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Assesment of attractiveness of Istanbul for foreign investment

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ASSESSMENT OF ATTRACTIVENESS OF ISTANBUL FOR FOREIGN INVESTMENT

1. Introduction

Istanbul is a coastal metropolitan region, located at the northwest of Turkey, on an area of 5315.33 kmq that includes 39 district municipalities. It is a NUTS2¹ region (which in this case coincides with the NUTS1 and 3 delimitations), with a population of 12.915.158 (2009), the 17.8 % of Turkey's total population. The annual rate of population growth is 2.60% in 2010 (TUIK) and it is the 19th biggest city in the World in 2011 (Demographia, 2011).

Accounting for the 27% of national GDP, the 38% of total industrial output and more than 50% of services, the 45% of the total national export and for the 49% of total import (Istanbul Greater Municipality, 2007) the Istanbul metropolitan region is the economic heart of Turkey, which is generally listed among the emerging economies of the last decade. It is also the cultural and political centre of this country, in spite of not being the national capital.

Istanbul has been one of the main destinations of internal migration in Turkey, since the beginning of industrialization process in the 1960s. The main motivation for the people who migrate (especially the unskilled) has been traditionally related to employment and emancipation. However, the recent changes of the Turkish economy – and the policy objectives that are attached to it – are transforming Istanbul into a new hub for other types of migration, like high skilled foreign workers from OECD countries and other forms of short-to-medium term mobilities, which overlap and interact with the traditional opportunity-driven migration.

In this paper, which is based on a research “Istanbul case study” which has been carried out within the ESPON project Attractiveness of Regions and Cities for Residents and Visitors, along with other 7 case studies, we will especially focus on its proactive strategy and current situation of attracting foreign investments and companies, looking for factors that may explain the performance of Istanbul in terms of flows attracted.

¹ In Turkey, the number of units/regions decreases from Level 3 to Level 1 with 81 provinces in the 26 NUTS-2 regions and 12 NUTS-1 regions. NUTS regions are also expected to be the main framework for the administration hierarchy. The NUTS regions are established as following:

- Level 3- 81 Provinces
- Level 2- 26 Units (grouping of neighbour provinces among Level 3)
- Level 1- 12 Units (grouping of Level 2 Units).

In the case of Istanbul, it is defined as NUTS 1-2 and 3 level. For the administrative body, responsibilities go to both Greater Municipality of Istanbul and Governor of Istanbul. For the level of NUTS 2 and 3 we may focus on Greater Municipality since we emphasize the metropolitan area in the case study. Greater Municipality is responsible from planning within the boundaries of province.

1.1. Research methodology

The research methodology of this case study consists of two steps. First, we perform a critical assessment of the situation of Istanbul in terms of attractiveness. At this stage we also conduct a review of policy documents concerning Istanbul's spatial and economic development. The issues related the topic are explained by desk research and also by interviews with stakeholders. Thus, Section 2 consists of the data analysis related to the attractiveness of Istanbul in terms foreign investment. The profile of the region is analyzed through the existing position, potentials and obstacles.

In the second part, we address the research questions using qualitative information mostly obtained though face-to face interviews with stakeholders that were identified on the basis of the scope of the study. They include representatives of local and central government, private sector, and NGOs as listed below.

- Istanbul Greater Municipality, (Bureau of Istanbul Metropolitan Planning)
- Istanbul Development Agency,
- Convention and Visitors Bureau,
- Istanbul Chamber of Commerce,
- Chamber of City Planners,
- Association of Turkish Travel Agencies,
- International Investors Association
- National Competitiveness Researches Institution,
- DTZ Real Estate Development and Consultancy
- Economy and Strategy Consultancy Services (ESDH)

Given the aims and the focus of this study, two groups of questions had been identified. The first group of questions is related to the attractiveness of Istanbul for FDI's and being a regional hub for migration flows:

- What are the main factors that explain the attraction of foreign investors and labor to Istanbul? Do they relate with "territorial capital" dimensions as identified by ATTREG or do they relate to other, unexplored dimensions?
- Are there any selective strategies to attract specific types of resident or visitors? Which stakeholders or coalitions of stakeholders are enforcing these strategies?

