

Global Creative Economy and Istanbul: A Focus on Film Industry Cluster

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Global Creative Economy and Istanbul: A Focus on Film Industry Cluster

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Abstract: The main objective of this paper is to explore the cluster dynamics and external linkages of the Istanbul film industry through a questionnaire-based study with film producers. The paper aims to determine whether the success in the global market is created through the cluster dynamics of the local film industry. The status of Istanbul's integration into the global market can be shown by the activities of the film industry. Clustering and local-global interactions are the main points of analysis as they are the major factors indicating integration of film clusters into global film markets. The findings show that the Istanbul film industry cluster tends towards disintegration spatially and has weak external linkages. For sustainable development and resilience against potential future crises, local-global interactions and external linkages should be integrated into the existing cluster dynamics. Consequently, this study asserts that despite the position of Istanbul on the periphery of the global economic system, through the film sector as a creative industry, its position and degree of global integration can be increased.

1. INTRODUCTION

The global economy has been in the process of restructuring since the economic crisis of the 1970s. In this period, involvement of states in economic processes and advantageous conditions of mass production have come to an end. The new period means new economic sectors are producing goods with high symbolic meaning, such as in cultural industries. These can be understood as the symbols of the modern cultural economy. In the world economy, it has become accepted that the growing cultural industries offer solutions to the problems of unemployment and are themselves vehicles of export.

In parallel with the growing interest in this issue, there has been increasing academic research from different disciplines, such as sociology and business studies. These different disciplines' studies have evaluated those industries from different perspectives, such as firm characteristics and labour processes ([Aksoy & Robins, 1992](#); [Bathelt, 2002, 2004, 2005](#); [Blair, 2001](#); [Hesmondhalgh, 2002, 2007](#); [du Gay & Pryke, 2002](#); [Krätke, 2002](#); [Power & Scott, 2004](#); [Pratt, 1997](#); [Scott, 1997, 2004a, 2004b](#)). The film industry, as the biggest commercial sector of cultural industries and a dynamic industry of world trade ([Rosnan, Nazari Ismail, & Mohd Daud, 2010](#)), has attracted the

attention of both policy makers and entrepreneurs, however, it is very difficult to provide sustainable development in those cultural industries because of their dynamicity.

Not only the film industry but all cultural industries have taken a central position in cities' economic policies in order to integrate into the network of world cities. Many cities around the world have changed their industrial profiles towards cultural economies ([Scott, 2004a](#)), joining as nodes into the relevant global network. According to [Scott \(2004a\)](#), this happens because the cultural economy is evaluated as a source and enhancer of local economic development and as the source of expansion for output and employment. Urban policies are focused on competition and clustering, two interrelated concepts supporting each other, where clusters are desirable for their positive effects on increasing competition ([Eraydin, 2008](#)). The evaluation of the economic performance of cities and regions is realised using assets of competition, such as human capital, creativeness, culture, art and technology; intensive convergence of these assets results in the clustering of cultural industries. Thus, cultural industries comprising different sectors emerge at these merging points. In the world economy, fast growing cities now tend to have developed cultural industry clusters. Therefore, culture and creativity have become established features of the urban policy agenda as the drivers of economic development. Cultural industries are stimulated with the aim of promoting cities at an international level and attracting both investment and the creative class ([Bayliss, 2007](#)).

In this study, the economic development of Istanbul is the main concern and the film industry is determined as the indicator of the position of the city in the global economy. The movie industry is analysed in this context due to its direct contribution to the urban economy and its impacts on the promotion of cities and countries in the world market. In this context, cluster dynamics and external linkages of the Istanbul film industry are explored through a questionnaire study with film producers. Istanbul, as the only film cluster in Turkey, was selected as the case study area. The central question was whether the cluster dynamics of the Istanbul film industry can lead to economic success in the global market. Clustering and local-global interactions are the points of analysis in this study. In this regard, clustering dynamics and different global integration models are detailed first in order to explain the general structure of the film industry. Following this, a historical analysis of the Turkish film industry is carried out with regard to the cluster dynamics and integration models. The database and survey process are explored in the third part, and then the cluster analysis is given with the findings. Finally, the findings for the Istanbul film cluster are summarised and discussed together with some suggested policy changes.

