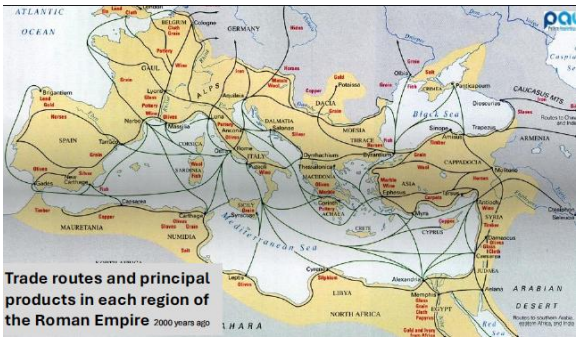
Transformation of Urban Economies in the Mediterranean: The Case of Turkish Cities

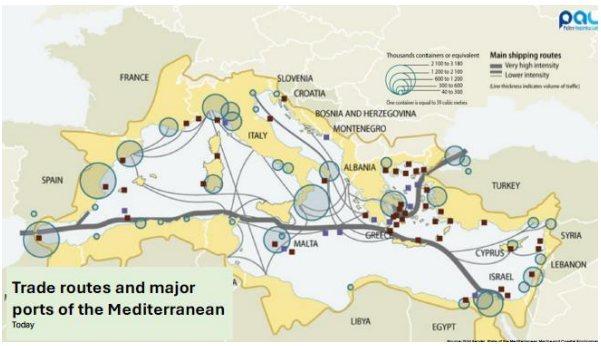
Esen Caglar | 23 January 2025

Background: Mediterranean as one the oldest system of cities

The Mediterranean is home to one of the world's oldest system of cities, where urban economies have thrived for millennia through trade linkages. Over 2,000 years ago, during the Roman Empire, cities were already interconnected by commerce and migration. Today, the region remains a dynamic network of ports and trade routes, attracting people, businesses, investments, and millions of visitors. With 40 major cities across 23 nations—some large, some small—many still serve as economic hubs, maintaining their historical role in a system of interconnected urban centers.

System of Cities in the Mediterranean, 2000 years ago and today[i]



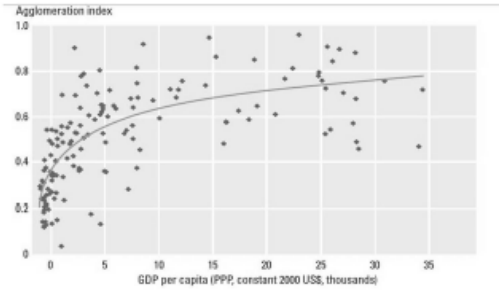


Economically, cities are engines of progress, generating agglomeration benefits. Large labor markets create more job opportunities, and firms located near one another experience productivity gains, fostering economic growth. Proximity also accelerates the exchange of ideas, driving innovation. However, urbanization presents challenges, including congestion, pollution, crime, and, as was recently experienced, vulnerability to pandemics.

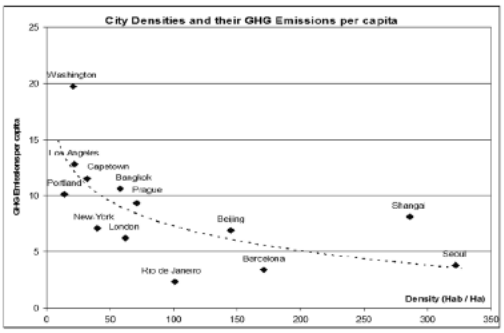
The future of cities remains uncertain, with ongoing debates about their role within nation-states, the evolution of cross-border city linkages amid growing trade barriers, and the complexities of multi-level governance. While there is no universal blueprint, some clear patterns emerge from recent research: urbanization is closely linked to rising incomes, and denser cities tend to have lower per capita emissions—highlighting the potential role of well-managed urban density in addressing climate change.

