THE COMMERCIAL REAL ESTATES PRODUCTION IN ISTANBUL IN THE GLOBALIZATION PROCESS

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ABSTRACT

THE COMMERCIAL REAL ESTATES PRODUCTION IN ISTANBUL IN THE GLOBALIZATION PROCESS

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Istanbul undertakes about half of the imports and exports of the country which has been increasing the importance. It is the most developed city in Turkey with a population reaching up to 13.255.685 people in 2010 consisting of %17.98 of the national population. The service sector demand and the real estate production are expected to be high together with the Istanbul's rising position in the globalization process. Upon the increase in demand for global sectors, the production of the commercial real estate tends to increase, which can be observed from construction statistics that are published by the Turkish Statistical Institute.

The world city literature developed in several respects. As to the world city/global city concept, there are three main theories that play major roles in understanding the emergence of global command centers and strongly influenced the world city literature that belong to John Friedmann, Saskia Sassen and Manuel Castells.

Developments in lines with the world city/global city concept appeared in Istanbul with the 1980's reforms towards economic liberalization, together with the support of the Government to make Istanbul a 'global city'. The city is the primary gateway of Turkey to the global economy and Istanbul has been well ranked in academic rosters of world cities since the beginning of the 21st century.

When the case of Istanbul is considered, the city as a world city is expected to be relatively at an earlier stage of globalization process, and with respect to these major theories; the attribution of Istanbul seems to have similarity with Friedmann's (1986) 'world city' vision.

The main data that reflect the supply of commercial real estate as related to demand in the globalization process are obtained from the data of the Turkish Statistical Institute (TUIK), under the published categories of 'Hotel and etc constructions', 'Office, Wholesale and Retail Commerce', 'Traffic and Communication Buildings', 'Industry and Storage', and 'Public, Entertainment, Education and Hospital'. In order to figure out the place of Istanbul in the globalization process in the country, Istanbul's data are compared with the same data for Ankara and Izmir comprising the years between 2002 and 2010. It is aimed to figure out the developed sectors of Istanbul and to clarify how Istanbul is leading in the production of real estate for the global sectors of both manufacturing and service activities.

The developments in respect of globalization process of the city can be expected in the direction of the formation of world city as defined in line with the Friedmann's theory, since not only buildings for service sector activities are produced in Istanbul, but also industrial real estate production at almost equal level during much of the investigated period. It is expected that global city functions, in lines with the Saskia Sassen's framework will develop as world city functions consolidate in Istanbul. Therefore, the commercial real estate production is expected to be more rapid and more in line with the growth of world city functions in Istanbul, compared to two other most developed cities of Turkey which are Ankara and Izmir.

Key Words: Globalization, World City/Global City, Istanbul, Commercial Real Estate, Globalization Process

ÖZ

İSTANBUL'DAKİ TİCARİ GAYRİMENKULLERİN KÜRESELLEŞME SÜRECİNDEKİ YERİ

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İstanbul, ülkenin toplam ithalat ve ihracat miktarının yarısını karşılamakta ve şehrin önemini arttırmaktadır. 2010 yılında 13.255.685 kişiye ulaşan ve ulusal nüfusun %17.98'ini oluşturduğu nüfusuyla, Türkiye'deki en gelişmiş şehir durumundadır. Küreselleşme sürecinde, yükselen pozisyonu ile İstanbul'un servis sektörü ve gayrimenkul üretimi taleplerinin yüksek olması beklenmektedir. Türkiye İstatistik Kurumu'nun yayınladığı yapı istatistiklerinde gözlemlendiği üzere, küresel sektörlere olan talepte ve ticari gayrimenkul üretiminde artış eğilimi görülmektedir.

Dünya kenti literatürü birçok açıdan gelişmiştir. Dünya şehri/küresel şehir konseptine ilişkin, küresel ticaret merkezlerinin ortaya çıkmasının anlaşılmasında büyük rol oynayan ve dünya şehri literatürünü en çok etkileyen üç ana teori bulunmaktadır ve bu teoriler John Friedmann, Saskia Sassen ve Manuel Castells'e aittir.

Dünya şehri/küresel şehir konsepti doğrultusundaki gelişmeler İstanbul'da ilk kez hükümetin İstanbul'u 'küresel şehir' haline getirmek için desteklemesi ile birlikte 1980'lerdeki ekonomik liberalleşme reformlarıyla görülmüştür. Şehir, Türkiye'nin küresel ekonomiye açılan öncelikli kapısı olmakta ve 21. yüzyılın başından itibaren akademik dünya şehri sıralamalarında iyi dereceler almaktadır.

Şehrin durumu göz önüne alındığında, İstanbul'un dünya şehri olarak küreselleşme sürecinin nispeten ilk aşamalarında olması ve bu temel kuramlar açısından; İstanbul'un niteliklerinin Friedmann'ın 'dünya şehri' vizyonuyla benzerlik göstermesi beklenmektedir.

Küreselleşme sürecinde, talebe bağlı olarak ticari gayrimenkul üretimini yansıtan ana veri, Türk İstatistik Kurumu (TÜİK) verilerinden belirtilen sektörler altında elde edilmektedir. Bu sektörler: 'Otel, 'Ofis', 'Toptan ve Perakende Ticaret', 'Trafik ve Haberleşme ', 'Sanayi ve Depolama' ve 'Kamu, Eğlence, Eğitim ve Hastanesi' olarak belirlenmiştir. İstanbul'un ülkedeki küreselleşme sürecindeki yerini ortaya çıkarmak için, 2002 ve 2010 yıllarını kapsayan İstanbul'un verileri, Ankara ve İzmir şehirlerinin aynı verileri ile karşılaştırılmıştır. Bu çalışma ile İstanbul'un en gelişmiş sektörlerini ve İstanbul'daki küresel sektörlerin üretim ve hizmet faaliyetlerindeki gayrimenkul üretiminde ne kadar ilerde olduğunu ortaya çıkarmak amaçlanmıştır.

Şehrin küreselleşme süreci açısından gelişimi, servis sektörü faaliyetleri binalarının İstanbul'da üretilmesi kadar endüstriyel gayrimenkul üretiminin de incelenen dönemde yakın düzeyde olduğundan, Friedmann'ın teorisi doğrultusunda tanımlanan dünya kenti oluşumu yönünde beklenmektedir. Bu dünya kenti fonksiyonlarının Saskia Sassen'in teorik çerçevesi içindeki dünya kenti fonksiyonlarının İstanbul'da konsolide olarak gelişmesi beklenmektedir. Bu nedenle, İstanbul'daki ticari gayrimenkul üretiminin Türkiye'deki iki diğer gelişmiş şehir olan Ankara ve İzmir ile karşılaştırıldığında, daha hızlı ve daha dünya kenti fonksiyonları doğrultusunda büyümesi beklenmektedir.

Anahtar Sözcükler: Küreselleşme, Dünya Şehri/Küresel Şehir, İstanbul, Ticari Gayrimenkul, Küreselleşme Süreci

Dedicated to my family who always support me…

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CHAPTER I

INTRODUCTION

1.1 AIM OF THE STUDY AND RESEARCH QUESTIONS

Cities are differentiated in attracting global capital, and the global cities are expected to have the greatest capacity in that respect. This competitiveness of cities diverges "in economical, in organizing capacity and in locational" (Karaman and Baycan Levent, 2001).

With the growth of capital accumulation the boundaries of countries have become less restrictive, leading to increasing the movement of the capital between countries which is also the substantial result of globalization process. Therefore, new national urban systems are needed by the emergence of the globalized economical system in the analysis of inter-city relationships.

One of the functions of global capital is to make investment on commercial real estates (offices, hotels, etc) often together with local partners. For the accumulation of capital and its movement in the global network, there is need for developed areas in cities for the activities of service and manufacture sectors. The second one is to invest on various sectors within the access to global capital. Besides, collaboration is available inside the country among the firms and sectors.

Turkey's international impression in respect of investment dispersion is determined according to the diverse market opportunities in both domestic and export-oriented way, which Turkey offers. With the highest number of population, the largest metropolis of Turkey is Istanbul with population of 13.255.685 people (2010) comprising of the %17.98 of the national population, accommodates cultural,

financial, industrial, commercial, and service functions. The city undertakes almost half of the national imports and exports that show the developed market of the city and has great potential in the globalization process to become a leading global city of the world. Regarding Istanbul's rising position in the rankings of the globalization process, the service demand and the real estate production are expected to be together high in the city. Hence, as being a metropolitan area, Istanbul is expected to attract global capital the most among the cities in the country.

In this thesis, Istanbul's structure is examined in the globalization process according to the major theories about world city/global city concepts and quantitative data on construction statistics in the city that show Istanbul's position in the production of commercial real estate in the globalization process. Commercial real estate production is analyzed in sectors as defined in the construction statistics on Hotels, Offices, Wholesale and Retail Commerce, Traffic and Communication, Industry and Storage, and Public Services, Entertainment, Education and Hospital.

The research questions of the study can be laid as follows:

- What is world city/global city and the main theories about world city/global city?
- Where is the position of Istanbul in the rankings?
- What is the level and the sectoral distribution of commercial real estate production in Istanbul?
- What information the commercial real estate production data provide in the direction of progress in the globalization of Istanbul, and its position with respect to the two leading big cities of Turkey, which are Ankara and Izmir.

The answers of these questions are expected to inform about Istanbul's position in the globalization process and the structure of the city with respect to the world city/global city concepts.

The main assumption of the empirical analysis is:

- Commercial real estate production data based on construction permits are useful to investigate developments of the economic structure of Istanbul and could give information on the direction of progress of Istanbul in the globalization process.

The hypothesis of the thesis is; due to high concentration of industry and company headquarters, including of financial organizations in Istanbul. The Friedmann's 'world city' concept is the most relevant one in defining the current state of the city in the globalization process. The real estate production during the last decade is expected to reinforce this state of the city.

1.2 METHOD OF THE STUDY

In the second chapter of the thesis, theoretical framework of the world city literature is identified within the major hypothesis searching out the world city/global city concept. The previous studies and the rankings are reviewed the concept and methods of measuring and ranking the 'world-cityness' and the aspects of globalization process are analyzed.

In the third chapter, Istanbul is identified in the world city literature and the city's position in the previous rankings and research are clarified. Istanbul's geographical, cultural, economical and social aspects are evaluated in the globalization process, besides changes in the sectors' with the impacts of globalization. Furthermore, foreign companies are studied in Istanbul within their networks. And lastly, the obstacles in enlarging the global network are mentioned among the other studies.

In the fourth chapter, the proposed approach is cited and quantitative method is followed in order to figure out the developed sectors of Istanbul. Hence, the construction statistics according to the construction permits data of Turkish Statistical Institute (TUIK) are compared between years 2002-2010 for each commercial sector of Istanbul, Ankara and Izmir that are three most developed cities in Turkey. Thus, the comparisons of total floor areas show how Istanbul is leading in Turkey among the sectors that may have global functions, including both in industrial manufacturing and service activities. Total floor areas of construction

permits for commercial real estate in the three developed cities are used as the base data. First, each sector is analyzed for each year to observe the trends and the divergence between the cities. Second, total floor areas in starts are divided by an increased population to clarify the difference between three cities within the same years. Then, total floor areas' data are standardized to 1000 population in order to identify the development of the sectors per the same population size. Afterwards, the comparison results are combined and the hypothesis of the thesis is evaluated.

In the fifth chapter, after a synopsis of all literature review, case study and the analysis, two main aspects of the hypothesis of the thesis are stated among the review. The first aspect that Istanbul is in the relatively early stage of globalization is explicated by the data analysis used in the dissertation. As the second aspect, Istanbul's globalization process in line with Friedmann's world city concept is briefly explained.

1.3 CONTENTS

In the dissertation, both qualitative and quantitative data are used in order to clarify the hypothesis. In order to subject the concept of the study, qualitative data are used as studies and articles including theories, schemas, graphics and tables that are analyzed through libraries and internet linkage. Furthermore, the research of globalization process of Istanbul requires quantitative data comprising analysis of numerical data.

Aiming to identify the structure the globalized world, many studies of scholars of urban studies have taken the city since the 1970's. According to them, the world is structured in a certain way and world cities are formed into a complex spatial hierarchy (Friedmann 1985; Sassen 1991; Taylor and Walker 2001; Derudder et al. 2003). Moreover, Sassen described world cities as global service centers in the world hierarchy, with this respect; she explained those cities' position with the major producer services (Sassen 1991) and Castells explained global city as hubs and nodes (Castells 1989).

Furthermore, Taylor defined network approaches upon Sassen's formulation emphasizing the role of global firms and declared 'world cityness' of 55 cities with 46 global service firms. Derudder et al. expanded this approach to 234 cities with 100 global service firms.

In today's human geography, global cities have the disproportionately large share of the world's business and capital command functions composing the dominant places of global economy. The world city phenomenon mediates the definition of the new "metageography" (Beaverstock, Smith and Taylor, 2000). Metageography has emerged from the economical globalization and its new international division of labor, which provided an alternative approach from a state-centric point of view, whereas the world used to be defined as a 'mosaic of states'. Besides, this new alternative metageography relies upon networks, flows, and linkages between cities.

The world-city literature has been developed in parallel with the economic downturn in the 70s and the emergence of a globalized economic system, when the traditional pattern of separated national urban systems was made obsolete for a relevant analysis of inter-city relationships. In understanding the emergence of global command centers, John Friedmann, Saskia Sassen and Castells's hypotheses and theories played a major role and strongly influenced the world city literature.

Moreover, in the framework of the 1980s reforms towards economic liberalization, Istanbul, designated by the Government to become a 'global city' attracting foreign capital. The city is the primary gateway of Turkey to the global economy. Thus, international firms prefer to locate and more than half of the exports are made from there. Since the beginning of the 21st century the city has been well ranked in academic rosters of world cities (Beaverstock, Taylor et al., 2008) however; its position in famous business city rankings is not yet clearly established.

Also, there are studies about the global sectors in Istanbul that define the trends and the position of the city in the globalization process among the data of foreign firms and foreign capital.

For the research of globalization process of Istanbul, the new and additional constructions' total floor areas in different sectors are analyzed within provincial boundaries. These sectors consist of Hotels, Offices, Wholesale and Retail Commerce, Traffic and Communication, Industry and Storage, and Public Services, Entertainment, Education and Hospital. With construction permits in these sectors the types of real estate that are demanded in the globalization process are investigated.

The commercial real estate investments in Istanbul will be clarified within a comparative framework with Izmir and Ankara regarding in line with globalization process referred to i) Turkish Statistical Institute's database (2000-2010 population census of Address Based Population Registration System, 1985-1992-2002 General Industry and Office Census, 1990-2000 the employment distribution according to the population census, 2002-2010 construction permits and annual construction statistics), ii) the land-use survey conducted by Istanbul Metropolitan Municipality in 2006, and iii) the firms registration in Istanbul's Chamber of Commerce (data from 2005), iv) the report of Istanbul Environment Plan (2008), v) OECD Territorial Review of Istanbul (2008), Istanbul Metropolitan Planning Studies, vi) European Cities Monitor (2009), vii) Istanbul International Finance Center Project Infrastructure Committee Report (2010), viii) Istanbul Development Agency Report (2010), ix) State Planning Organization.

CHAPTER II

THEORETICAL FRAMEWORK

2.1 THE CONCEPT OF THE WORLD CITY

The concept of 'Global/World Cities' appeared in the 1960s. Then, during the globalization process after the 1970s, there have been many theories regarding the world-city literature and there are several major ideas that directed the concept of the world city/global city. Moreover, Globalization and World Cities Study Group made studies and rankings with reference to those concepts exploring the methods of measuring world-cityness. According to these major hypotheses, Istanbul's position will be analyzed and the main findings of the thesis will be presented.

The major hypotheses about the emergence of global command centers that influenced world city literature belong to John Friedmann, Saskia Sassen, and Manuel Castells.

Emergence of the world-city literature occurred within the economical downturn in the 70s and development of the globalized economical system with respect to a relevant analysis of inter-city relationships instead of the traditional pattern of separated national urban systems. Indeed, most scholars demonstrate international characteristics (or attributes) of the cities such as transnational corporate (TNC) headquarters, banking and financial institutions, producers services, flows exchanged between cities, or a mix of all those attributes. Therefore, the major hypotheses about the emergence of global command centers that influenced world city literature belong to John Friedmann, Saskia Sassen, and Manuel Castells.

2.1.1 JOHN FRIEDMANN'S "WORD CITY HYPOTHESIS"

Friedmann (1986) explained 'world city' concept with regards to the global economic forces as the global accumulation centers that direct the global economic system. That is to say, they are the origins of the global capital that orientates the investments and the market cities as being the command centers of capital in the new international division of labor. According to Friedmann, there is a hierarchy determined by the investment flows and the support services including advertising, accounting, insurance and legal service. Furthermore, the control center cities articulate larger regional, national and international economies in respect to flow of money, workers, information, commodities, etc beside articulating to the global economy or space of global accumulation of surrounding fields or regions and the space of accumulation represents both the national and regional capital accumulation.

Friedmann defined the process of connection to global economic forces by 'seven theses' depending on functional, hierarchical and global-local thesis. These functions are the headquarters functions, financial centers and 'articulator' cities linked a national or regional economy to the global economy. The hierarchical thesis comprises the 'basing points' of capital in the inter-city relations that resulted in a 'complex spatial hierarchy', and the hierarchy is organized by the city as a finance center, corporate headquarters, international institutions, business services, manufacturing, transportation and population size.