2. CLUSTERING AND LOCAL-GLOBAL INTEGRATION

The dual theoretical structure for the clusters, used by [Vang and Chaminade \(2007\)](#), provides a conceptual framework for the explanation of success of cultural industry clusters. However, research on the cluster dynamics of a cultural industry that has intensive external relations and global relationships is not much discussed. While different clustering approaches, such as Marshallian and Jacob clustering, provide good frameworks for the investigation of the structures of cultural industries based on globally

intensive relationships, they also admit important deficiencies for the evaluation of external linkages.

2.1 Marshallian Clustering

In the development literature, major success in different places like Third Italy, Baden-Wurttemberg, Silicon Valley and Hollywood has stimulated discussion of the role of clustering on success through an increase in productivity, as happened in these examples. Flexibility and cheap access to the resources required in the production process explain the success of these clusters. Moreover, dynamic externalities, such as localised learning and innovation, which provide advantages to the firms in the cluster, have become the focus of research. Firms that achieve localised knowledge spillover, labour markets and institutional supports via traded and untraded dependencies sustain their innovation-based competitive advantages. Physical proximity in clusters enables face-to-face interaction and facilitates the exchange of tacit and codified knowledge among firms; thus, it enables innovative and competitive development ([Vang & Chaminade, 2007](#)).

The Marshallian approach explains the economic success of clusters through the effects of human and social capital; i.e., success is explained by the determining factors for the interactions of the firms and the mutual learning processes among them. Thus, it can be said for the cluster that human and social capital promote competition by providing interactive learning processes. As stated by [Vang and Chaminade \(2007\)](#), human capital is more related to the labour market and shows the ability to reach, read, understand, convert and commercialise the localised knowledge spillovers in the sector, whereas social capital might facilitate businesses characterised by a high degree of uncertainty.

The Marshallian clustering approach is criticised for its ignorance of local-global relationships and for its limited account of foreign direct investments. Local-global interaction analyses made on cultural industries -and especially on film industries - investigate the production strategies of clusters focused on the utilisation of cheap labour, infrastructure, natural beauties and financial supports of foreign countries. Furthermore, according to [Vang and Chaminade \(2007\)](#), no enquiry focuses on the question of how and to what extent global relations and external relations can affect the success and internal organisation of the cultural industry clusters.

2.2 Jacobs Clustering

Studies made on cultural industry clusters are generally developed with the Jacobs approach ([Jacobs, 1969](#)), which focuses on the underlying reasons for concentration in metropolitan areas and on such factors as diversified labour markets, openness, tolerance and “buzz”. In order to increase the competitive capacity of cultural industries, it is crucial to access unique, valuable and diversified knowledge and recombination of this type of knowledge. Fast recombination, knowledge sharing and the continuous reproduction of knowledge are the essential features of cultural industries organised in the form of a cluster. Cultural industries are project-based, where each project must be different from previous ones and hence must organise quickly, produce innovations and practice them. These types of organisations may solely be in metropolitan areas, accommodating the diversity of human capital; however, a high level of diversity is related to the openness and

tolerance of a society, which presents difficulties for this approach due to the globalisation process and local-global linkages ([Vang & Chaminade, 2007](#)).

The evaluation of these two approaches introduces the key role of clustering for the success of cultural industries. The dynamics of the role of clustering in success and competition can be analysed from five dimensions ([Bathelt, 2004](#)), namely (1) horizontal dimensions (competition and diversity), (2) vertical dimensions (interactive learning), (3) institutional dimensions (encouragement of inter-enterprise cooperation and collaborative projects), (4) external dimensions (connection to the market and the collection of knowledge in various regional and national settings), and (5) dimensions of power (the process of adaptation to changing rules and markets). It is vital to establish trade-offs among these dimensions of clustering to prevent situations such as lock-in, path dependency, blind confidence and over-embeddedness that may prevent economic success in any cluster.

The film industry is the focus of this study. It inherently produces clusters due to its project-based organisational structure. Connections between all related actors for each different film project require close physical proximity; the increased possibility of socialisation, learning, face to face interaction, creativity and motivation encourages firms to be located in clusters altogether. The case studies on clustering around the different geographies demonstrate that clusters positively affect creativity and productivity and thereby the development of firms, together with the whole economy of the cities and regions in which they are located, which enables the emergence of new firms, new jobs, innovation and competition ([Jacobs, 1969](#)). However, clusters may sometimes promote problems in the central and core areas. For instance, the attractiveness of the subcentres may produce a tendency of industrial shift, as can be observed with the Istanbul film industry cluster.