- What might the characteristics of specific successful mobilization strategies be?

The second group of questions looks into the future and relates to expectations and scenarios of development in the next years:

- What are the expectations concerning the future development of Istanbul's attractiveness, considering possible economic, political, environmental, demographic and socio-cultural changes? (being a hub and/or destination for visitors and business)
- Would structural changes be a challenge for attracting skilled labor?
- What would membership to the UE imply for Istanbul's outlooks?

Hence Section 3 includes a policy review exploring the regional institutional context, vision and strategy and the policies concerning the territorial attractiveness of Istanbul for indicated audiences. General evaluations and final remarks in relation with the research questions are in Section 4.

2. ASSESSMENT OF ATTRACTIVENESS OF ISTANBUL FOR FOREIGN INVESTMENT

In this section the development of Istanbul as a destination of foreign investment will be illustrated and the issue of migratory flows that are connected to these phenomena will be addressed.

2.1. Foreign investments: situation and trends

Although compared to other European regions foreign capital and investment are underrepresented in Istanbul, economic growth and the stability of Turkey in the last decade made of Istanbul the most developed region and the most attractive for foreign capital not only in Turkey but also in a wider regional context, with a notable effect on the attraction of human flows into the city.

In the 2008 Global Cities Index (which ranks the cities according to 24 metrics across five dimensions) Istanbul ranked 28th of 60 cities, the 8th in the dimension of 'political engagement' and the 13th for 'human capital' (Global Cities Index, 2008). In the European Cities Monitor, based on interviews with board directors and senior management in charge of location for the 500 largest companies in Europe, Istanbul is ranked as 26th city for locating a business within 36 European cities of Europe, and the 3rd city for companies looking to expand in the next 5 years. In terms of "easy access to markets, customers or clients" (the top factor for companies deciding where to locate), Istanbul moves up to the 17th from the 23rd in one year. In terms of the quality of telecommunications, it is ranked 36th, and 34th from the point of the quality of life for employees (European Cities Monitor, 2010).

In the “Emerging Trends in Real Estate Europe, 2011” published by PwC and Urban Land Institute, based on the opinions of 600 industry experts, Istanbul ranked as the first place in Europe for ‘City Investment Opportunities: New Property Acquisitions’ and the second best place in terms of existing property performance, affordable property prices, cheap living costs and decent rental yields, all contributing towards the city's investment potential. Indeed, despite being the economic and cultural hub of Turkey, Istanbul was voted only the 37th most expensive city in the world in a recent survey.

With the gradual elimination of the effects of the global financial crisis, Turkey has continued its great leap forward. In the first quarter of 2011, Turkey is the most rapidly growing country in the world, with an 11% growth rate of its economy. In addition to this, all the other macro-economic indicators put both Turkey and Istanbul forward as very secure places for investment. Consequently, Istanbul continues to attract the attention of foreign investors for its business and employment opportunities.

The geographic location of the city, being easily accessible and the availability of highly skilled labor are all contributing factors to the attractiveness of Istanbul for foreign direct investment.

Thus, between 1995 and 2006, Turkey received the largest share (28.27%) of foreign investment in Southeastern Europe (Table 1, based on Serin & Çalışkan, 2010).

Table 1: Annual Average FDI Inflows in Balkans, Europe and the World

Countries	Average FDI (1995-2006) Million USD \$	Share in Balkans (%)	Share in Europe (%)	Share in the World (%)
Albania	157	1.21	0.04	0.02
Bosnia and Herzegovina	263	2.02	0.07	0.03
Bulgaria	1,813	13.93	0.51	0.23
Croatia	1,306	10.03	0.37	0.16
Greece	1,319	10.13	0.37	0.17
Macedonia, TFYR	171	1.31	0.05	0.02
Romania	2,899	22.27	0.81	0.37
Serbia and Montenegro	951	7.31	0.27	0.12
Slovenia	458	3.52	0.13	0.06
Turkey	3,680	28.27	1.03	0.46
Balkans	13,017	100	3.65	1.64
Europe	356,878			45.04
World	792,303			100

Source: Serin & Çalışkan, 2010

The metropolitan region of Istanbul attracts the highest share of foreign investments in Turkey due to the size and characteristics of its economy. According to the records of Under-Secretariat of Treasury, a total of 27,344 companies with international capital were operating in Turkey by April 2011; looking now at the investment locations, it turns out that 15,236 of these companies, the 55.7%, are in Istanbul (Table 2).