Friedmann identifies two level of hierarchy consisting of primary (i.e. London) and secondary (i.e. Milan), besides geographically in two ways that are horizontal (north-south) as core, and vertical (east-west) as Asian, American and Western Europe.

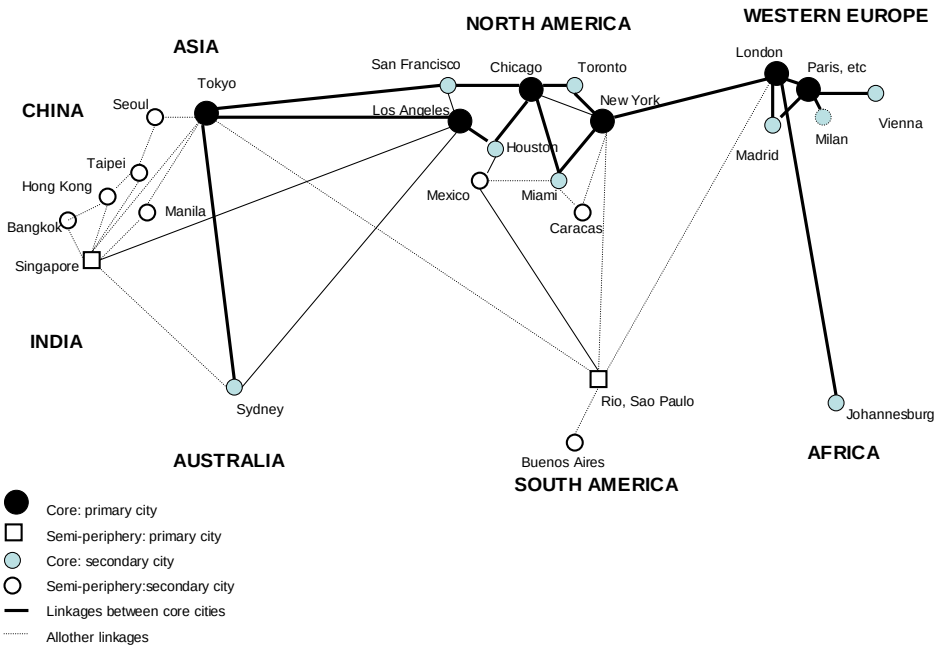


Figure 2.1 - The World City Hierarchy (Source : FRIEDMANN John (1986), 'The World City Hypothesis')

All in all, the criteria of Friedmann for the world city concept are,

1- Major financial centre
2- Site for headquarters for transnational corporations (TNCs)
3- Including regional headquarters
4- International institutions
5- Rapidly growing of business-services sector
6- Important manufacturing centre
7- Major transportation node
8- Population size

Peter Taylor cited that Friedmann has searched and explained the world cities and their inter-city relations articulated to state boundaries. Additionally, Friedmann (1995) identified the inter-city relations as 'a historically unprecedented phenomenon' which differentiates his model from the national urban systems

research school. According to Friedmann, the structure of the inter-city relations is the same with the hierarchy unlike the transnational nature of the connections between cities. Three continental 'distinct subsystems' focuses on New York, London and Tokyo which are described in the 'articulations model' as using its financial approach, each city articulates its 'subsystem' into the world economy. To conclude, this 'unprecedented phenomenon' comprises the scale of contemporary inter-city relations but not necessarily their structure. (Reference: Inter-city relations)

2.1.2 SASKIA SASSEN'S "GLOBAL CITY" CONCEPT

Sassen develops Friedmann's hypothesis instead emphasizing on the production of finance and services. Sassen defined the Global Cities as global service centers more than simply command centers including dispersed economic activities, specialized service firms, information database for the current industry sector, cross-border city-to-city transactions and the social discrimination between specialized professionals. Sassen has six hypotheses in the Global City approach including economic activities location choices, increasingly headquarters of large global firms, the specialized firms, headquarters' outsourcing increase, the need of the specialized service firms, and the spatial and socioeconomic imbalance in the Global Cities increases.

Initially, economic activities location choices are directed by the globalization accompanies with the integration of such geographical activities. In accordance with globalization, the growth and importance of central corporate functions are related to the geographic dispersal of economic activities. Sassen denotes that firms operating in different countries as a dispersed manner need to have more complex and strategic central operations such as working of managing, coordinating, servicing, and financing of a firm's operations.

Secondly, increasingly headquarters of large global firms cooperate with the supplier firms. The latter ones have shares of the former ones central functions such as accounting, legal, public relations, programming, telecommunications and other such services, due to the central function's complexity. With this respect, headquarters

turn into today's headquarter type with specialized service-firms contracted by headquarters to produce some of these central functions or components of them.

The third is, specialized firms located in the most complex and globalized markets depend on the agglomeration economies. Therefore, the combination of firms, talents and expertise from a broad range of specialized fields makes accurate type of urban environment function as an information center that procures a connection loop between headquarters and service activities. This information loop type is not possibly replaced fully in electronic space, for instance, regarding its unforeseen and unplanned value added feature that composes of information, expertise, and talent that can produce higher order information.

In this matter, Global Cities are the places for production of today's leading information industries.

In accordance with the fourth hypotheses, headquarters' outsourcing increase in their complex, standardized functions depending on the uncertain and flexible markets and the requirements of speed also increases their permissiveness in choosing the location due to agglomeration economies that may lead headquarters to change their location.

Sassen explains the basis of the distinctive production advantages of the global city as the highly specialized and networked service sector.

The fifth thesis is the needs of the specialized service firms in order to produce global services they have to be in connection interconnect with other firms, too. Therefore, this interconnection derives global partnerships to build up cross-border city-to-city transactions and networks. A series of transnational networks of cities can be proved by the rapid increase in international investments and the decreasing role of the government on the regulation of international economic activity and the corresponding magnitude of other institutional arenas especially global markets and headquarters, all these features point to the existence of a series of transnational networks of cities.

According to the sixth hypotheses, the spatial and socioeconomic imbalance in the Global Cities increases subject to the growth of high level of professionals and high profit making specialized service firms, as they employ talented and top-level

professionals who earn higher incomes compares to average income levels in their cities.

All in all, in Sassen's theory, Global city is not only a command center, but also they are global service centers include dispersal economic activities, specialized service firms, information database for the current industry sector, cross-border city-to-city transactions and the social discrimination between specialized professionals.

2.1.3 MANUEL CASTELLS'S "SPACE OF FLOW" CONCEPT

In Castells theory, a 'new social morphology' of the society is cited as a social study regarding 'informational age' (Castells 1989). He developed the 70s and 80s elementary human framework of reference in the new information and communication technologies as 'space and time'. Castells explained spatial logic, places as the flows, which represent the informational exchanges orientated by social actors, and their frequency in receiving or production of information.

Furthermore, his aspect diverges with Sassen's idea that a network cannot be assumed as a traditional hierarchical pattern. According to his idea, in respect to interacting in one global network, the spatial domination cannot be considered in any traditional urban system pattern. Hence, the 'space of flows' becomes material thing by its flow's own spatial arrangements in addition to its diffusion all over the world. The 'space of flows' can be interpreted by the material architecture and it is consisted of three 'layers' which are the circuit of electronic impulses, the hubs and the dominant and managerial elites' the spatial organization.

Castells interpret the places as the social practices that subject people's social interactivity by means of the same place and time. However, information and communication technologies dispose the need for the physical association such as the provision of Internet regarding the communication possibility without being in the same place. Moreover, Internet procures online education between teacher and student, shopping by the websites, announcements and advertisements, etc. which elicits the necessity of the schools and shops as a physical existence. Nevertheless,

places have been stabled to exist instead of activities dispersion due to deriving the activities agglomerate in the metropolitan centers and their interactions between.

Castells explained spatial logic, places as the flows, which represent the informational exchanges orientated by social actors, and their frequency in receiving or production.

He first focused on economic flows like capital flows, informational flows, technology flows or organizational interaction flows, since firms initially used information and communication technologies and in this way physical barriers were exceeded. Later, Castells studied the flows of cultural trends, personal experiences and counter-cultures. Furthermore, his approach diverges from the Sassen's idea that a network cannot be assumed as a traditional hierarchical pattern. According to his idea, in respect to the interacting in one global network, the spatial domination cannot be considered in any traditional urban system pattern that is why he cites the spatial domination as 'space of flows' and the 'space of places'. In accordance with this space conception, world/global cities are the widest economic flows receivers or producers comprehension with a cities' global network. When development of flows are directed by the same expeditors to the same receivers, tremendous commanding centers or nodes emerge besides gaining attractive position which became dynamic centers of cultural and political innovation, attraction for the international elites and the capital.

Hence, the 'space of flows' becomes material thing by its flow's own spatial arrangements in addition to its diffusion all over the world. The 'space of flows' can be interpreted by the material architecture and it is consisted of three 'layers'.

First layer is the circuit of electronic impulses by means of the technological infrastructure. Without well-built infrastructure, network cannot exist even it has big population.

The second layer represents the hubs which are the exchangers to organize the interaction inside the network such as airport, and nodes which are the location of strategically important functions.

Lastly, the third layer is consisted of the dominant managerial elites' spatial organization. However, as elites' not flows, there is need for real places to meet face to face such as international leisure complexes, congress centers or residential areas.
Furthermore, Castells' studies regard to the formation of global cities, there are two main ideas, which are the production of urban forms is performed now by the economic elites who direct the space of flows, and the idea of global cities that are not places anymore but "process" articulated to global network. However, some resistances are against 'space of flows' instead of the 'space of places'. For instance, a group of inhabitants protesting the location of a new airport in their city, yet these resistances may use Internet to develop which means that two spaces are deeply linked to each other in the reality.

2.1.4 EVALUATION

First, a city should comprehend the characteristics of world city in order to be a global city and Istanbul is expected to be relatively at the earlier stage of globalization regarding to have the world city qualifications considering finance, production, firms, administration, proficiency services, etc.
Among Friedmann's theory of "complex spatial hierarchy", Sassen's fundamental aspect that "professional services should service internationally", and Castells' "space of flow" theory, Istanbul seems to have the view of Friedmann's theory in respect of the industry-storage, hotels, production wholesale and retail commerce production sectors. So, it is expected to find developments in the direction of creation in the formation of world city as defined in line with the Friedmann's theory.

Moreover, some several studies support these main hypotheses, as well. Beside Friedmann, Wolff (1982) also identifies 'command centers' as the 'new international division of labor' in 'global network of cities'. Afterwards, with Sassen's (1994) 'transnational urban system' theory, Lo and Yeung (1998) develops 'functional world city system' and Short and Kim (1999) develops 'global urban network' concepts. Later, Taylor (2001) explains world cities by improving Castells 'space of flows' hypothesis with the addition of social life to the world city concept as

'network social science' which describes the world as ‘a space of flows’ and as the result of such a ‘mosaic social life’. Indeed, Taylor identifies that this mosaic social life represents the world as a space of places in the territory of social science.

The global city functions will develop as world functions consolidate in Istanbul and in this stage, it is expected to find the final developments more in accordance with the growth of the world city functions compare to global cities.

On the basis of the short review of the three fundamental theories about global cities, the measurement and rankings of global cities can be aligned as the followings.

2.2 HOW TO MEASURE AND RANK GLOBAL CITIES?

In addition to the quantitative criteria such as population size or wealth level, qualitative criteria are also important aspect with regards to the worldwide economical circuit. Considering the wealth (Urban Gross Product), Osaka is ranked as the third richest city whereas London is ranked as the tenth in the same city ranking due to the Urban Gross Product’s wealth produced and consumed characteristic inside the city. Although an autarchic city is rich, it can be out of the global economy, since it does not correspond to the concept of world city developed by the academic literature. (Source: http://globalcities.free.fr/hierarchie.htm)

Indeed, data lacking pose problems in the measurement of world-city hierarchy since, most of them are reached at the state level and allowed to compare with nations instead of cities (Short, 1996). Nevertheless, there have been studies related to the measurement of the cities’ ‘world-cityness’ (Taylor has created this term on Global Cities’ measurement) and a hierarchy of global cities.

2.2.1 A SHORT LITERATURE REVIEW OF EMPIRICAL STUDIES

Peter Hall (1966) interpreted the modern studies of world cities consisting of different attributes of the city such as politics, trade, communication facilities, finance, culture, technology and higher education.

Stephen Hymer (1972) also leaded the studies about economic data and characteristics by the ‘economic turn’ in the world city literature.

According to Hymer, international corporate and the world cities orientated the upturning new global economy where the places were preferred by the multinational corporates to locate their headquarters. This method of headquarters distribution in order to rank cities spread after his study, yet this method does not give information about the hierarchy and relationships of a city inside a network.

Moreover, Friedmann's (1986) command center concept and his description of the 'new international division of labor' influenced many researches, however his method was criticized even by himself due to its weakness like often used theoretical framework of reference, limited survey of key parameters, and difficulty in measurement and usage of some cases.

Reed (1981) researched about one of the first major quantitative analysis of world cities and identified the evolution of the international financial centers hierarchy between 1900 and 1980 exploiting a multivariate analysis of over fifty 'financial, cultural, economic, geographical and political' attributes in 76 cities.

2.2.2 GLOBALIZATION AND WORLD CITIES STUDY GROUP'S METHODS

In respect of studies about globalization and world city concept, The Globalization and World Cities Study Group and Network (GaWC) is a group of scholars who study the concept of world city and generated two different methods of ranking in respect of two different theoretical frameworks. The first method is proposing world cities as the concentrations of expertise and knowledge supporting and completing the job of transnational corporates and the second method depends on the 'space of flows' concept of Manuel Castells that comprehends the measure of interrelations in a network of global cities which are also accepted as process rather than places.

2.2.2.1 MEASURING THE 'WORLD-CITYNESS'

With respect to Saskia Sassen (1991), led by Beaverstock, Smith and Taylor, the global capacity of cities regarding services they provide were searched out, and an inventory of world-cities according to their advanced producer service level was taken. According to the data of the office distributions, information concerning 74 companies of advanced producer services in 125 cities has been collected and 55 cities have been defined as world-cities on the basis of the number, size and the importance of their offices. With regards to the research, there are three main stages which are first, the global competence of service firms in terms of the geographic location in cities, second, centers of the global services for a given sector to locate in the aggregated cities, and third, service centers' agglomeration creates world cities of different degrees of overall corporate service provision are clarified.

In the research, three levels of world cities are identified in the 'roster of world-city' depending on the ranking of 10 Alpha world cities, 10 Beta world cities and 35 Gamma world cities (Table 2.1).

More comprehensive inventory than 2000 and 2004's data collection about World Cities was taken by the Globalization and World Cities Study & Network at Loughborough University in UK within the same methodology and analysis. With this respect, a roster of hundreds of world cities at 5 levels with 40 Alpha cities appeared besides the only two rankings with A++ New York and London.

Furthermore, in virtue of the entity of four key types of advanced producer services which are accountancy, advertising, banking/finance and law firms were designated. In respect to geographical patterns, they differentiate from each other however; they have common point in their world-wide locations due to gathering of these four sets is a sound inventory of contemporary world cities in terms of service capacities. Data accessibility is not available in the public realm and this affects the analysis on information. The next data search is through a variety of sources such as company web sites, internal directories, and handbooks for customers and trade publications.

In respect of the service capacities of cities, there are several principles that are accepted:

1. For the principle offices, 'significant presence of firms in cities is only defined aiming to record between 50 and 150 significant city presence per firm.
2. Only one significant presence sectors are excluded in the conversion of the individual firm presences to city capacities regarding to have significant presence of two firms in a city.
3. Each sector is evaluated in its own terms without any set of classification rules due to their own history and pattern of global progress.
4. Beside the differences, a classification of cities in comparison with four sectors was taken as the sums by scoring the world cityness of each city ranging from 1 to 12 which consist:

- **3 for a prime centre,**
- **2 for a major centre,**
- **1 for a minor centre.**

Three levels of world cities are identified in the 'roster of world-city' depending on the ranking of 10 Alpha world cities, 10 Beta world cities and 35 Gamma world cities. *"Global capacity is then defined empirically in terms of aggregate scores and interpreted theoretically as concentrations of expertise and knowledge".*

Table 2.2 - The Roster of 55 world-cities according to GaWC (Source: BEAVERSTOCK J.V., SMITH R.G. and TAYLOR P.J., 'A Roster of World Cities')

A. ALPHA WORLD CITIES
12: London, Paris, New York, Tokyo
10: Chicago, Frankfurt, Hong Kong, Los Angeles, Milan, Singapore

Table 2.2 (Continued)

B. BETA WORLD CITIES
9: San Francisco, Sydney, Toronto, Zurich
8: Brussels, Madrid, Mexico City, Sao Paulo
7: Moscow, Seoul
C. GAMMA WORLD CITIES
6: Amsterdam, Boston, Caracas, Dallas, Dusseldorf, Geneva, Houston, Jakarta, Johannesburg, Melbourne, Osaka, Prague, Santiago, Taipei, Washington
5: Bangkok, Beijing, Montreal, Rome, Stockholm, Warsaw
4: Atlanta, Barcelona, Berlin, Buenos Aires, Budapest, Copenhagen, Hamburg, Istanbul, Kuala Lumpur, Manila, Miami, Minneapolis, Munich, Shanghai

More comprehensive inventory than 2000 and 2004's data collection about World Cities was taken in 2008 and then in 2010 by the Globalization and World Cities Study & Network at Loughborough University in UK nonetheless the methodology and analysis are the same.

With this respect, a roster of hundreds of world cities at 5 levels with 40 Alpha cities was appeared besides the only two rankings which are with A++ New York and London (P.J. Taylor, M. Hoyler, K. Pain and S. Vinciguerra, 2010).