2.3 Restructuring Process in Film Industry

All stages in a film's life-cycle, such as production, distribution, exhibition and financing are undergoing industrial changes. Those changes can be summarised under two headings, internationalisation and globalisation. While internationalisation means intense economic exchange across national boundaries, globalisation is the integration of different nations, firms and organisations into global economic, cultural and political systems ([Lorenzen, 2009](#)). The process of internationalisation is the extension of existing activities into other countries and the attainment of economies of scale and scope ([Kaiser & Liecke, 2007](#); [Keane, 2006](#)). It is agreements and alliances between nations or nationally based firms ([Lorenzen, 2009](#)). [Dicken \(1998\)](#) describes globalisation as "the functional integration of internationally dispersed activities". When the two structural changes are evaluated, it is evident that internationalisation is a quantitative process, while globalisation is more qualitative. Lorenzen ([2007, 2009](#)) emphasises that globalisation means connectedness among many countries and leads to their integration into global networks of economy, culture, policy; as such, it is beyond internationalisation. c

Lorenzen ([2007, 2008](#)) exposes four aspects of globalisation for the film industry, which are globalisation of (1) involvement in filmmaking, (2) film consumption, (3) film production, and (4) the organisation of filmmaking. The first aspect is related to the increase in the number of film producers outside of the USA. The second feature is about varying consumer preferences emerging with new niches in the global film market. The third aspect of globalisation is related to the production process in which film projects

transcend national borders. The last aspect regards global corporations organising across national boundaries. In this global film market, the tendencies of horizontal and vertical integration of cultural production companies are observed with the aim of increasing competition (such as publishing, music, TV, cinema, etc.) and reaching broader global markets.

In the current world film market, it is necessary that film production clusters integrate into the global film market to promote competition and sustainable growth. The process of integration varies for different countries according to their own production organisation, labour process, and arrangement mechanisms. In this study, six different models of integration into the global film market are defined in the context of the above-mentioned concepts and discussions. These models produce different features according to the different combinations of industrial organisation, labour market, size of home market, regulatory mechanisms, and film content. The first model is based on Hollywood due to its organisational heterogeneity, international filmmaking practices, and powerful distribution and marketing networks. The command function of Hollywood in the global film market is the base of this first integration model. Runaway production is the second integration model; with two sides to the integration process, it both provides an ability to reach the international film market and has the advantage of using local financial and creative sources. The third model is co-production with foreign film companies. Companies increasingly prefer to make movies as co-productions to take advantage of tax incentives and reductions, some procedural advantages, and cheaper labour. The fourth strategy is based on the adaptation and duplication of industrial organisation and filmmaking styles of Hollywood. The fifth model is based on geo-cultural marketing with diasporic movies, which examines the benefits derived from cultural similarities between countries. Finally, the last global integration model is niche marketing, which covers the use of different filmmaking methods, such as the niche animation films of Japan and dogma strategies of Denmark; this integration model includes non-commercial use of films or art-house filmmaking.

Table 1. General Characteristics of Selected National Film Markets, 2009

	Different Forms of Integration															
	Command Centre	Co-productions				Adaptation			Geo-cultural Marketing		Runaway Productions			Niche Markets		
Country	US	France	Germany	Italy	Spain	UK	China	S. Korea	India	*Nigeria	Australia	Canada	Ireland	Japan	Denmark	Turkey
# of films	677	230	220	133	186	116	456	138	819	872	38	75	34	448	30	69
Population (million)	307.4	64.7	81.9	59.8	46.1	61.2	1.33	48.7	1.207	152	21.6	33.6	4.5	127.6	5.5	70.4
GDP per capita (\$)	45.55	39.9	37.31	33.3	30.25	32.8	3.62	14.946	982	2.4	34.974	36.589	49.1	39.12	52.815	7.84
Admissions (million)	1.364.0	201	146.3	111	109.5	174	218	156.8	2.900.0		90.7	108	17.7	169.3	13.9	36.9
# of Screens	39028	5522	4734	3208	4083	3696	4723	1996	10120	*4871	1989	2833	442	3396	397	1575
Market shares by national films (percent)	91.8	36.8	27.4	24.4	16	16.5	56.6	48.8	92		5	0.8	0.2	56.9	17.3	50.9
Market shares by US films (percent)	-----	*63.2	*72.6	*75.6	84	*83.5	*43.4	*51.2	*8		95	91.8	*99.8	*43.1	*82.7	*49.1
Average Ticket Price (\$)	7.18	8.53	9.28	8.46	8.48	8.49	4.16	5.73	0.57		9.29	8.01	9.81	13	13.78	5.37
Gross Box Office Revenues (Million \$)	9.629	1.7	1.4	940	929	1.47	906	854	1.86		848	863	173	2.2	192	198

