 2001 for the firms having 10+ employees. 2001 is the last year, which TurkStat published the annual manufacturing studies, after 2001 there are no systemic data about manufacturing firms in the provinces level for the firms 10+ employees in jewelry sector.

The structure of jewelry sector largely depends on micro firms, smaller than 10 employees. So the TurkStat annual manufacturing data could not explain the huge part of the sector. There is no official count of the real numbers of firms and real numbers of workers employed in the jewelry industry either in Istanbul or in the country as a whole. According to the TurkStat's 2006 year business records, which includes producers and sellers and also micro businesses (less than 10 employees), the number of entrepreneurs in jewelry industry in İstanbul are 4.955 and the number of workers is 18.662. According to the 2007 data of Turkish Association of Jewelers, in Istanbul 13% of jewelry firms are exporter. It is much more stimulating to examine the values of Istanbul in which, from 1995 to 2001, the number of workers increased about three times, and the value added increased 12 times in six years period (Table 1).

This development has been fostered by a transformation from a labor intensive production to capital intensive production. The growth of the sector has been propelled forward by government policies that have fostered the export orientation. The liberalization policies of the 1980s had set the import and export of gold free. In this process development of an organized system for gold, establishment of the Gold Exchange, restoration of gold banking, support for the jewelry sector and ultimately the establishment of a gold refinery has been effective in the rapid development of the sector. The foundation of the Istanbul Gold Exchange in 1995 opened the way for the sector to go beyond the Grand Bazaar market into an organized structure and thus gained an international dimension. The Istanbul Gold Refinery founded in 1996 with the support of the Turkish Government Treasury and the newly formed Istanbul Gold Exchange, encouraged the public to deposit more of their family gold savings (estimated at 5,000 metric tones in Turkey) with financial institutions. At the same time the rapid growth of the jewelry industry over the 1990s and 2000s has been achieved in the context of active collaboration between representatives of the industry and various governmental agencies. In particular, The Mint, Istanbul Gold Exchange, Istanbul Mine and Metal Exporters' Union, Istanbul Chamber of Jewelry and, the World Gold Council, Turkey Office, have been the institutions that underpin the sector in every way [15].

The jewelry industry is very transactions-intensive and individual producers are almost always caught up in dense networks of inter-establishment linkages. Producers are inclined to locate in close proximity to one another so as to reduce their overall transactions costs, and hence they form dense agglomerations. Jewelry industrial clusters found close to the cores of major cities throughout the world (New York, Amsterdam, Paris, Hong Kong, Tokyo, Los Angeles, Bangkok) very often in association with a more dispersed pattern of larger factories at other locations [5].

In Istanbul the jewelry industry is predominantly located at the core of the city through its history. Today in Eminönü District, located at the core of the city, there are about 3000 jewelry establishments. During the transformation process of Eminönü District where the Historical Peninsula and the Grand Bazaar is located, Istanbul metropolitan area have witnessed the arise of new jewelry agglomerations (Figure.5). The district of Bahçelievler, especially with the establishment of "Kuyumcukent" (Jeweler's City), and the district of Kadıköy, which has a considerable amount of accumulated production culture, started to stand out in the metropolitan area of Istanbul (Figure.5). Küçükçekmece and Bağcılar are also other districts where the production agglomerates. However, GaziOsmanpaşa and Şişli which have the same density (such as 151-250 firms) are the districts where mostly the selling units take place (Figure 5).

Considering the jewelry sector agglomerations according to the districts in Figure 5, it can be suggested that Istanbul today has essentially three types of jewelry production agglomerations;

1. The district of Eminönü, Grand Bazaar and its environs, *a historical jewelry agglomeration* which is the largest agglomeration with a high variety of firm size but mostly micro firms.

2. Districts located near to the edge of the city such as *Küçükçekmece, Bağcılar* formed by the establishment of large firms and *Kadıköy* with relatively more mature production relations of small and medium-sized firms, as *spontaneous jewelry agglomerations*.

3. "Kuyumcukent" (Jeweler's City) located in the Bahçelievler District, *a private sector venture jewelry agglomeration*, with mostly small and medium-sized firms.