Also, Alderson & Beckfield (2004, 2007) and Rozenblat & Pumain (2007) studied on a variant methodology. While GaWC researches emphasize on the "location strategies of producer services firms", they focus on the "geography of multinational corporations irrespective of the exact nature of their activities". Alderson & Beckfield and Rozenblat & Pumain emphasize on "large scale surveys" with multinational enterprises in Europe in order to figure out the ownership networks

between two cities that have one headquarter in one city and one subsidiary in the other. (Source: B. Derudder et F. Witlox, 2007)

2.2.2.2 MEASURING THE CONNECTIVITY OF THE WORLD-CITIES

GaWC study group criticized the attribute-based ranking and the elusiveness in the measurement of the flows and the interrelations of cities due to the lack of data problem and international airline passenger statistics are the only published data available for studying relations between cities which directs empirical studies.

Nonetheless, Taylor (1999) judges this method as weak, because of consisting the information much more than trips related to world city process such as tourism, besides not registering in the international data for the major inter-city trips within countries.

In addition to the 'space of flow' concept of Manuel Castells (1996), Taylor studied on the calculation of the cities' inside network connectivity and developed an index depending on the exchanges and relation between cities. What is more, developed further the global cities theory of Sasskia Sassen and progressed a network that 'nodes' (for instance the cities) do not lead a network. In Taylor's theory, the world-city network constitutes the 'sub-nodal' level where the service firms are the primitive agents. The global city approach presence in the worldwide economic circuit as follows is based on qualitative criteria.

To conclude, an 'inter-locking network' consists of three levels which are a network level that connect cities to a world economy, a nodal level that are the cities, and a sub-nodal level that the firms provide advanced producer services (Derruder,Taylor et al., 2004). The world city network of financial and business service firms has constructed the global networks of offices in the cities around the world which develops the services. In this office network, each one includes the global strategy of the firms in respect of being a location decision making in the world economy, so the network is cited as the 'aggregate of the many service firms pursuing a global

location strategy' which results in the conversion of the 'inter-lock' world cities to a 'network of global service centers'.

2.2.2.2.1 MEASURING THE GLOBAL NETWORK CONNECTIVITY OF A CITY

Total service values of a city give the connectivity ranking as service nodes in the world. The formula in order to estimate the global network connectivity of a city is used as $N_a = \Sigma_i \Sigma_j v_{aj} . v_{ij}$, N_a as the nodal connectivity of a city in the network whereas n represents the cities, m firms, j the service values in V. With this respect, the sum of all cities' connectivity equals to 4 078 256 and each city's value as a share from the highest individual score, for instance London has the highest score with 1).

2.2.2.2.2 THE CONCEPT OF HINTERWORLD

In order to identify the worldwide pattern of connections between the world cities in the globalization aspect, GaWC cited the hinterworld concept regarding to the aggregating of advanced producer services. As for the concept, world cities are basis on intensive hinterworlds.

Moreover, the service provision level of city y to other city x is measured in four phases in terms of the urban hinterworld:

(I) Service firms of city x is determined as x firms.

(II) The total x firms that have the highest scores are generated.

(III) All x firms' scores are summed in city.

(IV) The ratio of the sum of (III) to sum of (II) consists of a measure of relative service that ranges between 0 and 1. Briefly, when there is no interaction of the firms between the cities, the sum (III) comprises zero as the result. On the contrary, when every x firm in city y have the highest score, the sums depending on (II) and (III) will be significant and the service measure will be 1.

(Source: http://www.lboro.ac.uk/gawc/visual/hw_is.html)

2.2.2.2.3 MEASURING THE "GATEWAYS"

In the network of global cities, Gateways play a significant role as strong connection places; however they are not command centers. Geographical positions can be attractive for the firms in terms of the global-city network. For instance, Hong-Kong is adorable due to its location to articulate the Chinese market according to the firms. Furthermore, Hong-Kong contains the importance of being intersect point of the global information flow, besides being a node for the 'knowledge of opportunities and possibilities' in the global network and excluding the command centers, the high connected gateways are 35 cities. There are three levels in cities' network connectivity which are; as the top; five cities including the highest economies that are USA, Japan, Germany, France and UK, second; Hong-Kong/China, Milan/Italy, Toronto/Canada, Madrid/Spain, Sydney/Australia and Sao Paulo/Brazil besides the regional Singapore/ASEAN, and as the third; Mexico City/Mexico, Buenos Aires/Argentina, Mumbai/India, Taipei/Taiwan besides the regional Miami/Caribbean-Latin America.

The basic aspect in the orientation of these hierarchies including flow and interrelations between is the economic data, nonetheless other criteria such as political and cultural are also considered. Moreover, cities can be attractive according to cultural like Hollywood as cinematographically, Paris as touristic and Las Vegas with gambling or ideological such as Jerusalem as 'three times holy' and Mecca as the pilgrim center of Muslims. With this respect, *Foreign Policy* journalists in association with A.T. Kearney and The Chicago Council on Global Affairs created and published a "Global Cities Index" (2008), declared the assumptions that are taken as follows:

2.2.3 THE "GLOBAL CITIES INDEX 2008", CREATED BY THE JOURNAL "FOREIGN POLICY", A.T. KEARNEY AND THE CHICAGO COUNCIL ON GLOBAL AFFAIRS'S

According to the journal in 2008, in order to rank the cities articulated to the world, 'global cities experts' such as Saskia Sassen, Witold Rybczynski, Janet Abu-Lughod, and Peter Taylor were determined. The ranking in the 'Global Cities Index' includes five dimensions:

1. The measure of the business activity such as the Fortuna Global 500 firms' headquarters, flow of the goods from the city to one other, the value of the capital markets.

2. The measure of human capital such as the immigrant population, international school numbers, the university degree educated share.

3. The measure of information exchange such as office number published international news.

4. The measure of cultural experience such as hosting art events' number

5. The measure of political engagement such as embassy and consulate numbers, think tanks, international organizations, sister-city relationships, hosting political conferences.

The Global Cities Index improves the structure of globalization in economic, financial, cultural, social and policy ways as well. Regarding the ranking, Istanbul locates in general at the 28th position and when to consider the other aspects it is as the following:

- 32nd position for Business activity
- 13th position for Human Capital
- 34th position for Information exchange
- 43rd position for cultural experience
- 8th position for political engagement

The review of different calculation and ranking methods has been cited heretofore, so the next will be focused on the place of Istanbul as the financial and businesses capital of Turkey along these rankings.

CHAPTER 3

ISTANBUL IN THE WORLD CITY LITERATURE

Through 1980's reforms within economic liberalization, Istanbul was determined by the Government to become a 'global city' in order to attract foreign capital. The city is the major gateway of Turkey to the global economy and attractive for the international firms to invest, beside that the city is the place where more than half of the exports are occurred. Since the beginning of the 21th century, the city's ranking in academic rosters of world cities has been improved (Beaverstock, Taylor et al., 2008), despite this, its position in famous business city rankings has not been structured clearly. For instance, the city presents in the Global City Index 2008 by the American Journal *Foreign Policy*, A.T. Kearney and The Chicago Council on Global Affairs in the 30th position, whereas it does not take place in the annual report from the global consultant agency Price and Water House Coopers 'Cities of Opportunities: "*Detailed study of the world's leading financial and commercial centers"*.

3.1 TURKEY AND THE POLITICO-ECONOMICAL CHANGE OF THE 1980S

The economical globalization appeared in Turkey in the 1980s and the economical integration process in the world economy accelerated in the 1990s and the 2000s. Although this change occurred in the developed western countries after the Second World War, Turkey undertook the process after the military coup in 1980. Globalization influenced the economic policies of the Turkish Government as an opportunity and a solution to the structural problem and the low economic growth of the country by means of articulating to the world capitalist system. With respect to this, the global competitive market conditions of the liberal state were accepted instead of the former universal looking economic market policies by the 'reformist' government and then Presidency of Turgut Özal. It can be said that the country shifts

from an ‘import substitution system’ to a more open and ‘export-oriented macro-economic’ framework that affects on ‘developing price flexibility’, ‘removing process control and quotas’ and avoiding ‘fiscal deficits’. As of 1990s, relatively after the financial crisis in 2001, Turkey had negotiation with IMF and the World Bank and started to negotiate on European Union that leaded country to liberalization. The OECD territorial study of Istanbul (2008) cited Turkish government’s affords to a structural reforms as succeessful as macro economical performance between the years 2002 and 2005 which is proved by the decrease in the inflation rate that is regressed more to 10% in 2005 than 70% in 2002. Besides, attention should be paid on the support of the increasing global desire for emerging market assets for the processes.

3.2 ISTANBUL IN THE GAWC’S ALPHA-BETA-GAMMA RANKING BASED ON PRODUCER SERVICES

In accordance with the Globalization and World Cities Study Group & Network, there have been several studies on the world-city concept in respect to their producer services most of the studies are based on these GaWC’s rankings. Istanbul placed in the ranking of 1999 as a Gamma World City. (Source: BEAVERSTOCK J.V., SMITH R.G. and TAYLOR P.J., ‘A Roster of World Cities’)

In the ranking, Istanbul takes place as a gamma world-city; however it stays as the only world-city among the Balkans, eastern Mediterranean, Middle East and Central Asia, as well.

Afterwards, the Globalization and World Cities Study group developed the study in 2000 and in 2004 keeping the methodology and the analysis the same and produced hundreds of world cities at 5 levels containing 40 Alpha Cities in which Istanbul is included. The highest level is A++ which only New York and London have (Table 3.1).

Table 3.1 - The Roster of 55 world-cities according to GaWC (Source: http://www.lboro.ac.uk/gawc/world2008.html)

Alpha world cities (a++)	London, New York
Alpha world cities (a+)	Paris, Tokyo, Sydney, Singapore, Hong Kong, Beijing, Shanghai
Alpha world cities (a)	Milan, Mumbai, Madrid, Moscow, Toronto, Kuala Lumpur, Brussels, Buenos Aires, Seoul
Alpha world cities (a-)	Warsaw, Jakarta, Sao Paulo, Zurich, Mexico City, Dublin, Amsterdam, Bangkok, Taipei, Rome, **Istanbul**, Lisbon, Chicago, Frankfurt, Stockholm, Vienna, Budapest, Athens, Prague, Caracas, Auckland, Santiago.

3.3 ISTANBUL: A CITY HIGHLY CONNECTED TO THE NETWORK OF GLOBAL CITIES

Beside Istanbul's geographical location, the city has a historical heritage regarding to its assets that enhances the potential of Istanbul's 'global city' situation.

According to the studies related to global cities, Istanbul is included in the rankings and the only inclusive global city among the West-Asia, North-Africa region.

According to the cultural variety of Istanbul, the city had been the capital of three World Empires like Rome, Byzantium and Ottoman during the history that contributed to the city in respect of urban, historical, archeological and natural protected areas with many monuments and civil architecture. In the recent years, the city has also started to gain popularity worldwide in theatre, opera and ballet shows

within the international cultural and art activities. Besides, Istanbul represented the city as 'Europe Cultural Capital' in 2010. In the aim of becoming a Culture Capital, Istanbul was designated by the Istanbul Metropolitan Municipality, the Istanbul Governorship and the 20120 European Culture Capital Coordination Board that contributed to city's tourism attractions with conventions, fairs, cultural, art and sports activities.

Those renovations increased Istanbul's position to 17 from 49 in tourist conventions' rankings with 43 important conventions in 2010. Moreover, the city hosted several important organizations like League Football Final Match, Formula 1, Moto GP, World Water Forum, IMF World Bank Congress in 2009, the European Culture Capital, World Basketball Championship and METREX (European Metropolitan Regions and Fields Network) Grand Congress. (Source: Istanbul Metropolitan Municipality)

However, compared to other global European cities' museum visitor numbers, Istanbul is far behind in the list. (Source: Istanbul International Finance Center Project Infrastructure Committee Report, 2010)

Furthermore, Istanbul attracts tourists with its cultural and attraction activities.

3.3.1 ISTANBUL IN THE AIR PASSENGER TRANSPORT NETWORK

F. Witlox, L. Vereecken and B. Derudder (2004) identified the highest 150 cities according to their air traffic data in the paper of 'Mapping the Global Network Economy on the Basis of Air Passenger Transport Flows' regarding to have the highest number of arrivals and departures between January and August of 2001 aiming to analyze the spatial structure of the network economy. With this respect, data base of the 'Marketing Information Data Transfer' (MIDT) was benefited from the information about global airline bookings and connections with more than half a billion passengers. Among the ranking, Istanbul is ranked as the 70^{th} with 2-4 million passengers between the same periods in 2001 and placed below London, Paris, Frankfurt, Amsterdam, Rome, Milan, Madrid, Munich, Barcelona, Brussels, Zürich,

Düsseldorf, Berlin, Stockholm, Dublin, Hamburg, Athens, Copenhagen, Lisbon and Vienna considering Europe.

However, as the number of air passengers of Istanbul airports in 2011 has risen to nearly 50 million, that study is far from showing the current situation.

3.3.2 ISTANBUL: A "HIGH CONNECTIVITY GATEWAY" FOR THE REGION

P.J. Taylor, D.R.F. Walker, G. Catalano and M. Hoyler studied in 'Diversity and Power in the World City Network' in respect of GaWC data comprising 100 global service firms among 123 world cities' information. Pursuant to the study, the major aspects in the measurement of this 'power differentials' are as follows:

- Global network connectivity,
- Banking/finance connectivity,
- Dominant centers,
- Global command centers,
- Regional command centers,
- High connectivity gateways,
- Gateways to emerging markets.

Hereunder, Istanbul takes place only one category among those seven which is the 'high connectivity gateway cities' having high connectivity but not command functions, besides Istanbul presences in the lowest category where 33 cities are located (Source: TAYLOR et.al. (2002), 'Diversity and Power in the World City Network').

In addition to Istanbul's active role as being a 'gateway' producing service for the national and world economy, the city has also a major role as a regional gateway in Balkan, South-East European region, Central Asia, Black Sea and Middle East. Moreover, Istanbul consists in the West Asia/North Africa, yet the city articulates more to Eastern Europe. Taylor (2001) and Shin and Timberlake (2000) divulged in their studies as the Tel Aviv, Dubai and Istanbul stronger linked to the European or Asian city-systems than the each other in spite Middle East cities have poor linkage

between themselves. Middle East cities have strong linkages between each other but not with the other regions with respect of credit, information, production, services and security structures.

P. J. Taylor dissected the global network connectivity of 29 cities belonging to WA/NA in the paper of 'West Asian/North African Cities in the World City Network: A Global Analysis of Dependence, Integration and Autonomy' (2001) in which Istanbul is ranking as the first and among the world list, ranking as 35th. Presence of the city has significance as being historically center of global urban development although the region does not play any role in the highest 50 world cities as to network connectivity.

3.3.3 ISTANBUL: A SPECIALIZATION IN THE BANKING/FINANCE SECTOR

Upon the service sector rankings which are accountancy, banking/finance, advertising, management consultancy, insurance and law, Istanbul only consists in the baking/finance cartogram.

WA/NA global network connectivity of cities that have high level of global network connectivity in their sectors, accountancy and advertising have more importance than the other views that for average connectivity for accountancy there are 10 cities and for advertising there are 9. However, this does not imply that WA/NA is an 'accountancy region' as a major measure of city but it shows that WA/NA cities have no significance in the network.

WA/NA cities have the lowest connectivity in terms of widely dispersed accountancy and advertising sectors except the only two that have below average accountancy interrelation which are Istanbul and Manama. Therefore, regarding the 4 different types according to cities' different kinds of service sectors, Istanbul is in the leading position among WA/NA cities with above average connectivity in advertising and in banking/finance sectors. (Source: TAYLOR P.J.(2001) , West Asian/North African Cities in the World City Network: A Global Analysis of Dependence, Integration and Autonomy)

According to the activity report of Istanbul Development Agency (January-June, 2010), investment support activities are provided in 3 different ways which are the advertisement of Istanbul Region's investment opportunities, research and information provision in respect of information demand and mediating to their collaborations (Match-Marking). Regarding these, International Business Machines Corporation (IBM) and Koç University are informed about the situation of the region in respect of globalization in line with economy, research and development and innovation, finance, real estate, foreign trade, competitiveness.

Moreover, as to the information demands from the local and foreign investors, sectoral information research has been done and the prominent companies, the process of the job and the opportunities are briefly explained. With respect to the demand of the Economy Ministry, a report is prepared for the Information Sector and techno parks in Istanbul. Also, consultancy services are given to an Italia based firm and to USA based firm. For the information provision, there have been contacts with Netherlands, China and Italia based firms. (Source: http://www.istka.org.tr/Portals/iska/images/2011-istka-arafaaliyetraporu.pdf)

Additionally, Istanbul International Finance Center (IFC) Project's Infrastructure Committee has studies in order to evaluate suitable regions in Istanbul to be a finance center within the participations of public and private sectors. In this respect, seven regions in Istanbul (Büyükdere-Levent-Maslak Aksı, Kartal, Ataşehir, Topkapı-Maltepe-Bayrampaşa Bölgesi, Yenibosna Basın Ekspres Yolu Aksı, İstoç Sanayi Alanı, Silivri, Hasdal, Ümraniye Kazım Karabekir Mahallesi ve Kavacık) are evaluated in several criteria. Regions such as Ataşehir for its strong sectoral relations and Kartal for its transportation advantages are prominent for the location choice of the Istanbul Finance Center. With regards to the criteria of sectoral relations and potentials, Büyükdere – Maslak axis and partial Ataşehir regions are prominent for the Istanbul Finance Center. Overall, on the European Side Yenibosna Basın Ekspres Yolu and on the Anatolian Side Kartal and Ümraniye (known as Ataşehir) are the regions evaluated as other suitable location. Furthermore, the current development and tendencies in Şişli-Büyükdere-Maslak axis will develop more in the short term,

while regions such as Yenibosna Basın Ekspres Yolu, Kartal, Ataşehir have potential in the medium term and Topkapı-Maltepe-Bayrampaşa region will be evaluated in the long term.