Source: World Film Market Trends, Focus 2010, European Audiovisual Observatory; *Include both US and other countries' films, *Nigeria: UNESCO Institute for Statistics, 2005

Filmmaking countries may simultaneously use a range of models. For example, two global integration strategies are observed in the Turkish film industry cluster, *co-productions* with European countries, and *geo-cultural marketing* to the Middle East, Balkan States, and Turkic countries. As stated above, global integration is necessary for sustainable growth and competition in the film industry. Considering this, the Turkish film industry has shown some positive developments in the last two decades, but export growth is still limited. It is a small-scale industry when compared with other filmmaking countries such as France, Japan and the UK. In order to show the size and position of the Turkish film industry in the global market, *Table 1* lists the indicators used, including the number of films, home market size, admissions, market share, number of screens, and box office revenue. The Turkish film industry is in the small-scale film country list with Ireland and Denmark.

3. TURKISH FILM INDUSTRY

The Turkish film industry has not historically shown continuous growth. Due to the social, economic, and political factors, the characteristics of this growth have changed over the years. When the external relations of the Turkish film industry are analysed as a historical process, there is a clear one-way flow: foreign films have been imported and distributed in the domestic market with no reciprocal export. In the last twenty years, new processes, such as spatial decentralisation and new methods of integration into global markets, have emerged in Turkey. The general historical characteristics of the Turkish film industry, strong clustering dynamics and weak external relations, have become more significant. The industry can be analysed through four major periods in Turkey, in the context of the economic, social and political developments underlying the clustering and global integration.

3.1 First steps: 1896 - 1950

The Turkish film industry was established in the period 1896 -1950. The first public screening in Turkey took place at Sponeck pub on a Pera street in 1896 ([Öz & Özkaraçalar, 2011](#)). All of the early screenings were made in Pera (Istiklal Street, Beyoğlu) because the exhibitors rented cafes on the street to capture its vibrant social life. In the following periods, these cafes were converted into permanent cinemas. As stated by [Öz and Özkaraçalar \(2011\)](#), most of the film import and distribution companies were located close to the Galata district towards the end of the 1920s. Over the following decade, all film businesses were clustered in the district of Pera and mainly on and around the Grand Street.

In the first stage of Turkish cinema, global interaction and the US film industry's commanding function began to affect the world film market. In terms of global integration, there were no developments in the Turkish film industry. Subsequent to the world wars, the European cinema sector became the major film exporter to Turkey. Exhibition of foreign films in the Turkish domestic market was the only connection with foreign markets.

3.2 Growing domestic market, popularisation and big decline period: 1950 - 1980

In this period, Turkish cinema underwent significant developments in terms of film production. These golden years of Turkish cinema are called the "Yeşilçam" period, referencing a street in Pera district in which all film-related business activities were densely concentrated. It was also the resort area for those working in the Galata district and became the shopping, leisure and entertainment centre of Istanbul. The reason for the film companies' concentration was the "simultaneous presence of a sophisticated local demand and a few successful companies" inviting related activities to the area ([Öz & Özkaraçalar, 2011](#)).