Table 2: Breakdown of companies with international capital by investment location (1954-2007/2009/2011 April)

City	Number of Companies (1954- 2007)	Number of Companies (1954- 2009)	Number of Companies (1954- 2011/April)
ISTANBUL	10053	13001	15236
ANTALYA	2283	2976	3334
ANKARA	1224	1567	1782
MUGLA	1123	1391	1580
IZMIR	1120	1333	1389
BURSA	372	483	543
AYDIN	330	419	473
MERSIN	325	397	463
KOCAELI	218	290	327
ADANA	142	176	199
Other Cities	1118	1518	2018
Total	18308	23551	27344

Source: Undersecretariat of Treasury

In Istanbul, as seen in Table 3, the majority of companies with international capital is in the wholesale and retail trade sectors (5,446 firms), but they also operate in manufacturing (2,646), real estate renting and other business activities (2,294 firms).

Table 3: Breakdown of Companies with International Capital by Sector (1954-2007/2009/2011/April)

Sectors	Number of foreign companies in Istanbul				
	1954-2007	1954-2008	1954-2009	1954-2010	1954-2011/April
Agriculture, hunting, fishing and forestry	69	84	98	108	117
Mining and quarrying	116	144	171	208	226
Manufacturing	2026	2211	2403	2554	2646
<i>Manufacture of food products, beverages and tobacco</i>	163	175	201	232	239
<i>Manufacture of textiles</i>	282	285	294	295	307
<i>Manufacture of chemicals and chemical products</i>	268	283	307	325	340
<i>Manufacture of machinery and equipment n.e.c.</i>	167	190	204	216	227
<i>Manufacture of motor vehicles, trailers and semi-</i>	81	87	97	93	94
<i>Other Manufacturing</i>	1065	1191	1300	1393	1439
Electricity, gas and water supply	105	182	261	325	343
Construction	506	634	770	916	970

Wholesale and retail trade	3698	4092	4596	5193	5446
Hotels and restaurants	421	490	558	593	606
Transport, storage and communications	959	1089	1214	1383	1458
Financial intermediation		236	252	257	263
Real estate, renting and business activities	1401	1700	1924	2202	2294
Other community, social and personal service activities	752	671	754	829	867
Total	10053	11533	13001	14568	15236

Source: Undersecretariat of Treasury

In 2010, 3,044 foreign investors registered newly established companies at the Istanbul Chamber of Commerce, with a capital totaling 823.3 million Turkish Liras (395.8 million Euro) (Table 4).

The foreign capital flowing to Istanbul in 2010 was mostly interested in the informatics and electronics sector; the capital of foreign companies set up in this area reached nearly € 122 million with a number of 450 foreign investors. This was followed by consultancy services (€ 122 million), construction (€ 37 million) and banking-insurance (€ 34 million) (ICOC,2010).

The top four foreign nations to establish companies in Istanbul were Spain with a € 75 million foreign capital, Holland (€ 71 million), United Kingdom (€ 31 million) and Iran (€ 30 million) in 2010. On the other hand 20.89% of the foreign investors were from Iran, while 10.97 % were from Germany with a foreign capital of € 13 million (ICOC, 2010).

Table 4: Newly registered foreign investors and foreign capital in Istanbul (2010)

COUNTRIES	NUMBER OF FOREIGN INVESTORS	FOREIGN CAPITAL-€	Share in total	
			Foreign investors %	Foreign Capital %
SPAIN	41	75.375.022	1,35	19,04
HOLLAND	106	71.082.519	3,48	17,96
UNITED KINGDOM	11	31.115.060	0,36	7,86
IRAN	636	30.785.250	20,89	7,78
SAINT KITTS and NEVIS	7	23.304.567	0,23	5,89
AZERBAIJAN	178	23.052.067	5,85	5,82
US	107	14.156.976	3,52	3,58
GERMANY	334	13.414.074	10,97	3,39
CZECH REPUBLIC	19	11.816.875	0,62	2,99
ENGLAND	97	11.280.289	3,19	2,85
SWEDEN	22	7.673.617	0,72	1,94
UNITED ARAB EMIRATES	34	6.409.063	1,12	1,62
MALTA	3	6.384.326	0,10	1,61
LUXEMBOURG	21	6.064.192	0,69	1,53
Other	1.428	63.928.650	46,91	16,95
TOTAL	3.044	395.842.547	100.00	100.00