Table 1. Jewelry sector in Istanbul, 1985-2001 (Firms with 10+ employees).

YEAR	ISTANBUL						TURKEY		
	Firms		Employees		Value Added		Firms	Employees	Value Added (thousand $)
	No	% in Turkey	No	% in Turkey	(thousand $)	% in Turkey			
1985	12	75	-	-	-	-	16	-	-
1990	13	87	-	-	-	-	15	-	-
1995	15	83	1703	96	17.138	97	18	1759	17.687
2000	32	82	3723	93	175.118	97	39	4009	180.793
2001	35	79	4145	85	203.977	96	44	4848	212.783

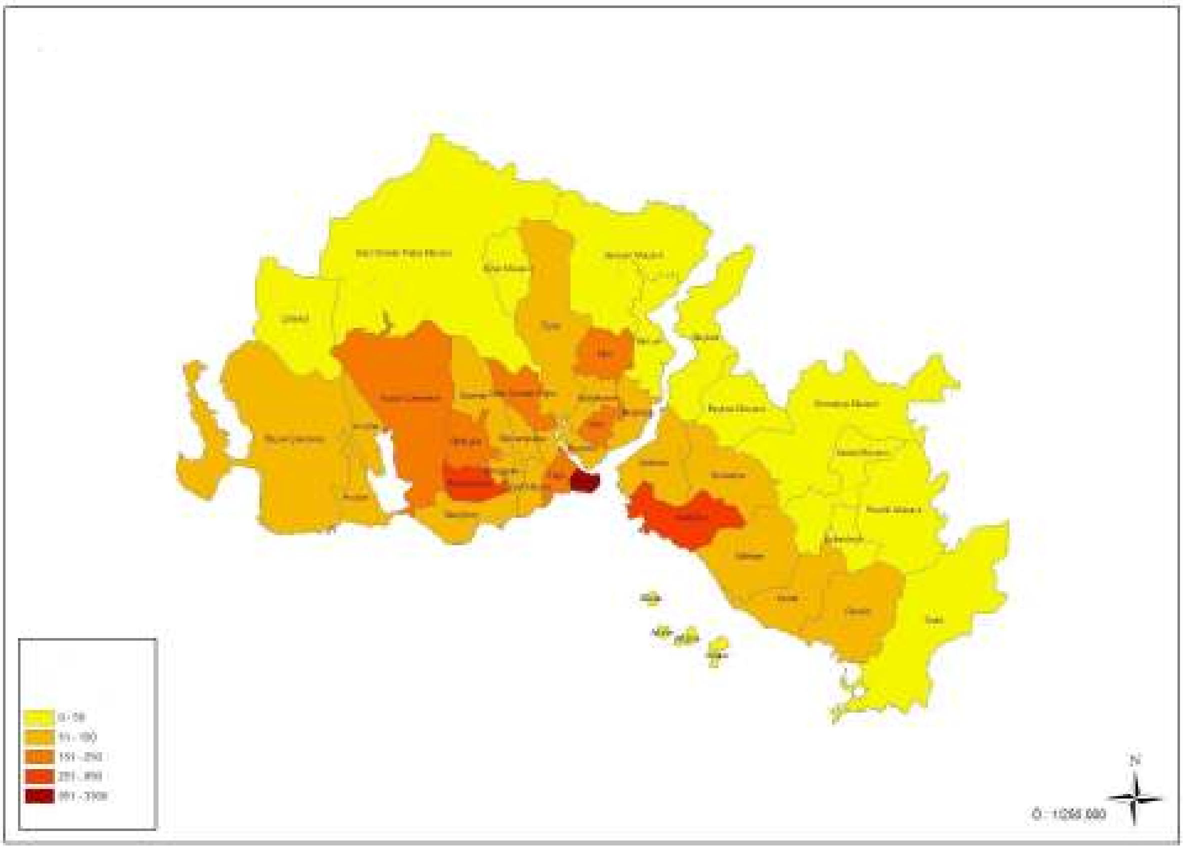

Figure 5. Number of businesses in jewelry industry by districts in İstanbul, 2006 [16].