[Eraydın \(2002\)](#) comments that "Turkish businessmen believe what they see", referring to the pattern of imitation of firms' production dynamics and spatial organisation following business success, which leads to clustering. The founding of film companies in the Pera district led to intensive concentration ([Öz & Özkaraçalar, 2011](#)) during that period, where linkages with external actors and markets were the most important dynamics. Co-productions with foreign companies and the use of foreign actors in movies were the two types of external linkages. In terms of company structure, there were both big and independent filmmaking companies. There were 26 co-produced feature films with foreign companies between 1950 and 1980 in the Turkish film industry ([Yılmazok, 2010](#)). The Leg system was the distribution model of Turkish movies in that period. In that system, distributors decided film genres and casts for their regions. Also, they were providing finance for film production. They had connections with exhibitors who were demanding regionally popular types of movies to fill their weekly programs. Foreign market connections during this period were co-productions and film exports, which both increased during that period. The increasing number of external linkages were important for the film industry's economic development, but it remained small-scale compared with respect to the total number of film productions. In order to increase external connections, such as international co-productions and film exports, both internal and external dynamics are important ([Erkilic, 2003](#)), and the Turkish film industry experienced pressure from both internal and external

dynamics. Externally, the Cyprus operation, Israel and Arab war, and the overturning of the Iranian Shah negatively affected the exportation of Turkish films; internally, the increasing costs, lack of raw film stocks, piracy, TV effects, and terror decreased the number of films and audiences. Those problems caused a huge decline in Turkish Cinema towards the end of the 1970s. The industry came to a halt after the military intervention of 1980.

3.3 Restructuring period: 1980 - 1995

Many film companies were closed in the late 1970s. The surviving ones have continued their small number of film productions for both TV and cinemas in and around the Beyoglu district. Together with the globalisation process in the world economy, the industry was revived through local-global interactions. The Eurimages membership of Turkey and the entrance of foreign distribution companies into the Turkish market in 1989 were the most important developments of this period. Eurimages membership provided financial support to a number of film projects. Movies made with the support of Eurimages were generally low-budget and commercially unsuccessful films, although they were artistically successful B films in both national and international markets. Thus, in this period of restructuring, the Turkish film industry integrated into the global market and especially European markets with artistically successful films. However, the relationships within the distribution stage were led by major distributors of international markets over their local branches, meaning the distribution of US films in the Turkish market but not vice-versa. The reach of these international distributors also affected the exhibition stage, through the increasing number of foreign films exhibited in local cinema theatres.

3.4 Globalisation of the Turkish Film Industry: 1995+

As with the other sectors of the economy, globalisation changed the actors and relationships of the production side of the film industry in Turkey. These changes led to the revival of the Turkish film industry, however, despite the increasing number of films produced in the period, it is not comparable to the success of the Yeşilçam era in either sheer number of films produced or character, as it was during this period that the key players in the Turkish film industry shifted to those of today's globalised film industry. After 1995, the Turkish film industry began dispersing into the European part of Istanbul from Yeşilçam Street and Beyoğlu.

Global integration generally occurs through co-productions and geo-cultural marketing. Moreover, through a stylistic adaptation strategy, some films began to use new techniques for global integration. Globalisation processes especially affected the relationships between the actors of the industry, both national and international, making them more intense and complex. This led to co-productions with some US and European partners in the production stage. Despite being limited in number and unsuccessful at the global scale, these partnerships provided increased diversity of financial resources, including Eurimages funding and, for some film companies, funding from geo-cultural markets and global sponsorships. Moreover, these developments provided the entrance of TV Channels into the sector as sponsors and also increased the role of governmental support. This period also saw the rise of bilateral relations between global and local producer

companies; however, these have been generally limited to the production of auteur films, which struggle for economic success globally.

4. ANALYSIS

This analysis of the Turkish film industry aims to clarify its production structure and external linkages, and to investigate its industrial geography as well as the level of its global integration; however, as there is a lack of statistical data on the representatives of the sector and details regarding the films, such information was collected via questionnaire. This part of the paper is mainly about the preparation of this questionnaire, its structure and the findings. **Structure of the Questionnaire**

The questionnaire is composed of three main parts divided by its main aims, and includes different types of questions, including open-ended and multiple choice questions, and questions using Likert scales.

The first part of the questionnaire gives general information about the company that will be used to analyse the structure of the company. The questions in this part ask about the past and present dynamics of the companies, including their co-productions (national and international), the methods for establishing partnerships, experiences through the production process, and possible multi-sector structures.