Two major stylized facts about cities [ii]

As countries urbanize, they also tend to get richer



As cities get denser, they tend to have less emission per capita

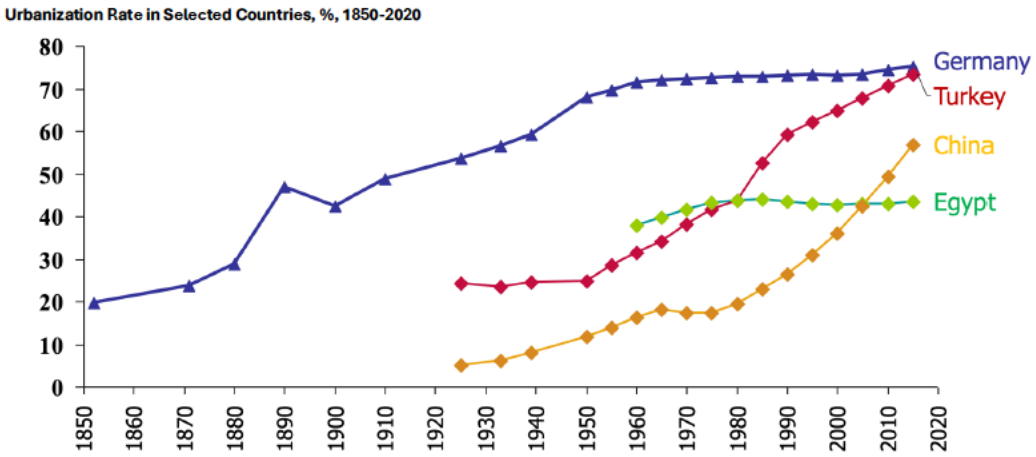


The Tale of Turkish Cities: Key Trends in Economic Transformation

Urbanization and Economic Diversification

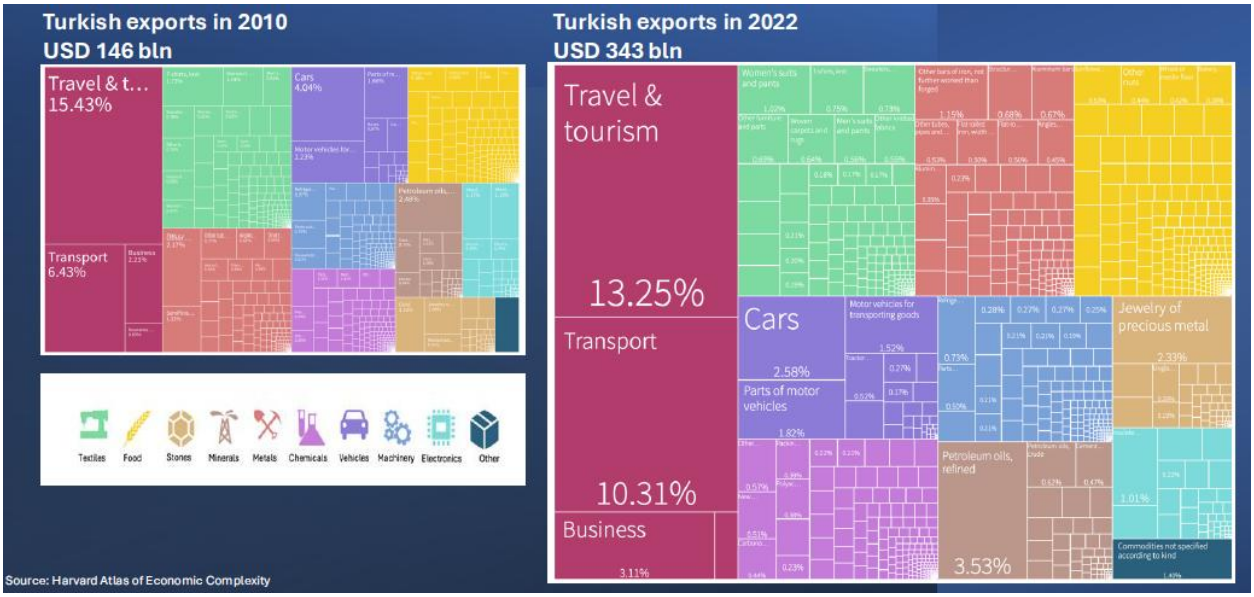
Turkey presents an interesting case in terms of rapid urbanization and economic transformation, with several lessons to offer for other Mediterranean countries particularly for those in the South and East. Over the past century, the country has transitioned from a predominantly rural society to an urbanized economy, with major cities driving industrialization, employment, and economic diversification. This shift has been fueled by internal migration, as people move from rural areas to cities in search of better opportunities. However, the uneven spatial distribution of growth has created disparities, with some cities emerging as industrial powerhouses while others struggle to integrate into national and global value chains.