With the establishment of Kuyumcukent an alternative location process for the jewelry sector of Istanbul has began. The establishment of Kuyumcukent has a direct relation with the developments presented as spontaneous jewelry clusters.

Grand Bazaar and its environs is the largest and oldest jewelry agglomeration of Istanbul with thousands of jewelry workshops, factories, stores, showrooms etc. Grand Bazaar by its own have 1250 workplace, 370 of which are jewelry and the others are leather, gift shops, antiques, ready-made cloth, banks, finance etc (Figure. 4). In Grand Bazaar today, more than 50% of the total jewelry trade and 10% of the total jewelry production of Istanbul is realized. While Grand Bazaar is well known for its jewelry, antiquities, spice, and carpet shops and a well known tourism center, it has 250,000-400,000 visitors daily.

4. CLUSTER CHARACTERISTICS AND THE STRUCTURE OF GRAND BAZAAR IN THE TRANSFORMATION PROCESS

The vast majority of jewelry industry firms in Istanbul are concentrated densely in and around Grand Bazaar. The life ongoing in this area is the scene of an intense daily round of work activities and business transactions, and it is also the central axis of an elaborate network of formal and informal social institutions.

In 2006 interviews with the representatives of the jewelry industry in Grand Bazaar and Istanbul were carried out and also 33 questionnaires have been given to jewelry manufacturing firms in Grand Bazaar which were chosen by random sampling. In the field survey 33 questionnaires with randomly selected production firms and 7 in-depth interviews with the head of Grand Bazaar Association and entrepreneurs which have been in production for many years in Grand Bazaar have been handled in September 2006 (Scientific Research Project (no. 06-2005-50) which is carried out in Gazi University),. Grand Bazaar by its own have 370 jewelry business, some of them producers and the others sellers. Sample represents about nearly %10 of the jewelry firms in Grand Bazaar. Considering the decline of the producer firms in Grand Bazaar because of the transmission of the firms out of Grand Bazaar during the transformation process, it can be said that the representation level of the sample is much more higher. Random selecting have been realized by taking into account the different groups representing the sector; such as according to the size of the firms (the number of workers), firms specialized in different processes (like "sadekar", "kakmacı", etc.). During the in-depth interviews mainly the history and future prospects and the problems of Grand Bazaar and the jewelry sector have been discussed with the respondents. It must be noted here that, large producers with strong international connections are not presented in the sample, as in the transformation process they have already left the Bazaar. Hence, the answers obtained have given the picture of the existing production and trade organization in the area. Questionnaire consists of six main parts: entrepreneurship, production organization, design process, employment, institutions and social networks, advantages and disadvantages of production in Grand Bazaar.

4.1. Entrepreneurship, Production Organization, Spatial Agglomeration

In and around Grand Bazaar many different specialized tasks and trades with varying degrees of vertical integration and disintegration are going on. There are dense subcontracting relations of detailed tasks. There are service providers offering a wide range of inputs including machinery repair, security systems, courier services etc. And there is the overlapping of manufacturing, wholesales and retailing functions. Few respondents specialized exclusively in either manufacturing or wholesaling; on average they claimed to derive 30% of their business from manufacturing and 50% from wholesale activity, with the residue being made up by retail sales, repair work, and other activities.

Besides, the firm size in jewelry sector is diversified from micro level to holding level, the majority of the surveyed firms were extremely small in size, such as, less than 10 employees (%66). This case can be related to two subjects: The first one is, the importance of small firm and large firm cooperation in the production organization of the sector, where the small firms is accepted as one of the vital dynamics of the sector. The second one is the move up of especially large scale firms during the transformation process and mostly the small scale firms stayed in the Bazaar.

In the survey, the social structure of the entrepreneurs had been questioned such as their level of education, place of birth, previous job etc. In the Ottoman Empire Period the jewelry artisanship had been initiated and developed especially by Armenian masters in Istanbul, Grand Bazaar. Today, the entrepreneur whose birth place is Istanbul is the majority. However, the ones out of Istanbul come from various places of Turkey. Nearly 50% of the owners indicated that they have born out of Istanbul (mostly came from the eastern part of the country). The importance and leadership of Armenians which have been vital in the historical process in the Bazaar today have been declined. Among the surveyed 33 entrepreneurs only two of them were the Armenian masters.