Source: ICOC (Istanbul Chamber of Commerce)

The total value of capital investments made by foreign investors in Istanbul was down 29.36% in 2009 over the previous year, while the number of foreign investors dropped by 13.91%. In 2008 and 2009 the effects of the global crisis hampered foreign investments all over the world. However,

foreign capital inflow experienced a comeback in the second half as the worst effects of the global crisis started to ease (ICOC, 2009). While the number of investors in the finance sector is lower than the investors in other sectors, it has the 4th highest share in total capital (ICOC,2010). It is also possible to expect that the realization of the Istanbul International Financial Center, which is a project included in the Ninth Development Plan covering 2007-2013, and accorded top priority and importance by Turkish Government, will cause increase in both values.

Thus, Istanbul is arguably the leading city of Turkey and also it is moving up in Europe, but its attractiveness is nevertheless still hampered by various factors.

According to a survey carried out by ICA (Investment Climate Assessment), company-level data were collected from 1,152 companies from Turkey during January 2008-April 2009. In the report, access to finance (26%), tax rates (18%), political instabilities (18%), informal sector practices (14%) and inadequacy of educated labor force (9%) were identified as the basic investment climate obstacles. While tax rates were defined as the most problematic issue on the investment environment by the companies in 2005, the significance ranking of this issue deteriorated in 2008. The ratio of the companies that perceive tax rates as an obstacle reduced to 50% in 2008 from 81% in 2005. Informal sector practices are also perceived as a significant investment environment obstacle. In this context, the ratio of the companies that perceive informal sector practices as an obstacle increased to 52% in 2008 from 42% in 2005. Moreover, 32% of the companies of all sectors declared that competing with informal companies is a serious obstacle. The companies that perceive the education and skill levels of labor force as a significant constraint declined to 25 % in 2008 from %33 in 2005 (Under-Secretariat of Treasury, 2010).

2.2. Migrant population: situation and trends

İçduygu and Sert (2009) indicate that Turkey has been attracting an increasing number of immigrants from Western Europe. A growing number of EU member-state citizens, professionals as well as retirees, have been settling in Turkey in recent years, particularly in Istanbul and some of the Mediterranean resorts.

Yet, this trend should be considered in a longer time horizon. In general, transition to democracy and the liberalization of the economy after 1980, as well as the overall impact of the globalization process, made Turkey a more attractive destination for immigrants. By the mid-1980s, Turkey had become an attractive holiday destination for Western European tourists who later chose to come back for longer periods. The start of accession negotiations with the EU has made a further impact

in making Turkey an acceptable choice for long-term residence among EU nationals. In addition to being a country of origin and transit, Turkey has thus become also a country of destination for a considerable number of foreign nationals with different profiles, through both regular and irregular channels (İçduygu & Sert, 2009)

According to address based population registration system the number of foreigners living in Istanbul is given in Table 5. Even though the number of immigrants is increasing every year its share in total number of foreigners in Turkey is decreasing. On the other hand, the figures might be not reflecting the real foreign population, since foreigners are not obliged to register at municipalities where the population data is compiled from.

Table 5: Foreign population in Istanbul and Turkey

	Foreign Population				Total Population			
	2007	2008	2009	2010	2007	2008	2009	2010
TURKEY	98064	104441	167344	190531	70586256	71517100	72561312	73722988
İSTANBUL	42228	43516	47826	52901	12573836	12697164	12915158	13255685

Source: TURKSTAT

The recent development of Istanbul as a destination of foreign investments means that new foreign companies are establishing in the city and go on the local market for high number of skilled workers; some of these workers are actually attracted from other countries. It is a small number in total but one that makes a significant change in the direction and composition of the migratory flows mobilized by Turkey, as well as on the “atmosphere” of the city and its social fabric.