Urbanization Rate in Selected Countries, 1850-2020[iii]



One of the most striking economic trends in Turkish cities over the past two decades has been the remarkable expansion of exports. Between 2010 and 2022, Turkish exports more than doubled, showcasing greater integration with Mediterranean markets and a shift toward higher-value-added goods. Today 25% of Turkish exports, a total of 62 billion USD goes to the Mediterranean countries. This volume was 27 billion USD in 2010. This shift has been accompanied by increased diversification in export destinations and product categories, signaling deeper economic resilience and competitiveness.

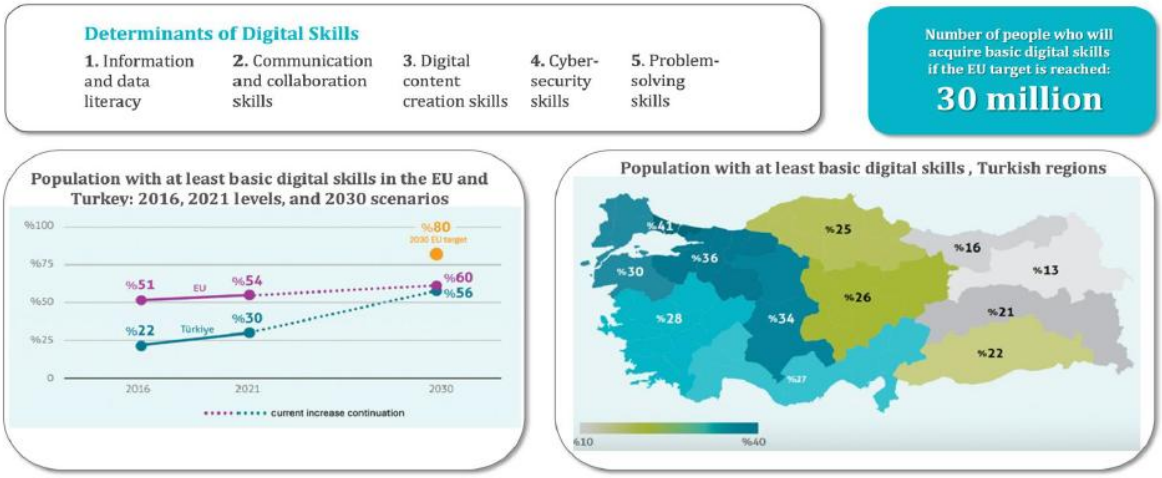
Growth of Turkish Exports, 2010-202[iv]



Digitalization and the Future of Competitiveness

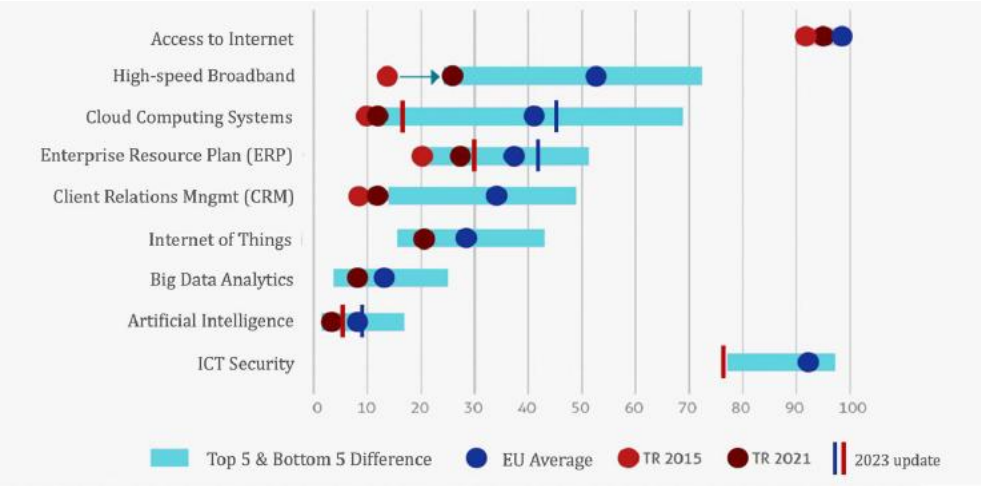
Digital transformation has become a defining factor in the global economy, and Turkish cities are no exception. While the country has made progress in adopting digital technologies, it still lags behind leading Mediterranean economies in key indicators such as digital skills, broadband access, and enterprise-level digital adoption. The current growth rate of digital skill acquisition in Turkey is not sufficient to catch up with the EU. To reach this target, the growth rate of the digitally skilled population needs to nearly double.