Today, it is seen that the educational level of the entrepreneurs in Grand Bazaar is low. Especially, the ones who came from different parts of the country are mostly graduated from primary school. The proportion of primary school graduation among the total entrepreneurs is 57%. 28% of the entrepreneurs have a high school graduation and only 15 % of the entrepreneurs are undergraduated.

One impotartant thing while evaluating a jewelry cluster is to understand how the production relations in the cluster are organized. The questionnaire results indicate that, on average respondents purchased nearly all of their inputs from other firms in Grand Bazaar and in Istanbul. While the input demand of the sector is met mostly in local markets, with its products Grand Bazaar is able to take place in the global markets and considerable amount of the production is exported. They sell nearly 60% of their output in the local area and 40% in the global markets. Related to the export capacity, it is find that, 34% of the firms (12 firm), export their products, which 67% of them are firms having more than 10 workers.

Respondents also indicated that as much of all their business consisted of work subcontracted to them by other firms, and some others stated that they subcontract some of their work to other firms, a situation which underlines the transactions-intensive nature of the cluster. While it is stated that every stage in the production process can be subcontracted in the sector, especially the special stages (such as gilding, setting, inlaying, engraving, enamel etc. are emphasized. As an answer to the question how and with whom the subtracting relations are established, nearly all the firms stated that they subcontract with the firms which they have continuous relations in Grand Bazaar or the firms located near to the Grand Bazaar and they say that they generally work with the wholesalers.

4.2. Creative Employment and Design

The results related to the organization of the production in the Grand Bazaar has indicated that, the conditions which effect the competitive power of the Grand Bazaar most negatively is the underdeveloped situation of the design procedures and the lack of creative labour which are the vital components of the jewelry sector.

Related to the questions about innovations realized in the firms in the last three years, the 27 % of the firms (9 firm) stated that they have no activities in innovation and design processes. Some of the entrepreneurs told that the design procedures are done out of the firm by another firm and they do not have any effort for design process and they didn't answer the questions about the innovation and design processes. The other ones who told that they innovate, stated that they design a new model and then they produce. All the producers, even the ones who told that they produce a new model, stated that they produce by changing the existing designs. Imitation processes which is stated (IKO) as one of the vital problems of jewelry sector in Turkey, is generally rejected by the entrepreneurs, and this attitude is defined as "inspiration" (esinlenme). When the innovations related to the technical quality of production other than the design process is questioned, it is seen that the the technical quality of machines and equipments used in the production or the improvement procedures related to production processes stayed in a very low (8%) level.

While the firms who have patents in total is 21% (7 in 33 firms), the firms who are interested in innovation processes are 32% (7 in 22). The surveyed firms stated that they have either 1,2 or 3 patents. Firms, which have patents, mostly indicated that they are competing in the price and design issues with the other firms. It is known that the success of the jewelry sector is dependent mostly on its design process. However, although there is the long history of jewelry design in Anatolia, today in Grand Bazaar except some of the known trademarks and large producers, imitation is the widespread attitude in the design process. It is seen that there is not a special design process before production. Because of this, masters rather than the designers stand out in the production process, and the characteristic of the production appears to be artisanal rather than artistic.

Besides the low level of design processes, the lack of creative labour is another factor that negatively affect the competitive power of Grand Bazaar. As the interviews with jewelry firms revealed, much of the labor force is made up of unskilled low-wage workers. However there is the skilled labor especially in the specialized processes of the production such as gilding, setting, inlaying, engraving, enamel etc. There appears to be active circulation of workers through the job system of the jewelry industry. But the questionnaire also revealed the existence of a remarkably large stable core of employees where generally the working duration is changing between 3 to 10 years. The education level of unqualified and low wage labour is low, such as 65% of the workers in the surveyed firms are primary and secondary school graduates. Also this education level is near to the entrepreneurs' situation that is 57% of the entrepreneurs are graduated from primary and secondary schools. University graduates are very low in the sector.