Though quantitative data on this flow are not available, clues from more general data and research, as well as qualitative information from interviews, could be used to make an assessment in this sense. In 2006, according to the figures provided by the Directorate of General Security, there were over 187,000 foreigners residing in Turkey with residence permits (Table 6). While 18% of them were people with work permits and 13% were students, the rest were mostly families of working and studying foreigners (İçduygu & Sert, 2009)

Table 6: Ten main countries of origin of foreigners in Turkey with residence permits, 2006

Country	Residence Permits	Work Permits	Student Permits	Total
Bulgaria	47,746	495	3,276	51,517
Azerbaijan	7,963	902	2,014	10,879
Germany	7,351	1,532	269	9,152
United Kingdom	5,388	1,656	185	7,229
Russian Federation	4,787	1,562	834	7,183
USA	3,829	2,157	395	6,381
Greece	3,787	326	2,078	6,191

Iraq	4,800	604	523	5,927
Iran	4,193	877	766	5,836
Moldova	4,157	262	255	4,674

Source: (İçduygu & Sert, 2009) and Bureau for Foreigners, Borders and Asylum of the Directorate of General Security of the Ministry of Interior.

Some of our interviewees also emphasized that foreign firms and investments are attracting a number of foreign population, but not as high as it may be expected because of the availability of high skilled labor in Istanbul and also due to the barrier represented by the long process of obtaining a work permit.

The average length of stay for foreigners who come to Turkey to work varies from three to five years. Among the reasons of foreigners for choosing Istanbul, interviewees mention the availability of foreign schools and the fact that there are good transportation links to their home country. According to the 2007 census, foreign nationals living in Turkey account for 14 per 1,000 of the country's population. Istanbul is the first one as foreigners' city of choice (42,228), followed by Bursa (11,495), Ankara (7,166), İzmir (6,707) and Antalya (6,343) (TURKSTAT, 2007). In 2010 Istanbul continued to be the first destination of foreigners in Turkey with a population of 52,901, followed by Antalya (18,647), Ankara (14,764), Bursa (14,703) and Izmir (11,420).

3. POLICY REVIEW

3.1. Institutional context

In Turkey, the most important administrative units at regional level are the Provinces (NUTS3). The 26 NUTS2 regions that were established in 2002 due to the adjustment requested by European institutions to provide comparable statistical data, these larger regional delimitations do not have political autonomy. They were used as regional delimitation for establishing Regional Development Agencies. Within the context of NUTS regions, Istanbul is one of the provinces which is classified at the same time as NUTS1, 2 and 3.

Development Agencies were established in 2006 with the task of preparing a development plan for their regions under the coordination of State Planning Organization. Development Agencies are expected to act as facilitator for the related projects and investments, and to use the EU funds in an efficient way; a main mission is to attract more investors. The Turkish Investment Support and Promotion Agency also works to attract foreign investments by promoting investment opportunities in the country through different activities within Turkey and abroad, in coordination with the Investment Support Bureau of Development Agencies.

The Foreign Investor Association is another significant institutional body in the attraction of foreign investments, while the Chamber of Commerce and the Chamber of Industry assume the responsibility for urban development related to their sectors. The Istanbul Chamber of Commerce is a key agent in the solution of problems as Istanbul's infrastructure, security, tourism capacity and urban development, and collaborates actively with public institutions.

Coordination between public powers and the private sector has greatly increased in the recent years. Entrepreneurs in every sector, but especially real estate developers, have progressively taken a key role in the governance of the city transformation process.

3.2. Vision and strategy of Istanbul's spatial development

The Master Plan approved by the Greater Municipality in 2009 with a planning horizon spanning to 2023, and the Development Plan prepared by the Istanbul Development Agency in 2010, are the most recent policy documents that set up the conditions to achieve the development objectives. The visions of both plans have common aspects to make the city more competitive.

The vision of the city is defined through a number of objectives: being a global city, a financial, innovation, logistics, culture and tourism centre.