Basic Digital Skills: Conversion toward the EU levels[v]



Recent advancements in digital tool adoption among Turkish businesses indicate a positive trajectory. However, significant gaps remain, especially in the integration of advanced digital solutions such as enterprise resource planning (ERP) systems and high-speed broadband in smaller firms. Bridging these gaps will be crucial for ensuring inclusive and broad-based economic growth.

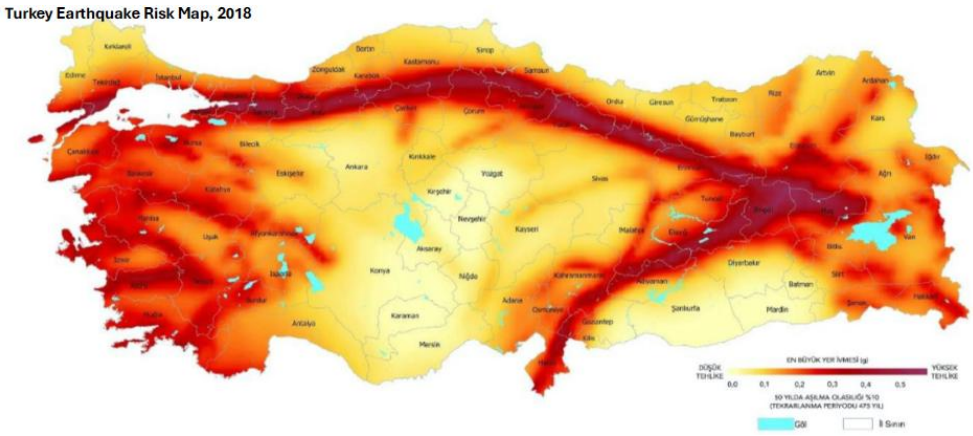
Usage Rates of Digital Tools in Turkey vs. EU[vi]



Resilience and Green Transition: Navigating Environmental Challenges

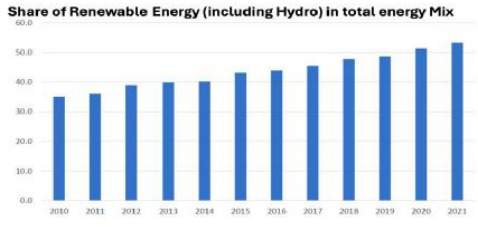
Resilience has emerged as a central aspect in urban economic planning, particularly in the face of environmental and seismic risks. Turkey is highly vulnerable to earthquakes, among other forms of natural disasters, with cities such as Istanbul and Izmir facing considerable threats due to their geographical positioning. Building earthquake-resistant infrastructure and implementing risk mitigation strategies are essential for safeguarding urban economies.

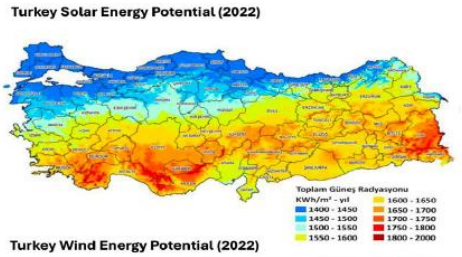
Turkey's Earthquake Risk Map[vii]

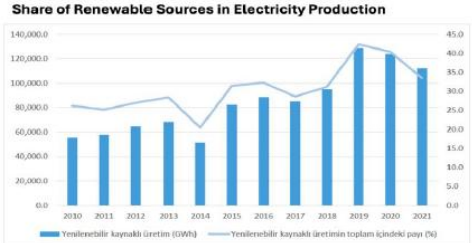


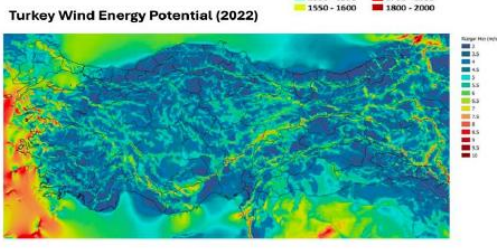
Environmental sustainability is another pressing challenge. While denser cities generally have lower per capita emissions, Turkey's energy mix remains heavily reliant on coal, contributing to elevated greenhouse gas emissions. Nonetheless, the share of renewable energy in the country's energy production has been steadily increasing, offering significant opportunities for Mediterranean cities to lead the green transition. The Mediterranean region is well-positioned to become a green-energy powerhouse, leveraging its abundant solar and wind resources. Accelerating investments in renewable energy infrastructure, particularly in urban areas, will be critical for ensuring long-term sustainability and energy security.