The questions of the second part aim to understand the production of the film industry. This part consists of three sub-categories, focused respectively on relationship networks, external linkages and partnerships. The questions on relationship networks aims to analyse the relations of the companies with others over their last projects. They refer to the whole stages of film production including not only pre-production, production and post-production; but also finance and distribution, too. This part of the survey also questions the density and frequency of networking relations as well as the satisfaction from these relations. The tendencies observed in the film industry especially after 1990s, such as national and international co-productions, were also interrogated. It was aimed to understand the reasons and ways producers used these processes regarding the dynamics of competition, clustering and creativity. The other issues questioned are the main strategies used by producer companies to reach foreign markets and release in them.

The last part involves questions regarding financial resources, institutional relations, labour processes and other supportive sectors, and aims to comprehensively detail sectoral relationships, and industrial organisation within a comprehensive perspective.

4.2 Preparing the Database for Questionnaire

The questionnaire was conducted with production companies in the industry, however, it was difficult to reach a full and exact list of film producers in Istanbul. The second step was therefore to acquire a list of producers. The information gathered from the State Institute of Statistics and professional organisations related to the film industry was both inconsistent and incompatible. Thus, the first steps of the field survey aimed to produce a list of active Turkish film producers for a thorough analysis of local and global production networks.

This study takes the first 200 most successful films, as per box office ratings, as the basis for the pool of active production companies, representing a total of 118 companies. There were 76 contactable companies, and of those 66 are located in Beyoğlu, Beşiktaş and Şişli. These areas are the first three vertices on the European side of Istanbul based on other reviews made on the address data on the SESAM member list and FİYAP producer association. There were only 13 firms on the Anatolian side, located at Kadıköy, Beykoz and Üsküdar. Compilation of data was only achieved for 45 companies.

The questionnaire asserts that the spatial preferences of the interviewed firms are determined by accessibility, socio-cultural environment and the quality of physical space. Affinity to the public services, related institutions and the firms working together are the other factors affecting the spatial preferences of the sector. However, the intensity of services and cultural facilities in the region do not feature as important factors on preferences.

Representatives of the sector indicated that their main reasons for staying together with other firms were the chance of developing face-to-face relations, ease of working together, working on similar conditions and trusted environments. Beyoğlu, Beşiktaş and Şişli are all localities hosting rich cultural activities, colourful nightlife and commercial and cultural centres. Based on interviews with representatives of companies located in Beyoğlu, the area has many problems with transportation and parking, narrow locations, and security issues; this has led many to move from Beyoğlu to more prestigious areas in the city. Despite this, the firms overwhelmingly preferred to stay in Beyoğlu to develop relations with other firms more easily by staying inside the city. While some of the firms emphasise the historical and cultural identity of the region for their ongoing stay, others point out the existence of supportive sub-sectors in Beyoğlu.

The survey also analysed the mobility of the production companies. 26 of 45 companies were established in Beyoğlu and 13 companies were established in Beşiktaş and Şişli. Furthermore, the number of companies conducting activities in spatial terms is 24 of 45 (53%), and there is a tendency to move through the Ortaköy-Levent and Şişli, besides movement within districts. Centrality, accessibility, affinity to prestigious places and sources of finance are the most important reasons for moving; existing rents, accessibility and spatial sizes were important motives for movement within districts.

In addition to the questionnaire, a geographic concentration analysis for montage studios, firms leasing equipment, film studios, modelling and casting agencies, distribution firms and professional organisations was made. Generally, their location preferences indicate that they are concentrated in the same districts together with film producers ([Sayman & Kar, 2007](#)).

The film industry shows an intense process of globalisation. Every day a different country attempts a joint production strategy to get its place on the world market or to increase its market share (Canada, Izland, Ireland, Australia, China and some European countries, such as France, England and Germany). Thus, the survey also questioned the tendency of working with foreign firms in the Turkish Film Industry. The tendency for co-production has become a prominent feature of the Turkish film industry, as 19 of 45 firms (42.2%) are involved in co-production films produced with foreign companies. Additionally, the Cinema Council of the European Union has promoted co-production projects via Eurimages support, which the Turkish film industry has taken annual advantage of every year since 1990.