Two main strategies of Istanbul master plan are defined as "raising the competitiveness and providing sustainability". To conserve its historical and cultural heritage, to preserve natural resources and to develop new activities and enhance the economy diversified are the challenging objectives. On the other hand, the vision of the Development Plan by Development Agency is defined as "A city which protects historical, cultural and natural heritage; enhances economic activities with high-value added; and raises life quality". The main development axes are; global competitiveness, social development, urban life quality, environmental and cultural sustainability, and accessibility. All these themes are significant elements to make the cities "attractive" for different groups. Although the target groups of Istanbul point out heterogeneity rather than homogeneity, it is obvious that Istanbul tries to attract more skilled labor due to the structural changes that we mentioned previous sections.

Moreover, the policy priorities are to make the city more competitive at world level, enhance the level of integration to the global economy. The Foreign Investors Association emphasized in our interview that their mission and responsibility for the forthcoming period is "to enhance the image of Turkey as an attraction center". Apparently, at this stage the objectives of public and private sector and their respective strategies converge to a large extent, both in what regards the attraction

of foreign investors, skilled labor, and tourists, and on the “hub functions” that the city could take up.

Istanbul Chamber of Commerce states that with the ‘Istanbul International Finance Center’ project, Istanbul can be transformed not only into a city that competes with other “hub” cities in the financial sector, but also into a city that is competitive in the international transit-trade sector”. Furthermore, they highlight “...these visions will transform Istanbul into a tourist and business center as well as a financial and technological center for the region. It is possible to realize this vision not only by completing the infrastructure - in every sense of the word - of Istanbul, but also with intense publicity on a global level”.

In spite of the consensus reached on this vision with all the key decision-makers, it still faces issues and challenges for the diversity of interests and opinions that it raises. Most critiques focus on the mere economic character of the growth strategy driven by the “investors’ agenda”, which might at one point come to ends with concerns of sustainability and quality of life. This issue deserves special attention, because skilled foreign workers and visitors could become especially sensible to failing levels of quality of life in their decisions, besides obvious concerns for economic dynamism and stability: for these target groups, traffic congestion, high density of built up areas, and lack of open and green space would be negative points in considering Istanbul a good destination, hampering the effects of infrastructure investments and marketing campaigns. Besides, Istanbul is today more than ever risking to become a divided city, where the economic successes feed widening socio-economic disparities also at a spatial level.

3.3. Relevant policies for tourism and the attraction of foreign companies and workers

The investments made by Istanbul in recent years cover many of the dimensions of territorial capital identified in this study.

Marketing is one of the major strategies to attract visitors and foreign investors by promoting the territorial assets of the city. Although the Ministry of Culture and Tourism is the responsible authority for promotion the assets of Turkey, there is almost a consensus on the desirability of new approaches in this area. Place promotion is not just plain advertisement: other ways to make the city known in the world are being considered, such as producing a world-wide brand, organizing international events, private sector relations, etc. From this point of view, ECOC 2010 was a great opportunity not only for the international promotion of the city but also for significant investments.

Istanbul has the largest proportion of foreign investment in Turkey, however Turkey has a relatively low proportion compared to other Eastern European countries. Therefore, the increasing scale of foreign investment to Turkey would create many expectations on the flow of foreign capital to Istanbul. Thus the question of how to improve the investment climate and how to encourage a greater inflow of foreign capital needed special interest within the national policy. According to the research done by Dumludağ (2009), executives of multinational companies agree that among Turkey's strongest points of attraction is its large domestic market. This author notes: "...Turkey would need to focus on marketing effort to advertise itself as an attractive investment location abroad. However, Turkey was unable to succeed in establishing a promotion agency until recently. Political and macroeconomic instability are seen as by foreign investors as the most significant hindrances to higher inflows of FDI. The weakness of the judicial system in the enforcement of contracts and the recognition of property rights create a feeling of insecurity and arbitrariness. The rule of law is perceived as weak by foreign investors. This problem can be improved by creating an independent dispute resolution mechanism or by improving the legitimacy of those responsible for regulating legal disputes and contracts".