According to the results of the discussion with the actors in the finance sector of IFC Infrastructure Committee in 2010, banking agents declared that due to the increasing costs, with exception of prestigious buildings such as headquarters, units such as operation, data center, call-center are carried to further but qualified living spaces such as Gebze, Şekerpınar. (Source: Istanbul International Finance Center Project Infrastructure Committee Report, 2010)

3.3.4 EVALUATION

Since the emergence of the 'Global/World Cities' concept in 1960, it has been identified and further developed. Indeed, Friedmann, Sassen and Castells played a major role in the studies and influenced the GaWC Study Group of Loughborough University as well. The study group enhanced the measure the cities' 'global-cityness' and calculate their rankings in the global city network. Nonetheless, the method comprehends relatively economical metrics. In the last years, globalization has being loaded new dimensions such as cultural, social and political. In 2008, a 'Global Cities Index' was published by the journalists of *Foreign Policy* accompanied with AT Kearney and the Chicago Council on Global Affairs in order to articulate the cities to the world.

Istanbul shelters a built environment and an imperial history within 300 thousand years that influence its position in the world system. Excavations have found out Neolithic and Chalcolitic people's living around Küçükçekmece Lake, besides Epi-paleolithic period have been found around Dudullu and Middle and Upper Paleolithic Period have been found close to Ağaçlı. Furthermore, first settlements depends on 5000 BCs in Çatalca, Dudullu, Ümraniye, Pendik, Davutpaşa, Kilyos and Ambarlı, whereas Istanbul's foundation reaches to 7000 BC. Rebuilding of Istanbul was in Constantine the Great's period in 4th century. Afterwards, the city becomes Roman Empire (330–395) and the East Roman (Byzantine) Empire (395–1204 and 1261–

1453), the Latin Empire (1204–1261), and the Ottoman Empire (1453–1922)'s capital city.

According to the city's those history, geography and centrality in two of the world's most important empires, and including two continents, Istanbul has the potential of being a 'global city' on the condition that the potential is actualized.

Istanbul is included in the ranking of GaWC study group as an 'Alpha Global City' in the 28th position (2008). Besides, Istanbul is the only city in the group in respect of global city in the region West-Asia, North-Africa.

Istanbul has 'global cityness' mainly in banking and financial sector. Istanbul is a highly connected city as being at the 35th position in the 'high-connectivity gateway' global ranking and the city can be accepted as a well connected city between the local and the global economy that the city is preferable for the firms in order to profit from the surrounding regional markets. Moreover, in the 'Global Cities Index 2008' and its global ranking, Istanbul is determined as at the 8th position regarding its political engagement, whereas at the 13th position in respect of good human capital.

Moreover, Taylor contradicted that Istanbul is articulated to the East European Countries better than to Middle-East and Western Asian countries, which means, the city has the potential of being also a regional center besides being a gateway.

Lastly, according to Loughborough Study's research, among a network analysis of European world cities, Istanbul is in an outer part of cities comprising a strong 'world city' characteristics with regards to primitive service sectors. However, this will constrain its linkage to core European cities, so regarding to the city's various connections, Istanbul has better maintain and strengthen its position in terms of articulating to the Middle East, Black Sea and Central Asia Region as well (Foreign Economic Realtion Board, 2009).

Also, Istanbul is an attraction and cultural center for many tourists. In addition to many awards, the city is declared as 'European Capital of Culture' in 2010 by the European Commission. Besides, Istanbul undertook house ownership of Olympics bids, conferences such as Habitat II in 1996 and the World Water Forum in 2009.

3.4 THE IMPACT OF GLOBALIZATION ON THE SECTORAL MIX OF ISTANBUL'S ECONOMY

With 13.255.685 population (TÜİK, 2010) consisting of the %17.98 of the national population, Istanbul is the biggest metropolis of Turkey and in the core of the Turkish economy. Due to this, Istanbul is the city which is most affected by the globalization process among all Turkish cities.

DPT (State Planning Organization) ranked 35.446 settlements in Turkey from 1st to 7th degree and 35.117 villages locates at the bottom ranking 1st, whereas at the top it is ranked as 7th where Istanbul places. Moreover, Istanbul has 22% share of the GDP among the total level of Turkey's GDP as the largest pie; that is to say, more than one-fifth of national income is produced in the Istanbul metropolitan area.

The national average annual income for the year 2000 is 1837$, whereas in Istanbul it is 2657$. Beside Istanbul, neighboring cities improve together by increased productivity and GDP per capita which are Bursa, Tekirdağ, Kocaeli, Yalova and Kırklareli that enjoy of the benefits of the socio-economic status of Marmara Region as the most important development pole of the country. Istanbul's importance within Turkey's economy is undisputed.

Furthermore, 27% of the working population presence in the Marmara Region and Istanbul has the regional population's 51% share.

Nonetheless, 12% of the unemployment rate belongs to Istanbul which is higher than the country's rate as 6.5%.

Istanbul is ranking as 12th with its 4.1% growth rate among the 45 OECD metro-region's growth rate.

Despite this, national and Istanbul's economy can be very sensitive to external shocks and economic cycles, for instance, big recessions and negative growth rates resulted in the crises in 1994 and 2001, beside the earthquake in 1999 in Kocaeli, yet the country and the city could recover quickly thanks to the short-term capital inflows into the financial sector. Those external effects threat GDP per capita of Istanbul which has already slowed down over the 1990s, and the unemployment rate. Therefore, the financial crisis in 2001 subjected to a sharper decline in services compared to manufacturing activities located outside the city. Together with high percentage of unregistered workers in the informal sector, Istanbul has high

unemployment as well. Although the city is the center of the national economy as having higher productivity levels comparing to the national average, unemployment level is higher than the country average.

Moreover, in the last quarter of 2008 and the beginning of 2009, the global financial crises had negative impact on Turkey's economy as well. The crisis started in the finance sector and then had influence on real economic magnitudes such as production, commerce, and unemployment worldwide (Yükseler, 2009) (Source: OECD Territorial Review of Istanbul, 2008).

In the 1980s, liberal reforms resulted in radical changes in the national and the city's economic structure. Primitively, the country shifted to a more open and export-oriented macro-economic framework as it is mentioned above. Secondly, Istanbul is influenced by the liberalization process due to concentration of most of the value-added economic activities of Turkey. Some activities on the one hand have suffered from the increasing international integration and as a result the competition and on the other, have appeared or been strengthened with respect to internal factors such as high population migration flows and some new activities regarding the globalized economy, especially in the service sector. The distribution of the sectorial basis of employment is identified within the structures of the province in respect of the basic economic activities including industry, trade and financial sector in the total labor force Istanbul has 32% share in the industrial sector, 60% in the service sector and 8% in the agriculture sector (Source: Istanbul'un Cevre Duzeni Planı, 2008).

3.4.1 A SIGNIFICANT INDUSTRIAL SECTOR

The highest employment in the industrial sector located in Marmara, especially in Istanbul and Bursa. Moreover, although Istanbul's share in the working population of Turkey is 13%, the share for industrial sector is 32% according to the census data of the year 2000. Istanbul maintains a significant weight in respect of manufacturing activities.

Furthermore, Chamber of Industry of Turkey declared the 'Top 500 Industrial Enterprises' in which 206 organizations belong to Istanbul. Total organizations' number is 294 in Istanbul that shows 41% of the industrial organizations in Istanbul

have high investment in the sector. These 206 largest industrial companies locate on two continents as 74% on the European and 26% on the Anatolian side.

The concentration of headquarters of those establishments on the European side is in Beşiktaş, Şişli and Beyoğlu, while on the Anatolian side is in Kadıköy, Ümraniye and Tuzla. Moreover, they set together with the advanced service sectors that are concentrated on the central districts such as 16% Beşiktaş, 13% Şişli and 8% Kadıköy. With respect to the sectoral distribution, 21% of these industrial companies produce textile and textile products, which are followed by electrical and optical equipment manufacturing, basic metals and fabricated metal products manufacturing, food products, beverages and tobacco manufacturing, chemical products and artificial fibers and non-metal mineral manufacturing firms. On the European side, textile and textile products comprise the 25% of the primary sector and as the second basic metals and fabricated metal products and electrical and optical equipment manufacturing have a 15% share. Whereas on the Anatolian side, the electrical and optical equipment manufacturing and chemicals and products presence as the first artificial fiber manufacturing sector with 17% share and manufacture of basic metals and fabricated metal products and food products, beverages and tobacco manufacturing industry follows with 15% among the 500 industrial companies. Regarding the 2004 data, employed population in the industry sector is 32% although in the GDP it is mentioned as only 26% in Istanbul. In the manufacturing industry, 50% of the employees work in is consisted of small scale manufacturing (1-50 workers) that also constitutes 97% of the number of firms in manufacturing. The manufacturing activities mostly depend on labor-intensive and low-technology activities. Regarding the 2000 census, the low-technology group of activities including manufacture of textile except apparel, tanning and leather cloths, footwear, luggage, or manufacture of chocolate and sugar confectionery accounted for more than 25% of Istanbul's value added comprehending 57% of the formally registered firms in Istanbul and 75% of total exports from Istanbul. The high (pharmaceuticals, TV sets, etc) and medium-high technology activities (electrical equipment, chemicals products, etc) accounted for less than 30%.

When the indicators examined, according to the agricultureal sector employees, agricultural production value and use of agricultural credits the share of Istanbul is extremely low, as expected.

According to data the number of flats in Istanbul is nearly about 3,393,077 and its share in the Marmara region is 62%. (Turkish Statistical Institute, 2000)

3.4.2 THE SERVICE SECTOR OF ISTANBUL

Service sector in Istanbul has larger share than the national average as reaching the two thirds. According to 'Turkish Statistical Institute Household Employment Surveys', the service sector's ratio is 60% and it is projected to have increase up to 70-80% by 2023. (Turkish Statistical Institute) The neoliberal reforms limited the government's intervention to Turkish economy that increased the activity of the private sector and incentives for the domestic and foreign private sectors. In the 1980s and 1990s, investments in the service industry and in luxury consumption (deluxe hotels, shopping centers, private universities, etc.) increased mainly in retail industry in the 1990s (Tokatlı and Boyacı, 1998). Furthermore, entertainment sector also developed in terms of concert halls, theaters, stadium arenas and car race circuits as well as media and communication services.

Beside these, the OECD declared in 2006 a comparative study about the contribution of services to total gross value added in OECD countries. According to the 2000 census results, there is specialization in wholesale, retail trade, restaurants, transports, storage and communication and lower level in real estate, renting and business services (Figure 2.2.2). After the year 2000, financial and business activities developed more, especially in banking activities in respect of current accounts and total credit used which accounts for about 90% of the financial sector. Employment increased in financial institutions after 1980 from 5.6% to 8.66% in the year 2000. In addition, bank credits widespread in 2000 that 42.87% of total credit provided in Turkey is used in Istanbul. *(Source: Environmental Management Plan Report of Istanbul, 2008)*

In 2004 in accordance to the ITO data, public investments had in Istanbul a 16% share and total bank deposits located in the city with 40.4% share besides using 40.8% of bank loans in Istanbul.

Service sector in Istanbul and its region in respect of Chamber of Commerce for the years 2005-2006 are aggregated on European Side with a 67% share. What is more, in order to analyze the data by districts in the city, it can be interpreted as follows:

14% of registered firms (total 285,997 units) are located in Kadıköy district followed by Şişli and Eminönü. Manufacturing services comprehend 63% of the pie on European side. However Kadıköy is leading with 9499 companies while Şişli with 6577, Beşiktaş with 4160 and Beyoğlu with 2736 companies and regarding distributor services; Kadıköy, Eminönü, Şişli, Ümraniye and Küçükçekmece, in personal services; Kadıköy, Şişli, Beyoğlu, Eminönü and Beşiktaş, in social services; Şişli, Beşiktaş, Eminönü, Bakırköy and Kadıköy are the outstanding districts considering number of firms.

With regards to the network of service sector activities and urban structure, Eminönü is the dominant district in commerce and manufacturing activities such as finance and insurance services which is also sustained by the cultural facilities and the university.

In Fatih district, working areas, eating and drinking business and residential areas are concentrated as well as health functions due to the existence of the medical school there. Beyoğlu district in the location of culture-art and entertainment industry besides being the traditional center is in cooperation with Eminönü. Moreover, serving the Port, insurance services, transportation and maritime services are also located in the district. In Şişli district, services and trade activities are aggregated within high-level services concentrating the on Büyükdere axis. Headquarters of specialized agencies and companies, finance and insurance services in the area increase the importance of the district. Şişli and Beşiktaş are preferred by firms to invest in shopping centers, trade and service sectors. Besides, Beşiktaş is a focal point in service and trade sectors including cultural and educational facilities. In the Harbiye district, congress tourism is on the foreground, while Ortaköy, Bebek are entertainment and recreation places. Kadıköy and Üsküdar districts comprise high

level services functioning in offices that are concentrated in Kozyatağı and Altunizade. Kadıköy district intensifies in business activities and services and manufacturing firms due to commercial activities. Furthermore, Kadıköy and Üsküdar have metropolitan health service, education, culture units. Kavacık area in Beykoz district is a connection point for Fatih Sultan Mehmet Bridge and commerce and high level service sector activities aggregated here.

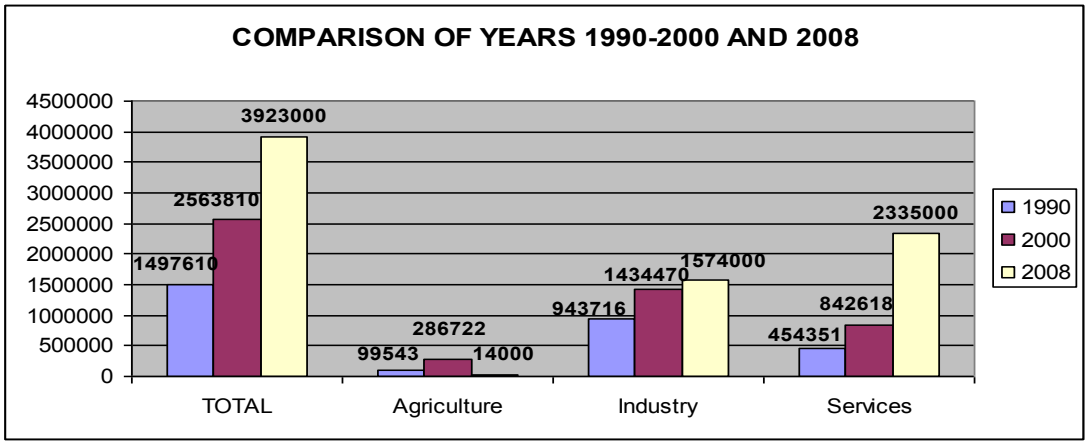
According to Istanbul date of Chamber of Commerce in 2006, 15% of foreign trading firms locate in Kadıköy, 10% in Şişli and 8% in Eminönü districts. With respect to foreign trade custom consultancy, firms choose their locations in Kadıköy, Beyoğlu, Bahçelievler, Şişli and Beşiktaş, whereas for transportation companies Kadıköy and Şişli districts are given preferences. Also, Küçükçekmece has importance locating close to Ambarlı Harbor, TEM, D-100 and Atatürk Airport.

High-level Services in Istanbul concentrate in the central business district, located in Eminönü, Beyoğlu, Şişli and Beşiktaş district. **Financial services** within finance and investment companies aggregate as 76% and 52% in the CBD respectively, and concentrate as 42% and 18% in Şişli district.

Insurance services provided by within insurance and fund management companies also locate in the CBD with 45% and 14% in Şişli. **Software, hardware services** locate in the CBD with 78% and 48% share choose Şişli. **Real estate services** concentrate with 13% and 11% shares in Büyükçekmece in Bahçelievler district and 30% of them presents in CBD. **Transportation and logistics services** with shipping companies and logistics companies prefer as 41% and 45% shares in the CBD and 15% transportation companies locate in Eminönü while 27% and 22% logistic companies are in Eminönü and Küçükçekmece. **Custom services** concentrate in the CBD with 74% of custom consultancy and 91% of foreign trade companies. In Beyoğlu, their shares are 55% and 41%, respectively; in Bahçelievler 16% of customs consultancy and it is 10% in Eminönü. Foreign trade companies also aggregate in Şişli (19%) and Eminönü (18%). **Insurance company headquarters** locate mainly in Şişli district. General directorates of those companies concentrate with 82% in the CBD, having 46% share in Şişli and 29% in Beşiktaş. **As general directorates of banks** locate in the CBD with 92% share and

concentrates in Şişli with 54%, Beyoğlu with 19% and Beşiktaş with 16%. **Newspapers and television centers** locate in the CBD with 52% and concentrate in Beyoğlu with 26% and in Şişli with 11%. **Lawyer and law firms** aggregate with 21% in Beyoğlu, 20% in Eminönü and 16% in Şişli districts. **Consulting companys'** 83% prefer CBD with concentration in Şişli 33%, Beyoğlu 28% and Beşiktaş 11%. **Financial consulting firm** locate in Şişli with 21%, Fatih with 16% and Eminönü with 13%. **Architectural companies** with 36% share locate in Şişli, Büyükçekmece with 12% and Bakırköy 11%. **The professional chambers** prefer Beyoğlu with 27%, Eminönü with 18% and Fatih with 18%. **Advertising, media services** within printing and publishing distribution offices locate in the CBD with 94%. The concentrations are in Eminönü with 47%, Beyoğlu with 25% and Fatih with 14%. Moreover, 70% of the film companies prefer to locate in the CBD and aggregate in Beyoğlu with 40% movie studios (also in Şişli and Kağıthane) and 72% movie companies. **Health clinic services** exist in CBD with 54% in respect of consulting room, doctor and denstist activities and concentrate in Bakırköy with 16% and Şişli with 29% (Istanbul Chamber of Commerce, 2006).