Renewable Energy Growth and Potential in Turkey[viii]









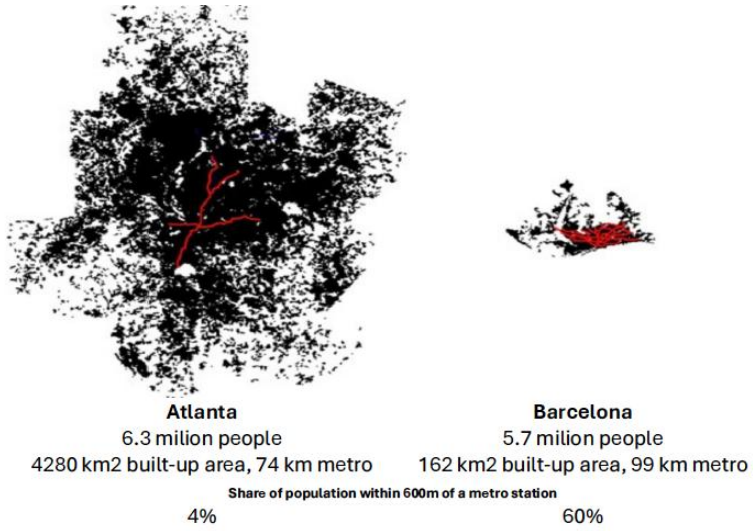
Managing the New Urban Agenda: Lessons for the Future

As Mediterranean cities continue to grow and evolve, they face three core challenges: managing densification, addressing urban diversity and mitigating emerging risks. Turkish cities offer valuable lessons in each of these areas; some in terms of what to do, and some on what to avoid.

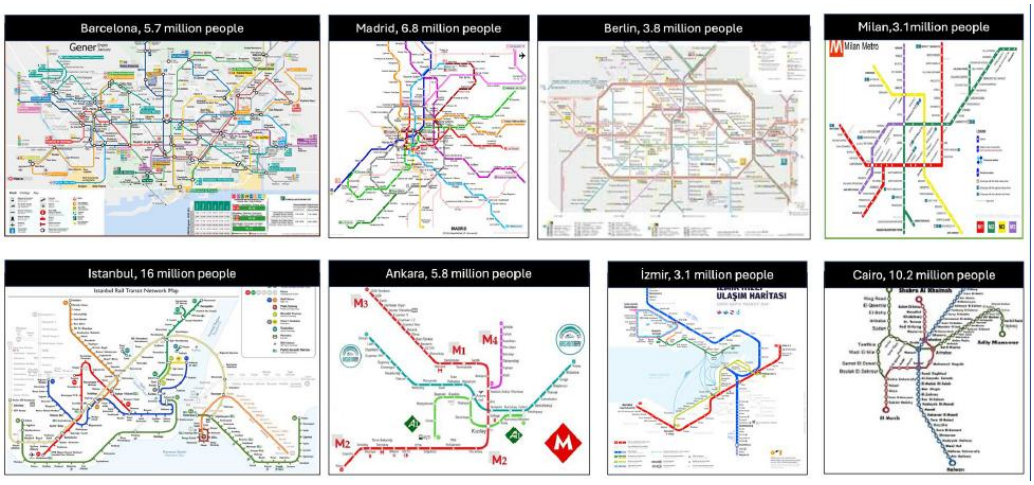
Managing Densification

Efficient urban planning is essential for managing high-density cities. Barcelona, for example, provides an exemplary model of compact urban design, integrating public transport and high population density while maintaining high living standards. Turkish cities, as well as other Southern and Eastern Mediterranean cities can learn from such examples to develop sustainable, well-connected urban environments.

Barcelona vs. Atlanta Urban Density Comparison[ix]