4.3. Institutions and Social Networks

According to the answers related to the institutions and social relations, there seems to be an institutional atmosphere in the organization of the cluster, in terms of both formal and informal institutions. Many of the firms in the cluster belong to two major sectoral associations namely, the Istanbul Kuyumcular Odası (İstanbul Chamber of Jewelry) and Istanbul Ticaret Odası (İstanbul Chamber of Trade). The Istanbul Chamber of Jewelry is the most effective organization of the sector. Established in 1971, the Chamber offers service to 10,000 members in Grand Bazaar and in Istanbul, consisting of setters, inlayers, engravers, gilders, enamellers, manufacturers, wholesalers and retailers. It has played a role in the sector's outward opening by virtue of the recent legal arrangements. Because of the key role played by training in sectoral development, it leads the way for opening jewelry design departments at apprenticeship training centers, vocational high schools and higher schools. All of the firms stated that they are the member of the Kapalıçarşı Esnafları Derneği (Grand Bazaar Tradesmen Association) which deals mainly with the problems of infrastructure, security, legal etc. issues of the area.

50% of the respondents stated that there is an environment of solidarity and cooperation relations in Grand Bazaar. It is stated that this is mostly implemented by loan of machines, labor, money and sometimes by acting together in marketing, export, design and security businesses. The other 50% stated that there is no solidarity and cooperation relation. It is also stated that unwritten tradings and of the record agreements are prevalent in the area. The ethnic variety (like Armenians, Jews) coming from the historical process seems to decrease considerably through time. *Süryani*s is one of the largest ethnic groups in Grand Bazaar today. It seems that there is not a strong relation among the members of this group but it is stated that *Süryani*s have a particular business ethic.

Production and exchange in the cluster are supported by complex relationships of family and acquaintanceship. In addition, various institutions of collective order and regulation play a role in the way the production and trade relations forms. In the cluster literature, although there is agreement on the importance of a social environment characterized by strong family ties, sense of community, ethnic identities, it is also a discussion point that social links are weakening over time due to increasing differentiation within the clusters or rapid growth caused a similar effect on social networks weakening trust relationships among firms [17,18]. This is seen in the historical trajectory of Grand Bazaar where while the social links are weakening over time, a series of embedded social practices and conventions can be noticed in the historical sociology of artisanal entrepreneurship.

4.4. Advantages and Disadvantages of Production in Grand Bazaar

Except from these characteristics of Grand Bazaar as a jewelry cluster, there are some advantages and disadvantages of this area as a production and trade center of the jewelry sector. We can list the advantages generally as; the juxtaposition of its historical characteristics with a great potential of tourism around the area, the proximity of the customers and the market, centuries of production and trade culture. There are also important disadvantages of the location such as the environment pollution, protection of the historical heritage, transportation problem, infrastructure problems, decreasing quality of the labor, security and some legal problems.

Taking the above disadvantages into consideration and because of some legal imperatives the sector has initiated a new project "Kuyumcukent" (Jeweler's City) with the help of government and some chambers (mainly the Istanbul Chamber of Jewelers) (Figure 6). The idea behind the "Istanbul Jewelry Artisans' Complex Building Cooperative" which brings together the members of the jewelry sector with a vision and entrepreneurial spirit is to enable the Turkish Jewelry sector to develop in modern premises equipped with a state of-the-art technological infrastructure and to render it competitive in the world markets (www.kuyumcukent.com.tr). Kuyumcukent is a complex where production, marketing, and sale functions are integrated with a modern architecture. With over 2100 jewelry production workshops, jewelry stores bring the producers, consumers, wholesalers, retailers and exporters in Kuyumcukent and fulfill the demands of the jewelry sector. Also a wide range of services to the industry is provided including; banks, hotels, showrooms, shopping centers, recreational facilities etc. The complex is designed for leaving behind the unhealthy production environment the sector has been in for long years, and thus, enhance the productivity of nearly 25.000 people who will be working in the complex. Kuyumcukent is located on the main artery joining the E5 and TEM motorways. The World Trade Center, Yeşilköy Airport (where 95% of Turkish Jewelry export is carried out), and Free Trade Zone and Turkish Foreign Trade Complex are the functions closely located to Kuyumcukent. This area is also planned as "prestige artery" by the Istanbul Greater Municipality.