The inference can be made according to above data that activities of the service sector in Istanbul locate majorly in the CBD and gathers in Eminönü, Beyoğlu, Şişli and Beşiktaş. Furthermore, financial, business and banking acitivities seem to develop in lines with Saskia Sassen's global city concept, since the service activities construct not a simple command center, but also a global service center by dispersed economic activities and specialized service firms. (Sassen, 1991) This shows the city's movement towards in the global city network. Moreover, there are many subcenters for the global service activities that show the attraction potentials for the market and the supply in order to be engaged in the activity in the global network.



* Industry sector includes construction sector in those years.

Figure 3.1 Labor force change in Istanbul between 2004 and 2008 (Source: Turkish Statistical Institute, 2008)

According to the Figure 3.1 that indicates the changes in agriculture, industry and service sectors between the years 2004-2008, total number of workers increases between the years.

The employment is dominant in the service sector increasingly by years which is followed by industrial activities. Industry sector indicates a gentle rise compared to others.

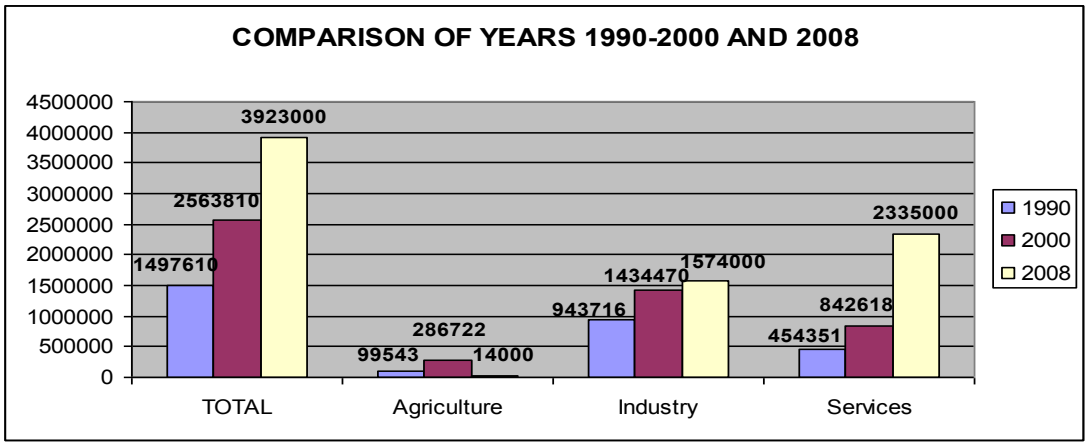


Figure 3.2 Comparison of Labor force Repartition in Istanbul in years 2004, 2000 and 2008 (Source: Turkish Statistical Institute, 2008)

As in the Figure 3.2 interpreting the changes in the total number of workers in agriculture, service and industry sectors in Istanbul between years 1990 and 2008 in Istanbul, except agriculture, the number of workers in each sector has increased in the years. In agriculture sector, employment increases to 290,000 while it was 99,000; however it decreases to 14,000 in 2008. Regarding the industry sector, worker numbers almost doubled between the years 1990 and 2008, while in the service sector including commerce and sale workers, increased five times in the same period.

In conclusion, the sectorial mix changes moves towards the global city type and has gained importance in the international financial market that exceeds the other Eurasia cities. Turkey is the 6th most important emerging stock market after Korea, Taiwan, India and China. Furthermore, foreign investors constitute 65% of the stock markets in 2004 that implies the attractiveness of the country for the foreign investors (Foreign Economic Realtion Board, 2009).

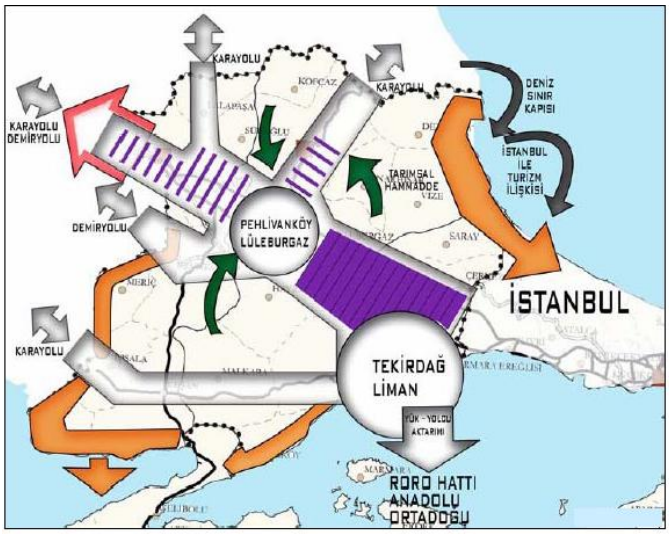
3.4.3 ISTANBUL: A STRATEGIC GEOGRAPHICAL POSITION 'ACROSS THE EAST-WEST AND THE NORTH-SOUTH AXES OF THE WORLD'

Istanbul locates on two continents, Europe and Asia, which makes the city's position more critical in respect of serving to both markets. Accessibility and transportation opportunities of the city attract foreign firms and investors. In this way, foreign capital integrates the market and this gives an active role to the city in the globalization process.

3.4.3.1 ISTANBUL: THE CENTER OF 'EURASIA', A BRIDGE BETWEEN ASIA AND EUROPE

Istanbul's geographical location benefits not only from economic and political centrality and global city network, but also for being a gateway between the 'Eurasia' side consisting of Balkans, Black Sea Basins, Russia and the Middle East and the other side of the global network. This provides the access to markets among three continents consisting of over one billion people (OECD, 2008) as well as the Black Sea Economic Co-Operation Association including Greece, Bulgaria,

Romania, Moldavia, Ukraine, Russia, Georgia and Turkey. Furthermore, Trakya Sub Region has two development axis one of which is through Edirne and the other is through Kırklareli to the North articulating to Romania and Bulgaria in terms of connection with East European countries. Two airports in Edirne and Çorlu improve the connection of Tekirdağ and Marmara Ereğlisi with Anatolian side of Turkey through Aegean and Mediterranean Regions to Middle East, North Africa and South Europe.



Harita 5.3. Trakya Alt Bölgesi / Gelişme Eğilimleri

Figure 3.3 The development in the Tracheen sub-region (Source: Istanbul Environment Plan, 2008)

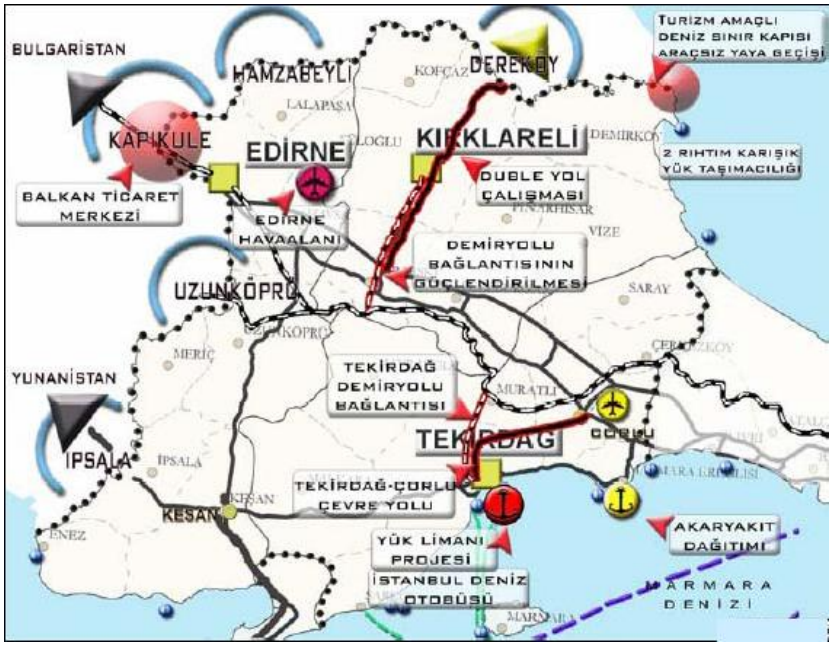


Figure 3.4 Transportation Infrastructure and projects in the Tracheen sub-region (Source: Istanbul Environment Plan, 2008)

3.4.3.2 ISTANBUL: A CULTURAL CENTER FOR INTERNATIONAL TOURISTS

Istanbul is also attraction point and cultural center for many tourists. In addition to many awards, the city is also declared as 'European Capital of Culture' in 2010 by the European Commission. Besides, Istanbul undertook house ownership of Olympics bids, conferences such as Habitat II in 1996 and the World Water Forum in 2009.

Regarding to Istanbul Culture and Tourism Directorate, the number of tourists increased from 5.346.658 in 2006 to 6.453.553 in 2007 with a 21% increase (Table 3.2).

According to the data of WTO, Turkey became 9th in respect of tourism incomes with 21.3 billion dollars in 2009, besides the number of foreign tourists increased to 7th in the ranking with 25.5 million people and Istanbul has a share of 7.5 million

among them (Table 3.3). (Tourism Markets' Research Report of Turkey – Istanbul, 2010)

Table 3.2 - Tourism Incomes in 2009 (First 10 Countries) Source: Tourism Markets' Research Report of Turkey – Istanbul, 2010

Tourism Incomes in 2009 (Top 10 Countries) (Billion Dollars)		
1	USA	94.2
2	Spain	53.2
3	France	48.7
4	Italy	40.2
5	China	39.7
6	Germany	34.7
7	UK	30.1
8	Avustralia	25.6
9	**Turkey**	**21.3**
10	Avustria	N/A

Table 3.3 - Foreign Tourist Numbers in 2009 (Top 10 Countries) Source: Tourism Markets' Research Report of Turkey – Istanbul, 2010

Foreign Tourist Numbers in 2009 (Top 10 Countries)		
1	France	74.2
2	USA	54.9
3	Spain	52.2
4	China	50.9
5	Italy	43.2
6	UK	28.0
7	**Turkey**	**25.5**
8	Germany	24.2

Table 3.4 (Continued)

9	Malaysia	23.6
10	Mexico	21.5

Although, that amount decreased to 7 million people in 2010 (The Ministry of Culture and Tourism), the total number of foreign tourists visiting Istanbul in 2011 reached to 8 million people. The major foreign visitors consist of Germany and followed by Russia, USA, Italy and France.

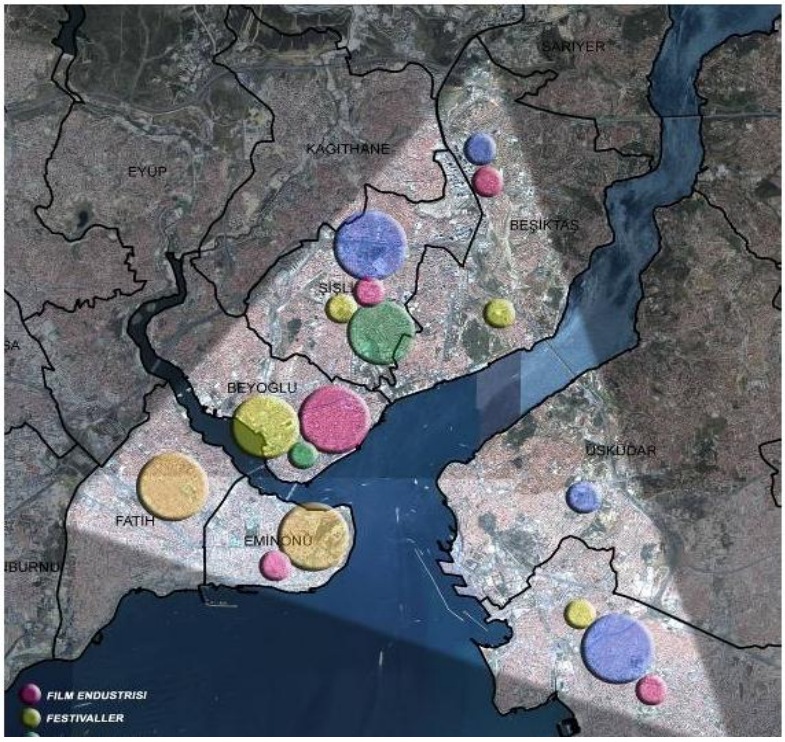


Figure 3.5 - The "Cultural Triangle" in Istanbul (Source: Istanbul'un Cevre Duzeni Plani, 2008)

3.4.4 THE RISE OF FOREIGN CAPITAL INVESTMENT IN ISTANBUL

After the liberalization policies in the 1980s, the foreign direct investments (FDI) began to increase likewise while it was limited to $97 millions in 1980; it increased to $1 billion in 1990s and to $3 billion in 2004. As follows, it was $10 billion in 2005, $20 billion in 2006, around $22 billion in 2007. And in 2008 Turkey became the 13th in the world and 5th among emerging markets in the ranking (Table 3.4).

Also, Turkey had the 17th largest economy in the world and the 6th largest in the EU in 2006 with 7.4% of GDP growth which is one of the highest levels in the continent (Foreign Economic Relation Board, 2009). Moreover, after 2003, Turkey ranked the 23rd in the world and 9th with respect to the emerging markets according to the United Nations Conference on Trade and Development (UNCTAD). Moreover, in Ease of Doing Business Rank of the World Bank Turkey ranked 59th out of 181 economies, in Forbes Doing Business Index 41st out of 121 economies and in UNCTAD's World Investment Prospects Survey 2008-2010 15th regarding to the attracted economy for the location.

There are many opportunities in Turkey for international investors in particular. After 2001, Turkey has implemented several reforms in order to improve conditions for foreign investors. Consequently, after 2003, it attracted foreign direct investment over $70 billion and the number of companies with foreign capital operating in Turkey reached to 24.000.According to the United Nations Conference on Trade and Development (UNCTAD), Turkey also ranked 23rd in the world and 9th among the emerging markets in terms of attractiveness as an FDI destination in 2009. Turkey is also ranked 60 out of 181 economies in Ease of Doing Business Rank of the World Bank, and 15th most attractive economy for the location of FDI in UNCTAD´s World Investment Prospects Survey 2008-2010. (Turkish Business Outlook 2012 Report, Foreign Economic Relation Board, 2009).

Therefore, Turkey is an attraction center for the foreign investors due to the reasons as follows (Foreign Economic Relation Board, 2009):

a) 'The Government maintains a liberal policy towards all forms of foreign investment',

b) "The market is large and continuously growing",

c) "The location is unique: between Asia and Europe",

d) "The labor force is relatively cheap and abundant",

e) "There is Customs Union with the EU since 1st January 1996",

f) "Turkey has Free Trade Agreements with EFTA and 11 countries (Israel, Macedonia, Croatia, Bosnia Herzegovina, Morocco, Palestine, Tunisia, Syria, Egypt, Georgia, Albania); Free Trade Agreements with additional countries are planned and on the way"

g) "There are several privatization projects under progress".

Table 3.5 FDI Flows in Turkey According to Economic Sectors in 2008 (in millions of USD)

Sectors	2008
Agriculture, Hunting, Forestry and Aquaculture	44
Mining	168
Manufacturing Industry	3,734
Food, Beverage and Tobacco	1,278
Textile	189
Chemicals	121
Machinery	219
Automotive	67
Other	1,860
Electricity, Gas, Water	1,034
Construction	887
Wholesale and Retail	2,059
Hotels and Restaurants	27
Transportation, Telecommunications and Logistics	169
Financial Intermediary Institutions	5,456
Real Estate	656
Other Social and Personal Services	208
Total	14,442

Source : Central Bank of Turkey, 2008

3.4.5 FOREIGN COMPANIES IN ISTANBUL AND THEIR INTERNATIONAL NETWORK

The research of Service Sector of METU MATPUM Study Group, Istanbul's structure of economics, industry and services have been analyzed among other official data without informing the employment and office numbers and their change during the years.

According to the 2000's year employment data of Istanbul obtained from the population census of TUIK, the number of employed people consists of 34.6% range of the total population. There is a permanent decrease after 1970 and in 1980 and 1990, 51% of the total employment and 53% in 2000 consist of service sector which is pretty low regarding to other major metropolitan cities.

Regarding the employment structure of European metropolitan cities, Istanbul indicates a different structure where the industry share stays between 12% and 16%, whereas service sector has more than 80%. In South European cities like Barcelona, Madrid, Milan and the third world metropolitan cities, industrial activities keeps its significance and a big pie in the employment. However, due to the restricted land problem, manufacturing industry cannot be developed in the central areas of the city in Istanbul that leads same decrease in the share of this sector.