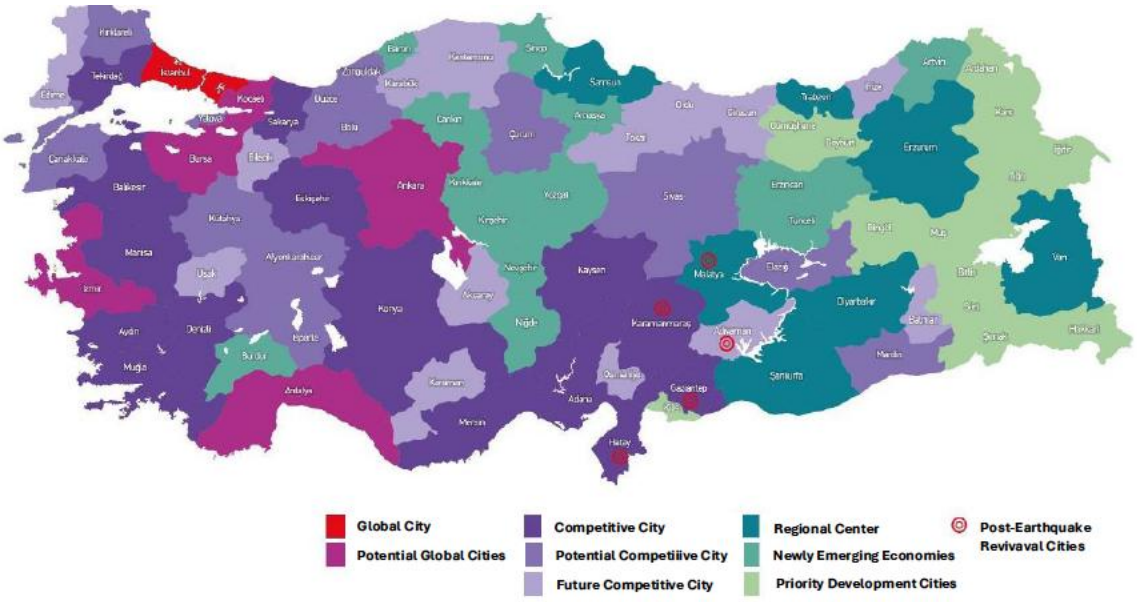
Metro Maps of Selected Cities



Governing Diverse Urban Economies

One of the defining features of Turkish urbanization is the coexistence of vastly different economic structures within a single national framework. Some cities function as global economic hubs, while others remain regionally oriented. Balancing centralized governance with local autonomy is critical for fostering economic competitiveness and social cohesion.

City Typologies in Turkey[x]



Political and economic preferences vary significantly across Turkish cities, further complicating governance structures. Implementing a multi-level governance model that empowers local administrations while ensuring national-level coordination can help cities navigate these complexities effectively.

Mitigating Emerging Risks: AI and Economic Disruptions

The rise of artificial intelligence (AI) presents both opportunities and risks for urban economies. On the one hand, AI-driven automation has the potential to enhance productivity and create new economic sectors. On the other hand, it may lead to job displacement, increasing inequality and economic disruption. Turkish cities must adopt proactive policies to address these challenges, including workforce reskilling, AI literacy programs, and economic diversification strategies.

Conclusion: Shaping the Future of Mediterranean Cities

The transformation of Turkish cities offers a compelling case study for broader Mediterranean urban economies. As they navigate the challenges of urbanization, digitalization, and green transition, these cities must adopt forward-looking strategies that emphasize resilience, sustainability, and inclusivity. By leveraging lessons from Turkey's experience, from both the positive and negative aspects, Mediterranean cities can position themselves as global leaders in economic transformation and sustainable urban development.

[i] Grid Aendal, State of the Mediterranean Marine and Coastal Environment
[ii] World Bank, World Development Report 2009
iii Sources: Hoffmann, Walter G. 1965. Das Wachstum der deutschen Wirtschafr seir der Mitte des 19. Jahrhunderts. Berlin: Springer. in Sophia Twarog. 1997. *Heights and Living Standards in Germany, 1850-1939: The Case of Wurttemberg,* University of Chicago Press. World Urbanization Prospects, the 2014 revision, United Nations, Department of Economic and Social Affairs. Growth of the world's urban and rural population, 1920 – _2000, United Nations, 1969, s.105-106.
[iv] Harvard Atlas of Economic Complexity
[v] Source: Eurostat, TÜİK HHBTA Mikro Veri Seti, PAL calculations
[vi] The countries with the highest and lowest values have been selected from those sharing data with Eurostat. Source: Eurostat, TÜİK GBTKA, PAL calculations
[vii] Source: AFAD, National Strategy for Regional Development 2024
[viii] Source: Ministry of Energy and Natural Resources, TEIAS, National Strategy for Regional Development 2024
[ix] Richardson, Harry W., and Chang-Hee Christine Bae. Urban Sprawl in Western Europe and the United States. Burlington: Ashgate, 2004.
[x] National Regional Development Strategy 2024-2024