The questionnaire revealed that international festivals act as facilitators for the establishment of these foreign partnerships, as significant networking opportunities motivating future co-production. The festive atmosphere eases

communication and its effects provide an opportunity for company representatives to meet each other and view each others' productions. Eurimages and international festivals are the most important exogenous factors for the Turkish film industry. Co-production projects provide opportunities for collaboration between powerful global actors in the industry, including producers, directors, and other members of the cast, and provide important competitive advantages. State support is crucial to this process. As this is a very recent development for the Turkish film industry, only a few associations have been established, such as the Film Industry Development Association, the Turk Film Council and Platform for Cinema. They are composed of representatives from the film industry, follow world developments and aim towards integration. As a result, the Turkish film industry cluster remains weak on external linkages but has a system in place to adjust to the global market.

Finally, five other dimensions of clustering ([Bathelt, 2004](#)) will be evaluated through the İstanbul film industry cluster. The dimension of *horizontal relations* represents the relations between the firms actively working in the same branch of the industry. Close proximity to rival firms and the resulting interaction with them offers new competitive advantages through production differentiation and innovation. A 70% score in the survey suggests that co-production with local and foreign producers provides a competitive advantage to firms, but this does not represent current practice. The dimension of *vertical relations* refers to commercial and non-commercial dependencies. Results show that vertical relations provide financial support for producing big-budget projects. The firms tend to relate with the firms located in the same region when they are from mutually supportive sectors. According to this analysis, the importance of dependencies on non-commercial factors, such as the interchange of expertise and learning on building partnerships and cooperation, remain at a perceived 50% for the Turkish film industry. The dimension of *externality* is examined through the relationships developed through Eurimages and festivals. The results indicate that there is still no international organisation conducted through the networks made through the big firms' own relationships. The process of coherence and adaptation is the aspect of pace of development, concerning whether the sector can match the developments of the world film sector. Internationalisation and globalisation tendencies of the film sector occur through co-productions, outsourcing (dependent on external sources of funding via taxes and direct financial support) and runaway production, which refers to the realisation of different phases of film production in different foreign countries. Thus, the Turkish film industry lags behind the world film market. Finally, the *international* dimension indicates different perceptions regarding the role of state. While some of the representatives of the sector complain about the lack of state involvement, others (especially larger firms) prefer little or no state intervention in the industry. In this context the *institutional* dimension remains insufficient.

4.4 Findings of the Questionnaire

The high number of new firms in Turkey indicates the dynamic structure of the industry. Nearly half of the interviewees (19 of 45 producers) were established after 1995.

The analysis of the production organisation of the film industry indicates that there are two groups of producers actively working in İstanbul. In the first group, there are multi-sector companies that produce big-budget popular

films. They generally operate in different sectors of the audio-visual industry simultaneously in order to benefit from multiple income streams and to mitigate the high risk of film production. However, the second group of producers is comprised of small-scale companies that generally produce auteur films with low budgets.

According to the vertical integration analysis of production companies, only a limited number of companies (5 of 45) are large-scale and dominant, and are actively working on both the distribution and exhibition phases of production at the same time. These companies, with vertically integrated structures, can produce big-budget films with wide-ranging exhibition.

The film industry is based on intensive relationship networks, which allow for the minimisation of production time through the collaboration of various actors. The results of the questionnaire demonstrate this complex network structure in the value chain of the Istanbul film industry. The main phases of film production that gather all related actors together are the finance, production (including three sub-stages), distribution and exhibition phases. The central financial sources for films are generally the producers themselves, TV channels and international organisations such as Eurimages. Nearly 69% of Turkish film production companies (31/45) produce films with budgets of up to two million dollars, which is far less than the typical Hollywood budget.

Small film-production companies are the drivers of competition and creativity in the industry. Nearly 50% of all Istanbul film companies operate with less than 10 full-time employees. However, as the major type of employment in the sector is freelance work, the number of employees tends to increase during the production process. Major production companies in the sector employ more than ten workers.

The analysis also indicates that the number of co-productions are increasing in Turkey following the general trend of the world film industry.

The analysis indicates that 62% of the film producers (28/45) have made co-productions, 68% of which (19/28) are internationally co-produced. The partners of these internationally co-produced films are generally from European countries. These projects generally have limited, state-funded budgets, with some receiving special funds from Eurimages. They generally initiate these partnerships in international film festivals, benefiting from the reputations of directors or from pre-established acquaintances, leveraging existing relationships from previous projects.