Moreover, as to the compared data with North European metropolitan cities, Istanbul again pretends differentiation in respect of existing structures of economic and employment and keeps its importance in manufacturing (Source: IMP Studies, Office Cantonal de la Statistique (OCSTAT), 2004; The Swedish National Labour Market Adm. (AM), 2001;Oslo's Improvement and Dev. Agency and the Information Section of the Chief Commissioner's Department, 2002; Frankfurt Economic Development; City of Helsinki, Treasury, 2000; Statistisches Landesamt, 2005)

Besides, service sector will develop but not rapidly. According to the data of TUIK's General Industry and Office Census, total number of the employments of service sectors in 1985-1992 and 2002, there is dramatic increase, especially in financial institution's offices (Source: TUIK).

The global activities' developments are in respect of Friedmann's theory in line with industry, financial institutions, insurance, real estate and commerce sector considering these years.

This case indicates the similarity with the other metropolitan cities over the world and shows the tendency of Istanbul to be a finance center. Furthermore, these data can be interpreted with the Friedmann's world city concept according to the categorization of the global sectors and their development in the globalization process. However, between the years 1985 and 2002, there is decrease in the share of the public services, social and personal services from %15.39 to 10.13% which is a negative aspect for a metropolitan area. Regarding the data between the years 1985-1992, the ratio of the employment increase to population increase is 8.8%, whereas it reaches to 39.6% in the 1992-2002 period. (Source: TUIK)

ITO data also confirm the analyses as though the numbers of registered firms by the Istanbul Chamber of Commerce (ITO) and the number of companies have rapidly increased since 1992. Despite of this, firm numbers of individuals stayed almost the same between the years 1989 and 2003.

According to the data of ITO, in 2007, 3071 foreign investors founded companies valued 410,315,784 TL capital. In 2010, 2044 foreign investors founded companies valued 823,352,513 TL capital, whereas in 2011, 4639 foreign investors founded companies with 1,735,399,674 TL capital that implies a 52.40% increase of investor number.

The number of International capital investment companies in Istanbul in 2011 is 15,692 and 5,634 of them are in wholesale and retail commerce sector, 2,700 are in manufacturing industry and 2,366 are in real estate renting and related activities sector.[1]

Subsectors' growth rates in sectors that are influenced directly by the population change and the effects of population of the population increase on income and

[1] (ITO, 2010-2011 *Registered Foreign Investors' Census and Foreign Capital's data*).

consumption patterns; such as in commerce, hotel and restaurant are higher than the population.

3.4.5.1 A PROFILE OF FOREIGN FIRMS ESTABLISHED IN ISTANBUL

Foreign capital companies in Turkey were 10,769 in 2005 65.3% of them located in Istanbul (Table 3.5).

Table 3.6 Number of Foreign Capital Companies Between 1954-2005

	Number of Firms	**Share %**
İSTANBUL	**6486**	**60,23**
TOTAL REGION EXCEPT ISTANBUL	**553**	**5,14**
BALIKESİR	20	
BİLECİK	5	
BURSA	237	
ÇANAKKALE	13	
EDİRNE	11	
KIRKLARELİ	9	
KOCAELİ	138	
SAKARYA	33	
TEKİRDAĞ	62	

Table 3.6 (Continued)

YALOVA	25	
TOTAL REGION	**7039**	**65,36**
TURKEY	**10769**	**100**

Source: Eraydın, Gedikli, Babalık and Türel, 2005

Before 1980, agglomerated sectors of the foreign capital firms were manufacturing industry, which turned to service sector after 1980 according to the study of Karaman and Baycan Levent (2001).

Table 3.7 Dispersion of Foreign Capital Companies According to Species of Companies in Istanbul

Species of Companies	**Numberı**	**%**
1 Shopping Centre	9	0.1
2 Bank	24	0.4
3 Data Processing-Tech.-Software	169	2.9
4 Counsiling-Auditing	164	2.8
5 Education	43	0.7
6 Electric-Electronic	105	1.8
7 Real Estate-Counsiling	43	0.7
8 Energy	139	2.4

Table 3.7 (Continued)

9 Fair	4	0.1
10 Husbandry	76	1.3
11 Manufacturing-Commerce	1,447	24.6
12 Building-Construction Equipment-Commerce	164	2.8
13 Importing-Exporting-Commerce	460	7.8
14 Logistic	12	0.2
15 Mining	30	0.5
16 Media-Advertising-Org.	155	2.6
17 Financial Service-Hiring	82	1.4
18 Engineering	92	1.6
19 Music Production	9	0.2
20 Health-Commerce	286	4.9
21 Insurance	33	0.6
22 Agriculture	34	0.6
23 Carrying-Shipping-Marine-Cargo	261	4.4
24 Textile	847	14.4
25 Telecom-Communication	108	1.8

Table 3.7 (Continued)

26 Commerce	245	4.2
27 Tourism	381	6.5
28 Other	465	7.9
Total	5,883	100.0

Source: Eraydın, Gedikli, Babalık and Türel, 2005

3.4.5.2 DISTRIBUTION OF FOREIGN CAPITAL ENTERPRISES

Foreign-owned manufacturing companies in Istanbul are 969, and 118 of them are 'direct foreign investment' while 851 of them are multi-national capital investment companies in 2005.

Foreign capital firms are concentrated in Şişli, Beşiktaş, Beyoğlu and Kadıköy districts where the service sector activities are concentrated.

The number of foreign firms in Turkey was 78 in 1980 which increased to 1856 in 1990 and to 4950 in 1999 and reached to 5883 in 2004 (Source: Karaman, Baycan Levent, 2001).

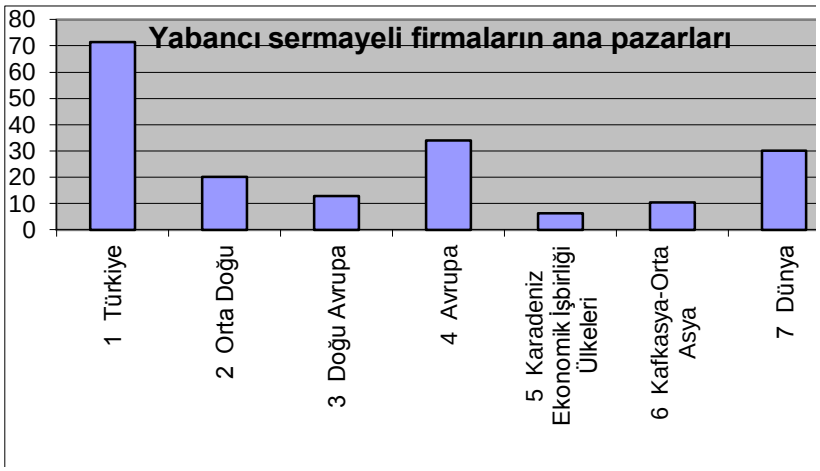
3275 foreign firms out of 5883 were established in Istanbul including the firms which have their headquarters in Istanbul. Among the country groups of firms, the ones that have their control centres in Turkey are first West Europe (6.5%), then Middle-West Asia (3.8%), East Europe (3.6%), Middle East (2.3%), East Asia-Australia (0.1%) and North Africa (1.0%) within the non-responded country groups consisting of 77.8% as a ranking (Source: Eraydın, Gedikli, Babalık and Türel, 2005).

3.4.5.3 THE RELATIONS BETWEEN FOREIGN COMPANIES LOCATED IN ISTANBUL AND OTHER DOMESTIC AND INTERNATIONAL FIRMS

In the research of "Istanbul'un Eylem Planlamasına Yönelik Mekansal Gelişme Stratejileri, Araştırma ve Model Geliştirme Calışması" (Eraydın, Gedikli, Babalık and Türel, 2005) in order to analyze the relationships of the foreign companies settled in Istanbul with other domestic and international firms, the results were found out as follows:

- More than 50% of the foreign companies located in Istanbul are retail and wholesale trade companies. Manufacturing firms presence as the second group with 43.2% share, whereas transportation companies stands as the third. Besides, international trade relations and production relations are in the forehead.
- There is connection of more than 10% of the companies with financial services, banking, insurance and specialized investment services firms, tourism companies, chain stores, and specialized companies in building materials and 16.2% of the foreign firms have connection with financial services, producer services, banking, insurance and investment services whereas 12% of the firms have international connection with consulting and auditing firms.
- Firms in association with information-technologies and software, advertising, media, presentation and organizational firms and telecom and communications companies have less than 10% share and the ones associated with international engineering and architectural activities have 9.7% share.
- Moreover, connections with domestic companies are also similar, yet the number of the foreign investment companies in association with domestic companies is much higher than the international sector's size.
- Financial services, banking, and insurance are in the fourth stage and the share of the associated foreign companies with domestic companies is 40%.
- Consulting and auditing firms, construction and building materials companies, advertising, media, promotion and organization companies' share that have relationship with domestic-owned firms is around 20%.

- The share of Telecom and communications firms, fair organizer companies, tourism companies and the share of companies dealing with department stores, chain stores and shopping centers is 15%.
- However, there is not much restricted relationship between education and research institutions and the foreign companies.
- International and foreign capital firms are in both small and large scale firms. Moreover, foreign firms settled in Istanbul prefer Turkey as the main market and then Europe (Figure 3.6)



1. Türkiye
2. Middle East
3. Eastern Europe
4. Europe
5. BSEC Countries
6. Caucasian/Middle Asia
7. World

Figure 3.6 Main markets of international/foreign investment firms in Istanbul (Source: Eraydın, Gedikli, Babalık and Türel, 2005)

With respect to the data, out of 5883 there are 2351 firms locate their main market in Turkey as the regular market. (Source: Eraydın, Gedikli, Babalık and Türel, 2005)

This shows the market competitiveness of Turkey compared to other countries. Besides, transportation and communication opportunities in the country create an

attraction point for the foreign capital firms to invest in Turkey and locate their main market.

3.5 THE IMPACT OF GLOBALIZATION ON SOCIAL STRUCTURE AND SPATIAL ORGANIZATION OF ISTANBUL

Many sociologists including Çağlar Keyder cite that neoliberal capitalism effects and articulation of Turkish economy to the global markets improve the social structure of Istanbul and globalization plays active role in spatial organization, with obstacles, as explained below.

3.5.1 SOCIAL POLARIZATION: A CONSEQUENCE OF THE ENTRANCE IN THE GLOBALIZATION PROCESS

Internal migration influences the population growth of Istanbul that increased from 1.16 million in 1950 to above 13,624,240 people in 2011. Population growth is faster in Istanbul compared to Turkey after 1965. Regarding OECD countries, Istanbul is in the first in the ranking of growth rates of OECD metro-regions between the years 1995-2002.

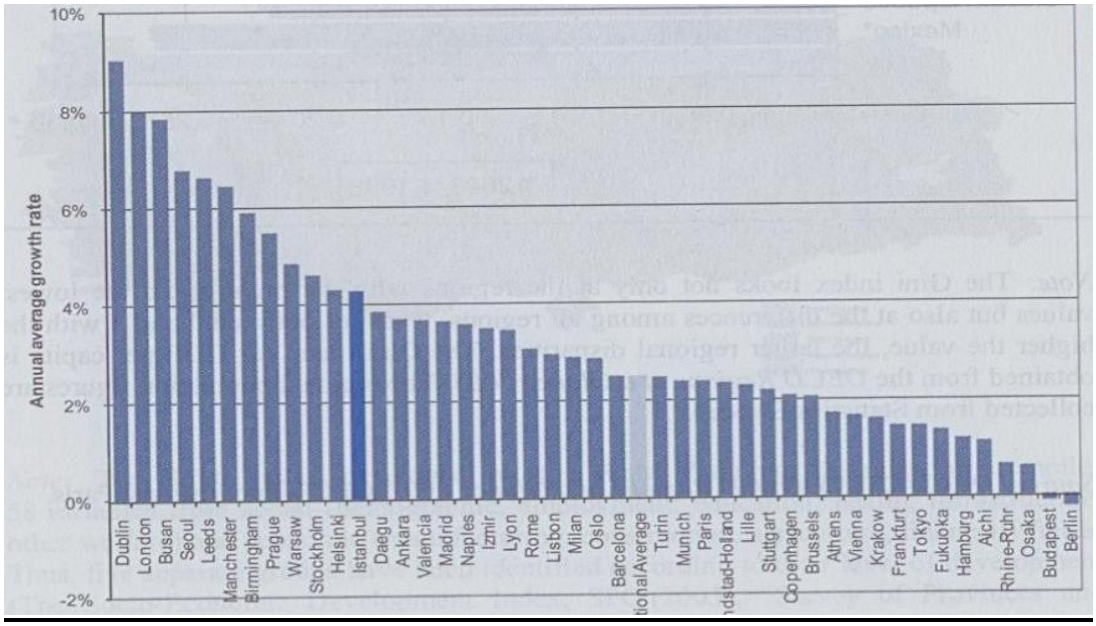


Figure 3.7 Average annual growth rates among a selection of OECD metro-regions (1995-2002) (Source: OECD Territorial Review of Istanbul, 2008)

Central and local governments tried to attract FDI (Foreign direct investment) and headquarters of multinational firms to Istanbul in lines to progress in the hierarchy of as more global cities. However, by "accelerating de-industrialization and promoting service sector investment, the majority of the inhabitant hoped to find low-skilled jobs" for these migration flows and changing economic patterns in Istanbul (Keyder and Öncü, 1994).

3.5.2 CONSEQUENCE OF THE GLOBALIZATION PROCESS ON THE SPATIAL ORGANIZATION

Globalization process also play active role in spatial organization. Physical transformations increased in the mid of 1980s (Öncü, 1997) such as gated communities, five-star hotels, urban regeneration, new office towers, gentrification of old neighborhoods. Eminönü was the traditional and central business area while Bankalar Caddesi had been the financial center until 1990s and most of the Turkish banks' headquarters began to concentrate in the modern central business districts in Levent and Maslak. 2010 Şişli has become the finance center that national and headquarters and big firms aggregated, besides in 1995 the Istanbul Stock Exchange moved to Istinye quarter that still keeps on locating there.

Development Plans of Istanbul dated implied in 1995 and 2008 aimed to integrate local population and local characteristics into the economical global process on the basis of sustainable development.

3.5.3 THE OBSTACLES FOR A BROADER INTEGRATION IN THE GLOBAL CITY NETWORK

Istanbul has a big potential to become a high level globalized city that reflected in its potential. However, the city does not perform satisfactory progress in this direction due to its existing critical structural problems. The problems of Istanbul evaluated by the Foreign Companies study located in Istanbul by a survey for finding out the problems (ERAYDIN, A., GEDİKLİ, B., SUTCLIFFE, E., TÜREL, A. (2005). Besides, there is a survey of 500 major European firms' chief executive officers about the main the European Business Centers by private consultancy agency

Cushman & Wakefield since 1990 that indicates most of the firms think traffic conditions, transportation facilities are important problems, housing and living conditions are below the standards compare to global cities, prices for office and production units are high and not much affordable for foreign investors, beside the environmental conditions and cleanliness and the number of NGOs and their activities pointed below 50% in the development of foreign investors. This study will interpret the vision of European CEO in Istanbul that is generally in a low position compared to the other 33 cities.

With respect to the data of the "8th Five-Year Development Plan: Regional Development Report" (Karaman, Baycan-Levent et al., 2000) of Istanbul Metropolitan Area (2000-2005), the OECD's Territorial Review of Istanbul (2008), a survey conducted in 2005 among foreign capital firms located in Istanbul (Eraydın, Gedikli, Babalık Sutcliffe and Türel, 2005), and the European Cities Monitoring survey conducted in 2009 by the private business consultancy agency Cushmann and Wakefield, the obstacles for Istanbul's position in the prime global cityness.

The plan (2000) identifies the obstacles as "the insufficient physical and social infrastructure, low supply of housing with respect to demand; low levels of education and health facilities and public services due to the high internal migration rate, expensive public services in the fact of uncontrolled development of the city and insufficient financial instruments and revenues".

Additionally, according to the review of Istanbul by the OECD Regional Competitiveness and Governance Division in cooperation with the Istanbul Metropolitan Municipality (IMM) and the State Planning Organization (SPO) of the Republic of Turkey in 2008, the obstacles are cited as follows: "the weakness in the industrial base consisting of informal sector, firms' size and innovation capacity, burdens on the business environment, over-migrations effects, poverty and human capital, major environment risks especially pollution and risk of earthquakes."

Besides, there is the survey of 500 major European firms' chief executive officers about the main European Business Centers by private consultancy agency Cushman

& Wakefield (2009) since 1990. In the first survey, 405 foreign capital firms were carried out questionnaire concerning globalization.

In respect of the survey, most of the firms think that traffic conditions, transportation facilities are problematic, housing and living conditions are below the standards compared to other global cities, prices for office and production units are high and not affordable for foreign investors, beside to environmental conditions and cleanliness and the number of NGOs and their activities are also pointed below 50%.

Lastly, regarding to the data for the private consultancy agency Cushman & Wakefield and executives from leading European Countries, in 'European Cities Monitor 2009', Bucharest is the least expensive location in terms of the cost of staff, while Istanbul is the second and Budapest is the third. Birmingham is the biggest mover in 2009, rising up the ranking by seven places to 14th place whereas the other cities lay as Madrid (7^{th} to 6^{th}), Munich (9^{th} to 7^{th}), Milan (13^{th} to 10^{th}), Hamburg (17^{th} to 12^{th}), Rome (25^{th} to 22^{nd}), Leeds (28^{th} to 24^{th}) and Istanbul (29^{th} to 27^{th}). Bucharest and Istanbul set as the 1^{st} and 2^{nd} in the ranking which were 2^{nd} and 6^{th} with respect of the most suitable cities in terms of cost of staff (Source: 'European Cities Monitor 2009', by Cushman & Wakefield).