Our inquiry with key stakeholders (the Foreign Investors Association) highlights similar problems in the attraction capacity of Istanbul for foreign capital: corruption, instability, judicial arbitrariness and inefficiency. Recently, Turkey has made considerable progress in modernizing its business legislation. In the first half of the 1980s there were major reforms, and a second stage began in the mid-1990s. Foreign investors also demand a better cooperation between the public and private sector in the solution of these problems, and they take an active role in the platforms like Coordination Commission for Improvement of the Investment Environment in the Istanbul Development Agency. Another stakeholder emphasizes the better capacity of the private sector to promote the city than public authorities. Therefore, "...the role that the private sector takes on is to protect competition and to ensure that contributions are made to the economic vitality and variety in such a way that Istanbul's value brand will be rising on the global scale. ... the private sector should act in close association with companies abroad, publicizing the opportunities that Istanbul offers to the world".

The decision of establishing a Financial District in Istanbul is perceived as another opportunity for economic development and the attraction of foreign investment by most stakeholders, although it is a well-known example of top-down decision-making. Since skilled labor is also significant factor for foreign investors, human capital is defined as one of the strongest part of Istanbul due to the

high ratio of young population and the developed higher education capacity with total 42 universities, by stakeholders.

On the other hand, being on the UNESCO's World Heritage List forced Istanbul to prepare a Management Plan for the Historical City which is expected to achieve a good state of conservation and opportunities for sustainable valorization of the heritage. Changing functions, new visions of the city and the risk of earthquakes have spurred several urban regeneration projects, whose outcomes are considered critical for the long-term improvement of the quality of life in city, a fundamental element of attractiveness. Another issue related to the environmental capital is urban sprawl, which generates pressure on water reservoirs and forests on the north of Istanbul. Furthermore, trends of urban sprawl makes the city more difficult in terms of management, more expensive in terms of infrastructure investments, less sustainable due to the invasion of the lands. All the interviewed stakeholders emphasize traffic congestion as the major obstacle for living in the city of Istanbul. However, the majority of them are optimistic about the improvements brought about by investments in transit, and especially the more efficient use of water transportation and the modal integration that increased the length of subway and light train lines.

4. CONCLUSIONS

4.1. General Evaluation

The factors contributing to the attractiveness of Istanbul and the challenges in maintaining the attractiveness for different user groups might shortly summarized by the following territorial assets;

In terms of environmental capital;

As a metropolitan city located along two continents makes Istanbul "unique location". Being situated at the intersection of Europe and Asia, being in the middle of European-Asian corridor, are environmental features contributing to the attractiveness of the city.

On the other hand, while the earthquake risk it has and insufficient green spaces are effecting its attractiveness negatively, due to the increasing population and urban sprawl the probability of damaging water reservoirs and forest areas is also a threat for the sustainability and quality of life in Istanbul. Istanbul might have a chance to transform the earthquake risk to opportunity with

regeneration of the city, although there have been several critics and conflicts on this regeneration process.

In terms of antropic capital:

The historical background, cultural heritage, multi-cultural and cosmopolitan character of the city, to be seen as a bridge between the East and West are playing an important role in visitor flows.

Related to its geographical location, transportation linkages make the city a kind of magnet as having the Europe's 8th busiest airport, the increase in the number of passengers and visitors every year. At the same time, the realization of the projects like the third airport in 40 km west of Istanbul, the multi-modal Pan-European Transport Corridor 4 which connects Germany, Czech Republic, Austria, Slovakia, Hungary, Romania, Bulgaria, Greece and Turkey, the transport corridor TRACECA and also the investments in public transportation of the city will surely effect the attractiveness of Istanbul positively.

High population density, traffic congestion, insufficient transport infrastructure, irregular settlements are defined as the weaknesses of the city in attracting foreign investment.

Socio cultural capital:

The availability of highly skilled labor, having a young population, existence of foreign/international schools, hosting 42 universities are strengths of the region especially in attracting the foreign population and investors. Diversified socio-cultural city atmosphere, existence and abundant of cultural activities, tolerance would be other components of attractiveness.