For co-productions, technological competence, creativity and quality of labour were given as the basis for evaluating the level of satisfaction from the partner companies through all stages, from production to exhibition. The results show that these companies were generally satisfied across these characteristics at the production stage, however, the level of satisfaction suddenly decreases for post-production stages, including distribution and exhibition.

According to the production companies, the foremost factors of competition in foreign markets are the production of international co-production films and the marketing of them. Moreover, using novel technologies and filmmaking styles and the use of star actors (national/international) in casting and producing films with bigger budgets are accepted as the other factors of competition in the sector. Competition is an important factor in creativity, but the lack of it increases the importance of the screenwriting stage for Turkish companies. Taking everything into account, financial deficits and lack of qualified labour are the most important problems restricting creativity in the Istanbul film sector.

Co-productions, mainly motivated by preferred production, funding, marketing and distribution channels, have become the central strategy in the Turkish film market for global integration. Approximately 70% of production companies prefer co-productions to facilitate big-budget film projects. Moreover, they aim to reduce the risks in the sector by benefiting from the support gained through co-productions. However, as co-productions increase creative competition, the increasing quality of film projects, financial advantages and advantages gained through Eurimage membership become the most important motivations for co-production.

On the question of global integration problems for the Turkish film industry, the results show that producers believe the state is responsible for the current position of the industry, in relation to the lack of specialised cinema institutions and support systems, as well as disadvantages due to tax. Furthermore, producers lack necessary capital and support from sponsors, and suffer from deficiencies of the distribution and marketing networks.

Consequently, the Turkish film industry has a dual structure, according to its film production dynamics. While the major production companies, which have strong networks with global actors in the sector, benefit from the production of big-budget films with star actors and large film crews, small-scale, independent producers focus on making auteur films with limited budgets and small film crews.

5. CONCLUSION

Istanbul is definitely the heart of the Turkish film industry, which is in the process of development, and especially has been since the 2000s. The analyses show that the Turkish film industry, with its varying actors in the production process, displays the characteristics of a cluster in Istanbul, primarily located in the triangle of Beyoglu, Besiktas and Sisli. The spatial dynamics of the Istanbul film industry represent a shift from concentration at one unique centre (Beyoglu) to a sprawl within the triangle (comprising Beyoglu, Besiktas and Sisli). The multi-centred spatial structure realised after this decentralisation process represents a new characteristic for the Istanbul film industry. Despite the fact that clustering seems to have lost some of its significance, the representatives of the sector still emphasise the importance of face-to-face interaction in the clusters.

The Istanbul film industry cluster has a high geographic concentration. When the possibility of face-to-face interaction, capability of fast organisation, and the environment of trust are considered, the cluster seems successful with its existing structure. However, the analysis of the Istanbul film cluster, from the perspective of local-global linkages, indicates problems relating not only to the realisation of external linkages and partnerships, but also to their effect on success. Eurimages and artistically successful movies are the main sources of connection to foreign markets, but the sector's dominant, mainstream firms are in a weak position in terms of global relations and co-productions. Clusters, which may be evaluated as the source of success in the sense of internal relations, are an embodiment of significant deficiencies for the local-global relationships of Turkey. This is because, despite being acknowledged as the source of creativity and innovation, clusters cannot produce economic success independent of other strong external markets or when there are no other connections. Despite dominating the domestic market since the early 2000s, the Turkish film industry needs to develop more

connections with foreign markets and integrate into the global film market to overcome a potential crisis in the near future.

The Turkish film industry seeks to integrate into global markets through co-production, overseas exhibitions, through art-house films for niche markets and distributors, and exhibitions in a culture-like market, however, the implementation of these integration models and their relative achievements in the domestic market since 2000 are still very small in scale compared to the global market. The analyses showed that the Turkish film industry is partially integrated with the global film market, mainly through geo-cultural marketing and co-productions. The industry should follow and develop these global integration models in order to avoid repeating historical problems.

This study questions the film industry to understand the position of Istanbul within the global network. In relation to the global film industry, Istanbul is situated on the periphery of the new global economy. In order to achieve sustainable economic growth and integration into the global economy, it should be more focused on the cultural or creative industries and make improvements to the social, cultural and physical aspects crucial to the industry's growth.

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