Even though the survey has deficiency, this study shows the vision of European CEO almost Istanbul. In general, Istanbul is in a low position comparing to the other 33 cities. The major advantage of the city regarding the other European cities is the cost advantage due to low prices for office rents/property and labor.

3.6 EVALUATION

Since the liberal reforms started to be implemented by the Turkish government in 1980s, articulation of Istanbul's economy to the global market has accelerated. Today, Istanbul is one of the powerful competitors in the 'global cityness'. With respect to some recent rankings such as Global Cities Index 2008 published by the American journal 'Foreign Policy' Istanbul is already a global city in the political sphere with a relatively important position.

The geographical position of Istanbul makes the city more advantageous in the competition due to locating on two continents, Europe and Asia, which are connected by the bridges (Sassen, 2009).

However, Istanbul also has to be like an entrepreneur and implement active policies in order to be with a regional and international center in addition to its geographical location advantages.

To continue and improve its articulation to the global economy, and in the city rankings, major problems such as rapid demographic growth, transport congestion, less urban tissue quality, social cohesion, pollution, security and low quality of labor force should be solved in Istanbul. International investors contribute also to overcome these problems ('European Cities Monitor 2009', by Cushman & Wakefield).

Moreover, the city should proceed in attracting high value added production and service establishments. For instance, the sectorial mix of Istanbul's economy, dominated by low-technology manufacturing activities, is keeping on its low position in the ranking (Eraydın, A., Gedikli, B., Sutcliffe, E., Türel, A., 2005).

Beside this, in line with the principles of sustainability, amenities and infrastructure should be developed both in the city and its metropolitan region while protecting the historical, cultural and natural assets.

CHAPTER 4

THE PROPOSED APPROACH

4.1 DATA COLLECTION OF TUIK

After creating the hypothesis of the thesis and the reviewing literature, the raw data of construction permits data and population trends are obtained from Turkish Statistical Institute in order to find out total areas of each sector that has a role in global activities. Raw data is consisted of floor areas of buildings started to be built for each sector in every district of Izmir, Ankara and Istanbul and these data are processed into total results for each city.

4.2 ANALYZING THE DATA

Institutions and firms located in the city can be developed by the activity systems (i.e. industry) according to the needs and strategies, besides a rational spatial distribution pattern without urban areas.

According to the literature view of world city/global city concept, in order to become a world city, their city should first have as world city function in finance, production, proficiency. When the situation of Istanbul is considered, the city is relatively at an earlier stage of globalization process, as it currently has the characteristics of being world city. According to these aspects, the attribution of Istanbul has similarity with Friedmann's (1986) 'world city' vision. Thus, it can be expected to find developments in the direction of the formation of world city as defined in line with the Friedmann's theory. The global city functions are expected to develop as world city functions consolidate in Istanbul.

With respect to this aim, after analyzing the last ten years' population trends of Istanbul, Ankara and Izmir (Table 4.1, Figure 4.1), total floor areas of buildings related to each sector are compared among Izmir, Ankara and Istanbul between the years 2002 to 2010 by the TUIK's construction permits data in order to identify major differentiations of the commercial real estate production for each sector and year among three provinces (Table 4.3- Figure 4.2- 4.8). Second, those statistics are compared in respect of their increased populations between the years 2002 and 2010 (Figure 4.9) aiming to see the increased shares for each city with population growth. Third, total floor areas are further standardized to 1000 population for each sector and year in order to identify the supply amounts for the same population size (Figure 4.10- 4.16).

In the real estate development, construction permits are regarded as representing the supply, whereas occupancy permits the demand for real estate.

4.2.1 SPECIFYING THE COMPARED CITIES

Istanbul is the most crowded metropolis in Turkey with more than two times greater population than the 2nd and 3rd developed cities in the country that are Ankara and Izmir (Table 4.1). Istanbul has been the highest population since 2000. According to the 2010 years' populations, Istanbul is in the furthest with 13.255.685 people, whereas Ankara can be the 2nd just with 4.771.716 people, and Izmir be the 3rd with 3.948.848 people. Moreover, these three cities' populations accelerate also with the contribution of migrations that show the attraction of the city. Hence, entrepreneurs also become willing to invest in the city that improves global capital accumulation the connection of the city to global economic forces (Friedmann, 1986). These are such control nodes of the global economic system in the new international division of labor as the necessity of 'world cityness'.

Table 4.1 Total Populations of Izmir, Ankara and Istanbul Provinces

Total Population	Izmir	Ankara	Istanbul
2000	3.370.866	4.007.860	10.018.735
2001	3.422.817	4.074.666	10.305.451
2002	3.475.568	4.142.586	10.600.371
2003	3.529.133	4.211.637	10.903.732
2004	3.583.523	4.281.840	11.215.774
2005	3.638.751	4.353.213	11.536.747
2006	3.694.831	4.425.776	11.866.904
2007	3.751.774	4.499.548	12.206.511
2008	3.809.596	4.574.550	12.555.836
2009	3.868.308	4.650.802	12.915.158
2010	3.948.848	4.771.716	13.255.685

Source: Turkish Statistical Institute

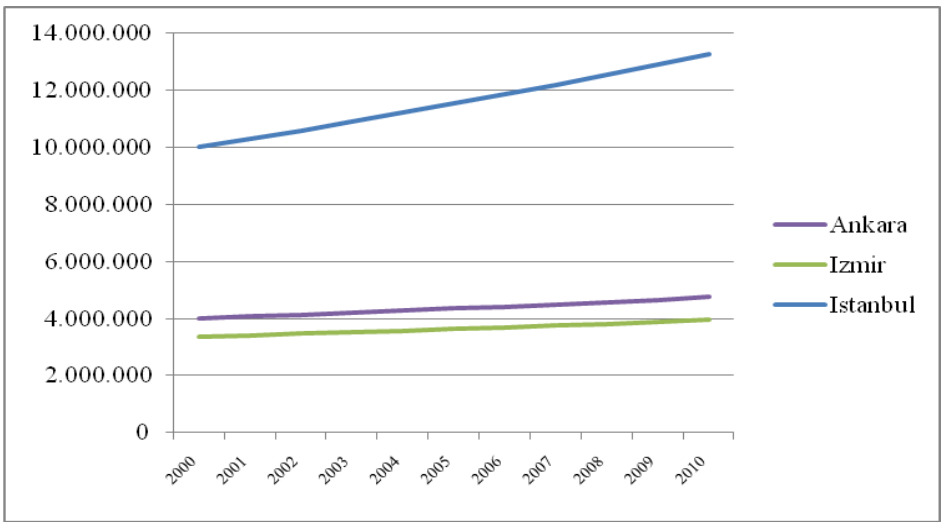


Figure 4.1 Total Populations of Izmir, Ankara and Istanbul Provinces (Source: TUIK)

4.2.1 TOTAL FLOOR AREAS OF CONSTRUCTION PERMITS FOR COMMERCIAL REAL ESTATE IN IZMIR, ANKARA, ISTANBUL

According to the TUIK's construction permits data, the development level and competitive potential of Istanbul for the 'global cityness' are examined. With regards to the comparison, Istanbul can be seen as the leading province in the Table 4.3 and total areas of each sector are cited in Figure 4.2 that also show the highest demand of the sectors in Istanbul and its capacity of the global specialty.

In the Annual Construction Statistics' data according to Total Floor Areas of Construction Permits of Turkish Statistical Institute, the total amounts for the years between 2002 and 2010 show Istanbul's priority in each sector. In Hotel etc Buildings, Istanbul has 12,230,346 m^2 total floor areas while Ankara (674,330 m^2) and Izmir (629,530 m^2) are their half. In Offices, Istanbul has 9,476,929 m^2, while Ankara has 3,325,127 m^2 and Izmir has 834,079 m^2. In Wholesale and Retail Commerce, Istanbul (15,077,604 m^2) is again very far from Ankara (4,620,445 m^2) and Izmir (1,537,740 m^2). In Traffic and Communication Buildings, Istanbul has 2,762,362 m^2, whereas Ankara has 160,160 m^2 and Izmir has 210,140 m^2. In Industry, Storage, Istanbul (13,048,945 m^2) has big difference between Ankara (3,122,401 m^2) and Izmir (3,233,147 m^2). And in Public, Entertainment, Education, Hospital, Istanbul has 7,293,354 m^2 while Ankara has 2,734,476 m^2 and Izmir has 181,768 m^2. (Table 4.3)

Table 4.2 Total Floor Areas of Construction Permits between 2002-2010 in the three largest cities of Turkey (m^2)

2002-2010	**Hotel etc Buildings**	**Offices**	**Wholesale and Retail Commerce**	**Traffic and Communication Buildings**	**Industry, Storage**	**Public, Entertainment, Education, Hospital**
İstanbul	**12.230.346**	**9.476.929**	**15.077.604**	**2.762.362**	**13.048.945**	**7.293.354**
Ankara	674.330	3.325.127	4.620.445	160.160	3.122.401	2.734.476
İzmir	629.530	834.079	1.537.740	210.140	3.233.147	181.768

Source: TUIK: Annual Construction Statistics; 2002-2010

Regarding the first three developed cities in Turkey, values indicate the demand for the sectors in Istanbul in line with their capacity of the global specialty. According to Sassen, proficiency services in respect of serving international level are the major indicators in the global network. With regards to the activities in Istanbul, the dominant sectors appear as wholesale and retail commerce, industry and storage, hotels, which indicate that there are not only service sector development, but also command functions and manufacturing sectors as Friedmann's theory. In Istanbul, there is also a high increase in public, entertainment, education, health sector to develop the city in social aspect.

Istanbul is in the furthest ahead among the three cities with respect of the sectors in the globalization process, as also shown by Figure 4.2.

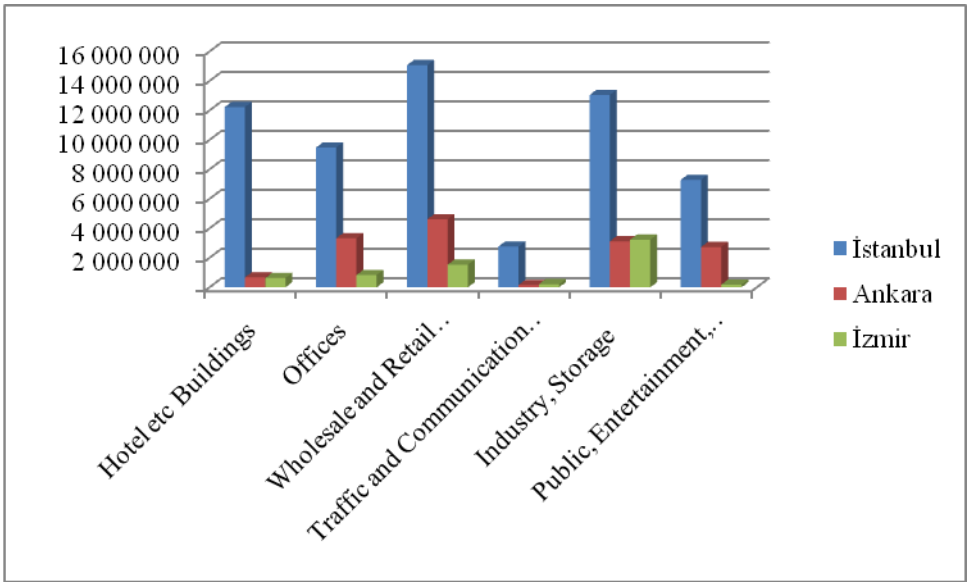


Figure 4.2 Total Floor Area of Construction Permits by Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

4.2.1.1 COMPARISON OF IZMIR, ANKARA AND ISTANBUL BY FLOOR AREAS OF BUILDINGS STARTED TO THE BUILT FOR EACH SECTOR BETWEEN THE YEARS 2002-2010

When the trends of each sector are analyzed by each year from 2002 to 2010 according to the construction permits data of TUIK, it can be observed that there is a general increase in each sector in Istanbul up to 2008, due to 2008-2009 global financial sector crises there is decrease among the sectors especially in Istanbul since its articulation to the global economy, and in 2010 there is high increase again.

In Hotel etc Buildings sector, Istanbul's historic architecture and geographical location which connects Europe and Asia continents by Istanbul Bosphorus attract touristic attention which improves tourism sector and hence increases the demand and supply for hotels etc buildings that makes the demand in Istanbul dominant among the other cities. Among the trends, there is general increase in Istanbul considering the years, except the crises period in 2008-2009 that the development of the sector decreased. Building starts in those sectors have significant developments

and total floor areas increased from 52.403 m^2 in 2002 to 724,870 m^2 in 2010 in Istanbul whereas in Ankara just increased from 28,839 m^2 in 2002 to 74,687 m^2 and in Izmir increased from 8443 m^2 in 2002 to 39,303 m^2 in the latter year (Source: TUIK). Istanbul's international articulations beside its national and local interactions attract the city visitors due to foreign company locations, conferences, tourism, etc and this requires more hotels and related buildings that increase the demand and the investment for the sector in the city. When demand for real estate increase, the city becomes attractive for the entrepreneurs to make investments and then, the market become competitive as well. This regional capital accumulation articulates larger national and international economies by means of attracting the global capital more and the global accumulation of surrounding regions or nations as Friedmann (1986) mentions.

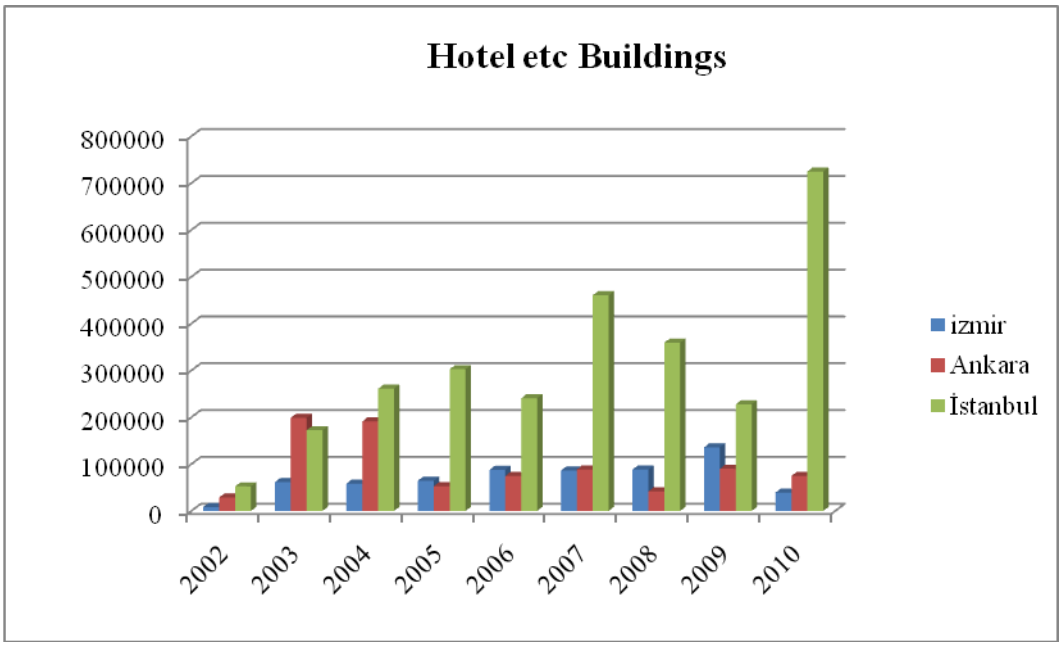


Figure 4.3 Total Floor Area of Construction Permits by Hotels etc Building Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In the Office Sector, during the years from 2002 to 2010, each city shows fluctuations. As a growing finance center and increasing the number of foreign capital firms' demand for buildings for company headquarters and other office space has led to increase in the supply of offices

With the exception of the crisis year of 2008 and 2009, there has been increasing trend of office building supply in Istanbul.

According to IFC Infrastructure Committee Report in 2010, Istanbul has the most developed office market and constitutes 80% of the total office area of Turkey. Office buildings in Istanbul are intensely located in Levent, Etiler, Maslak, Zincirlikuyu-Esentepe-Gayrettepe and Beşiktaş-Balmumcu within the CBD, and outside the CBD in European Side; Taksim-Nişantaşı, Şişli-Fulya-Otim, Atatürk Airport and Topkapı-Yenibosna districts, while on the Anatolian Side; Altunizade, Kavacık, Ümraniye and Kozyatağı districts. (Source: Istanbul International Finance Center Project Infrastructure Committee Report, 2010)

Regarding the data of GYODER (2009-2010), different from Turkish Statistical Institute data, office stock in Istanbul reached to 2,877,024 m² in 2009 and 68% of them locates on the European Side, whereas 32% locates on the Anatolian Side. Office stock areas are intensely located in Levent-Maslak (30%) around the Atatürk Airport (18%), in Ümraniye (10%) and Kozyatağı (10%) districts. Also, new added office stocks in Istanbul are 219,500 m² in 2009 and in 2010 it was 219,227 m² according to the occupancy permit data (Source: GYODER, 2009 and GYODER, 2010). At the same time in 2009, office stock in other finance centers was in London 19.7 million m², in Singapore 6.9 million m², in New York Manhattan region 3.8 million m², in Moscow 10.5 million m², Dubai 3.8 million m² and in Warsaw 1.4 million m². This shows Istanbul has the potential to compete in the globalization process in respect of office stock. However, the market in Istanbul is still in the development process and when to consider the similar population amounts, Moscow has almost three times more office area than Istanbul's office area (Jones Lang LaSalle, 2009).