Economic and human capital:

The politic and economic stability of Turkey has also reflected on Istanbul as being the economic center of the country. The growing of business services due to the economic growth the city performed last year is the main attractiveness for foreign capital. Though it ranks low among OECD metro-regions in terms of gross domestic product (GDP) per capita, Istanbul has registered one of the highest output growth rates since the mid-1990s.

It is changing from an economy driven by labour-intensive activities to one based on knowledge industries, while traditional and labour-intensive sectors (e.g., textiles and its supply chain) are shifting only gradually and slowly to other complementary industry segments. Not surprisingly, Istanbul gets the lion's share of total FDI and generates half of total exports in Turkey (being the OECD country with one of the highest trade-to-GDP ratios).

Current policies to foster regional innovation and productivity could be further strengthened including those targeting Technoparks, technology development in logistics and textile and managerial and technological modernisation of SMEs. Such initiatives could be complemented by specific policies to tap all the potential of FDI in technology transfer.

The realization of Istanbul International Financial Center Project requires improvements in the city, but in case of a success this might be considered as an important opportunity for Istanbul. Being the most dynamic city within an emerging market, the rising interest of investors in real estate are other opportunities of Istanbul.

On the other hand, policies of investment support agencies, legal arrangements for improving investment environment, bilateral agreements between Istanbul and other cities are also helping to attract the investors to the city.

As a destination for investors the main challenges are; existence of informal economy, long process of obtaining a working permit for foreign labor, lack of an efficient tax and incentive system and relatively high labor costs.

Institutional capital:

However, there has been an increasing power of local authorities and also realizing the significance of co-operation among public and private actors, the implementation of top-down decisions is still one of the critical points with respect to governance of Istanbul. These decisions which are not compatible with the master plan of Istanbul generally appear as threats especially over the natural sources of the city. Self-organising capacity and lack of coordination are pointed out as the weak points of governance. Recently, Turkey has made considerable progress in modernizing its business legislation to attract foreign investment.

4.2. Conclusions

The growing dynamism, diversity and sectoral changes of Istanbul convene to further increase its attractiveness as the epicentre of Turkish economic and cultural life.

Changing institutional and legal frameworks are stimulating this process, and so is the intensifying cooperation between public and private actors, and between governmental agencies at different levels, which, nevertheless, is not yet perfect.

A common concern is investments that are aimed at improving urban quality and making the city more attractive not only for tourists, such as infrastructure, a more efficient public transportation

system, the regeneration of certain areas with the provision of new housing, and the increase of open and green spaces.

As a result of interviews, most of the stakeholders highlight the location as a natural hub. With respect to its long history and cultural heritage, it is obvious that Istanbul has become recently more attractive with its dynamism, diversity and sectoral changes. Therefore, it is hard to concentrate on a specific target group; however the vision and strategies are mostly highlighting the attempts to attract more skilled labor due to the structural changes.

Main factors that explain the attraction of foreign investors and labor to Istanbul are related with the territorial capital. The components of territorial capital do not need any trade of between different target groups, however flows of foreign capital are more depend on the improvements of economic and institutional capital. Further, the increasing numbers of meetings in Istanbul and also attempts for the project of Financial Center would be evaluated the strategies for attracting business visitors to Istanbul, which combine the foreign investors and visitors. For these specific strategies, public and private sector (Greater Municipality of Istanbul, Chamber of Commerce) have been acting together.

For future aspects, stakeholder emphasize that the role of Turkey as an emerging market makes Istanbul progressively attractive for foreign capital. However, there has been already a remarkable increasing trend of flows not only visitors, but also foreign capital to Istanbul. The mobility among the regions of EU has been higher since there is no border between member states. The interviews put forward that Istanbul would be a higher flow region especially due to its economic and cultural capital in future. Possible membership to the EU would create two side flows both from Turkey to EU, but from EU to Turkey and Istanbul as well. Increasing problems and unemployment due to the global economic crisis within the EU, put forward some demands towards emerging markets from foreign capital and labor. Therefore, population size of Istanbul would be a challenge for foreign capital as a market, while sectoral changes from industry to higher value-added production and service sectors make the city more attractive for skilled-labor. Moreover, one of the expectations from the possible membership to the EU, is to improve the urban quality of life, especially with ongoing transportation infrastructure investments and regeneration of the city.

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