Besides these advantages of Kuyumcukent there are some problems for the firms in Grand Bazaar to move to Kuyumcukent. Some of the stated problems are; the high cost of moving, the thought of not reaching the customer potential of the Grand Bazaar in the new location, the cost of production (as there are some illicit usage of electricity, water, tax in Grand Bazaar) etc.

From the above we gain a provisional picture of the changing location of jewelry industry in Istanbul from a type of cluster to another type of cluster. It is a question whether the functioning of the jewelry cluster in and around Grand Bazaar will change with the ongoing transformation process in terms of production and trade organization and institutional atmosphere, such as the social relations.

5. CONCLUSION: FUTURE PROSPECTS FOR GRAND BAZAAR AS A JEWELRY CLUSTER IN ISTANBUL

The analysis of the Grand Bazaar jewelry cluster in Istanbul has highlighted two important points. First it has given us the opportunity to consider the distinguishing characteristics of a five centuries old jewelry cluster, which is a unique example in the literature on clusters. Second the examination of the jewelry industry has provided us with the opportunity to take a closer look at the jewelry clusters in transition in Istanbul.

As it is seen from the history of Grand Bazaar and some other studies [19] on clusters put forward, historical events played an important part in the emergence of Istanbul clusters. The efforts of Fatih Sultan Mehmet were significant in this respect in the establishment of Grand Bazaar cluster. Similarly jewelry production culture was constructed in Grand Bazaar with coming of Armenians. Within the time knowledge of production has spread and the Grand Bazaar have transformed to jewelry cluster with the help of its strong historical and cultural roots.

Findings of empirical research reveals that Grand Bazaar as a jewelry cluster represents some distinctive characteristics. With highly concentrated small firms and specialized tasks with varying degrees of vertical integration and disintegration, dense subcontracting relations of detailed tasks and proximity to service providers offering a wide range of inputs including machinery repair, security systems Grand Bazaar shows the transactions-intensive cluster nature. The production is markedly labor intensive and technologically unsophisticated. Workforce ranges from the highly skilled to the unskilled in the cluster. Although design and creativity are fundamental components of jewelry production, there is not a special design process before production in the cluster and imitation is the widespread attitude in the design process. Because of this, masters rather than the designers stand out in the production process, and the characteristic of the production appears to be artisanal rather than artistic. Findings reveal that there seems to be an institutional atmosphere in the organization of the cluster, in terms of both formal and informal institutions. Moreover there is an environment of solidarity and cooperation relations in Grand Bazaar. The ethnic variety (like Armenians, Jews) as one of the most important characteristics of the Grand Bazaar in the historical process seems to decrease considerably through time. *Süryani*s is one of the largest ethnic groups in Grand Bazaar today. It seems that there is not a strong relation among the members of this group but it is stated that *Süryani*s have a particular business ethic. Strong family ties are the other institutional aspect of the Grand Bazaar.

Figure 6. Kuyumcukent Complex, İstanbul.

Contemporary characteristics and structure of Grand Bazaar shows that the social links are weakening over time, however it is valuable to sustain solidarity and collaborative production environment for the success of the jewelry cluster. The most important development for the cluster is to improve design process and to achieve transformation from artisanal type of production to artistic type of production by increasing number and quality of designers. On the other hand culture of Anatolia provides a rich base for jewelry design process.

Grand Bazaar as a jewelry cluster realized a contemporary transformation and the location of jewelry industry in Istanbul has changed form a type of cluster to another type of cluster. Carrying the producers that caused the pollution is important to sustain and improve the environmental quality of Grand Bazaar. However, to leave some of the small jewelry artisans and rehabilitate their wastes is important for the demonstration of jewelry production and the development of tourism in Grand Bazaar. Today, the development of a new jewelry cluster and the transformation that Grand Bazaar is experiencing requires to analyze the geography of Jewelry industry and jewelry clusters in Istanbul, that will also includes the production networks and social relations among them.

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