In the 2009, 1/100,000 scale Istanbul Environmental Management Plan that was approved in 2009, beside the current CBD development through the Şişli-Büyükdere axis, Topkapı-Maltepe-Bayrampaşa region and Altunizade are defined as the 'CBD and Consolidation Region'.

Within the context of becoming regional and international finance center, Istanbul has the lowest cost according to the office costs among the current and potential competitors of the city. It is projected that Beşiktaş-Büyükdere-Levent-Maslak axis as the CBD on the European Side will continue to attract big finance institutions and the others as keeping their headquarters and new investments in this prestigious area. Furthermore, public banks on the Anatolian Side and public finance institutions are planned to locate in the Ataşehir Finance Center Project Area (Ümraniye) and Kartal regions that is expected to meet the demand for office stock for the poly-centered IFC construct. However, there is high increase in high qualified office construction which constitutes the 90% occupancy in the office stock. Nevertheless, there is an increased demand currently and these high qualified constructions are not affordable in order to meet the need. (Source: Istanbul International Finance Center Project Infrastructure Committee Report, 2010)

In 2010, Istanbul has the highest level in the sector which equals to 1,531,152 m^2, increased from 275,885 m^2 in 2002, whereas Ankara has 843,439 m^2 increased from 139,136 m^2 in 2002 and Izmir has 85,457 m^2 increased from 52,536 m^2 in 2002. Istanbul and Ankara have relatively increased in the sector due to their effective roles in the finance sector, and in the other office using attitudes and demand for new foreign investments that contributes to their globalization process (Source: TUIK).

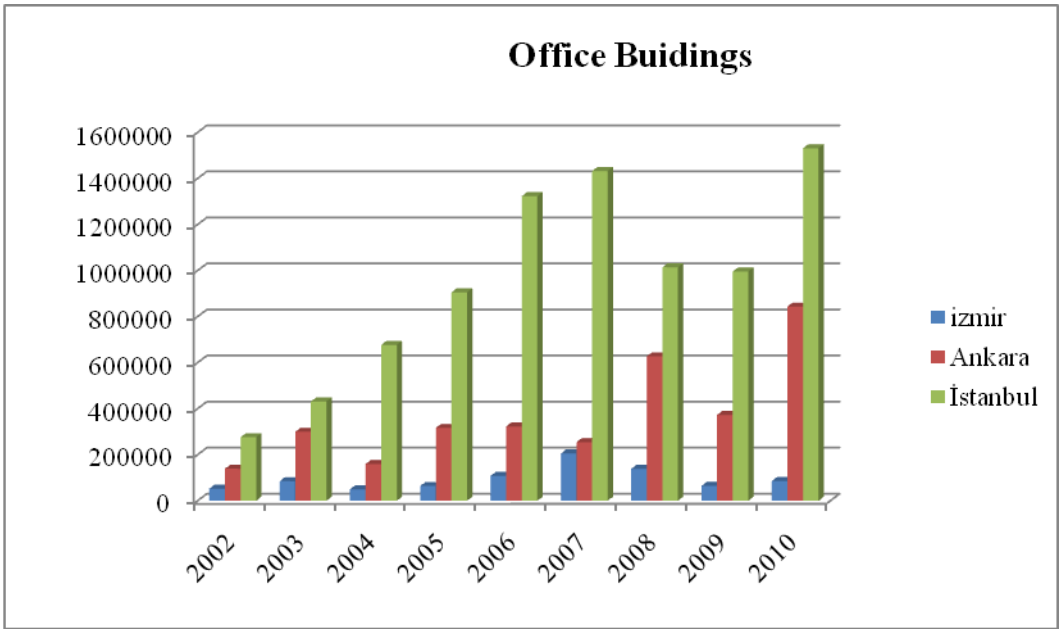


Figure 4.4 Total Floor Area of Construction Permits by Office Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In the Wholesale and Retail Commerce Sector, in comparison with the all three cities, Istanbul has always the highest area and investments for shopping centers are in the domains of global capital due to its local, regional, national and international market. Nonetheless, after the peak in years 2006 and 2007 in Istanbul, there is a recession tendency in the sector, probably due to the land shortage problem, the saturation of the market with already built the number of shopping centers and commercial areas and the effects of the world financial crisis.

Istanbul reaches to peak points in years 2006 and 2007 with the highest starts in 2006 with 2,701,463 m^2 . Ankara has its highest level in 2007 with 890,472 m^2 , while Izmir follows the highest level in 2005 with 257,976 m^2.

Moreover, in respect of the total floor areas in 2010, Istanbul is again farthest with 14,013,818 m^2 in 2010 increasing from 579,645 m^2 in 2002, while Ankara reaches to 4,625,397 m^2 from 236,739 m^2 in 2002 and Izmir is 1,537,740 m^2 in 2010 increasing from 67,043 m^2 in 2002.

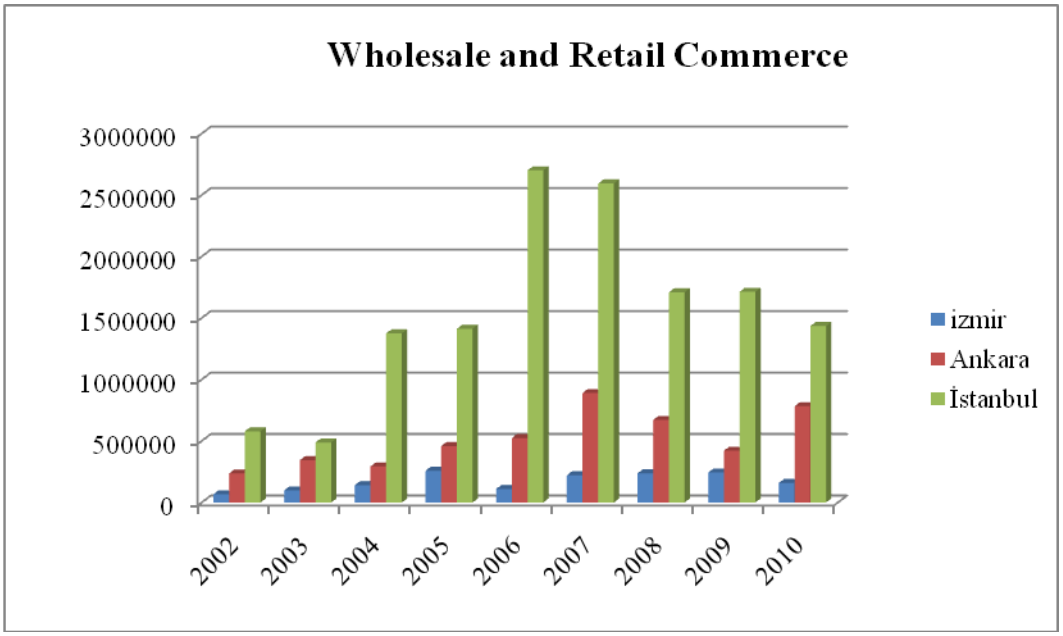


Figure 4.5 Total Floor Area of Construction Permits by Wholesale and Retail Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In Traffic and Communication Buildings' Sector, after 2005, emphasis on the infrastructure investments has increased, particularly on the communication sector. In Istanbul, the highest level of starts in 2007 with 607,122 m^2 and it decreased to 557,374 m^2 in 2010. Developments in these sector, particularly in the communication infrastructure is one of the major indicators of the increasing of relationships with the world.

The sector has the highest total traffic and communication buildings floor area in Istanbul with 557,374 m^2 in 2010 increased from 63,464 m^2 in 2002, whereas Ankara follows the ranking with 62,210 m^2 in 2010 increased from 8,158 m^2 in 2002 and then Izmir with 22,138 m^2 in 2010 increased from 3,180 m^2 in 2002.

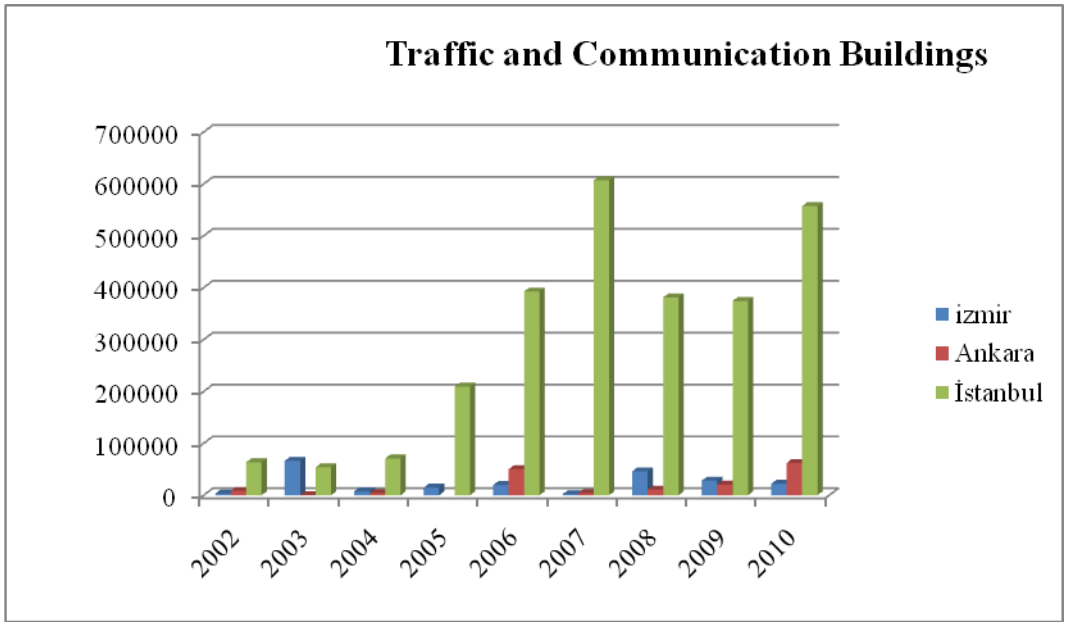


Figure 4.6 Total Floor Area of Construction Permits by Traffic and Communication Building Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In the Industry and Storage Sectors, the supply in Istanbul was high until 2008, then it began to decrease. Besides the 2008-2009 crises, the decentralization policy for the industrial establishments has a role in that decrease. In the new plans, industry development, new industry sites are not included in the boundaries of Istanbul Metropolitan Municipality in line with the decentralization of the industry sector and increase in service sectors. Nevertheless, although ÇDP aimed to decrease the share of industry from 30% to 20%, this sector still keeps on increasing.

Moreover, shortage of land in Istanbul is a factor that affects the fall in the development of industry. All parcels have been filled in the Organized Industrial Zone; there are a few available lands in Maslak on the Büyükdere axis, in Topkapı-Bayrampaşa, and on the Güneşli axis, whereas the industrial zone in Kartal moves by means of the urban transformation project. Furthermore, there is no permission to the local zoning plan applications for the industrial sector. Hence, industry moves to the fringe as well as beyond the boundaries of Istanbul due to the decentralization policy.

There was an increase in industrial building starts by 2004, and a sharp fall in 2009 that continued in 2010. Istanbul had the highest level of starts although it decreased to 452,720 m^2 in 2010 from 897,314 m^2 in 2002, then, although the amoun increased between the years, Ankara follows with 346,056 m^2 increasing from 175,469 m^2 and Izmir with 328,355 m^2 increasing from 300,630 m^2 (Source: TUIK).

Industry areas at the fringe, such as Organized Industrial Zones of Gebze and Çerkezköy, and industrial sites in Çorlu, Izmit and Yalova are the major destination parts of decentralizing industry from Istanbul.

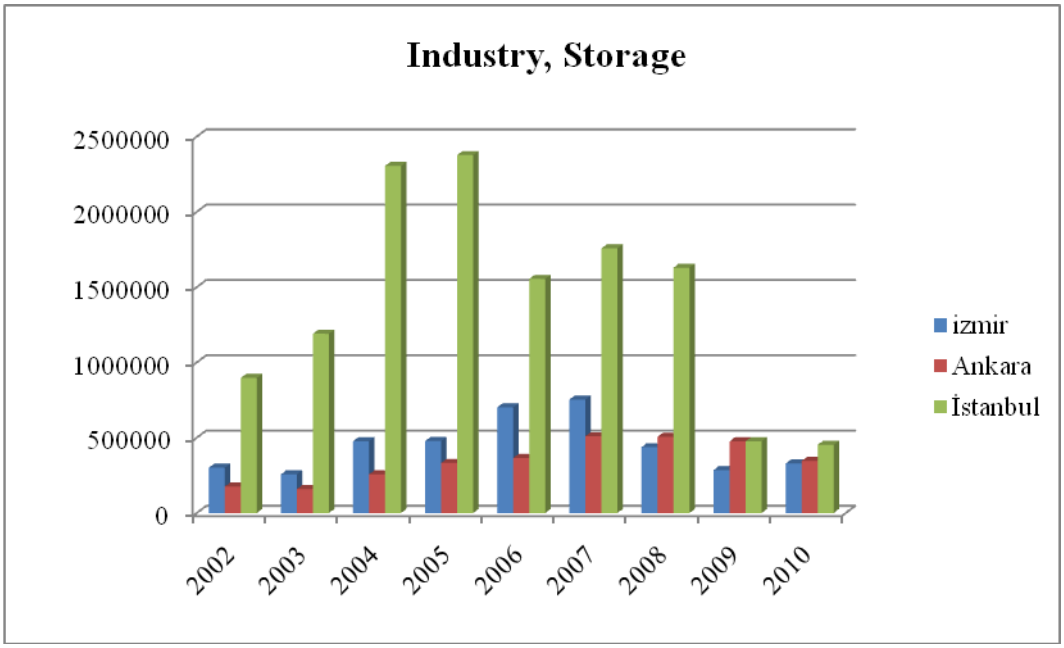


Figure 4.7 Total Floor Area of Construction Permits by Industry, Storage Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

Lastly, in Public, Entertainment, Education, Hospital facilities, although Istanbul mainly is the most developed city in the country, in respect of the per capita areas of education, hospital etc Istanbul is backward compared to the country average.

However, deficiency of the public services appears to be overcomed as investments increase in entertainment and health services that started to serve to foreign citizens as well. Health services gained importance in recent years, hospital becomes health proficiency service attribute, yet not only related to Sassen. With respect to accessibility, service qualification and the price, Istanbul is a very convenient city in Europe. The sector has a massive increase in 2010 and reaches to 1,531,720 m^2 floor area in construction permits increasing from 242,420 m^2 in 2002 whereas Ankara could just increase to 501,022 m^2 in 2010 from 259,421 m^2 in 2002 and Izmir reaches to 179,009 m^2 in 2010 increasing from 85,625 m^2 in 2002.

In the primary school student numbers per teacher, compare to London as 21.2 and Singapore 16,4 when the target of student numbers per classroom is 30, Istanbul is developed in some districts likewise, Bakırköy 16, Beşiktaş 14, Sarıyer 17. (Source: Infrastructure Committee Study Report and 2011 Action Plan)

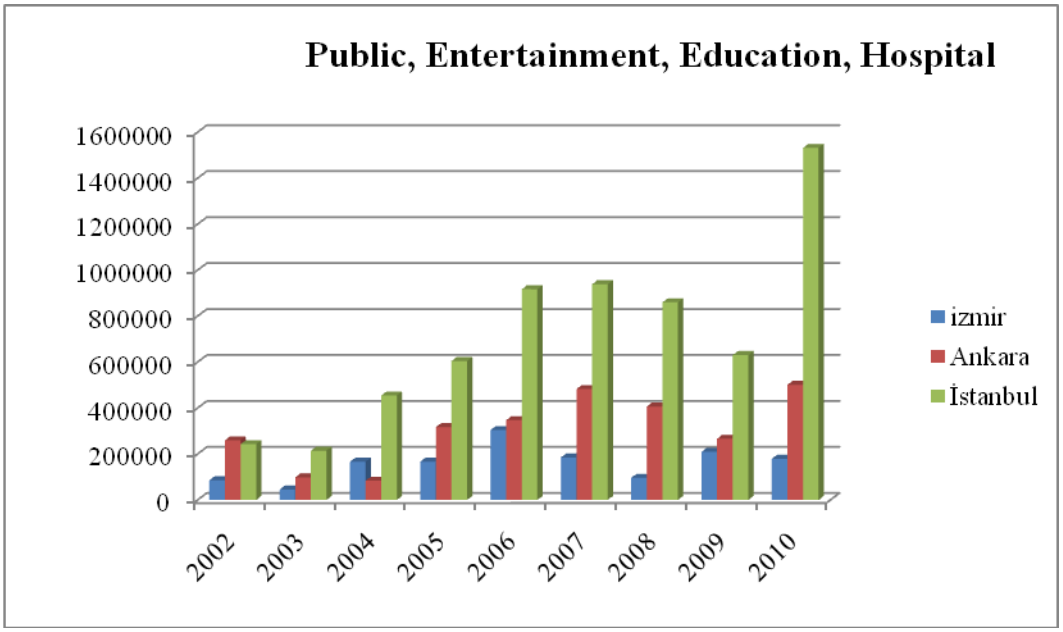


Figure 4.8 Total Floor Area of Construction Permits by Public, Entertainment, Education, Hospital Sectors in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

Regarding Friedmann's seven theses in terms of the process of the connection to global economic force, Istanbul's potential can be cited among the tables in addition to the ranking results among the previous studies. Istanbul has functional and hierarchical articulation to the world economy as well as having global-local interaction when considered its pioneer up position in Turkey.

According to Friedmann's hierarchical thesis, it can be said that Istanbul's finance center, corporate headquarters, international institutions, business services, manufacturing, transportation and population size are the dominant aspects that has the basis in order to have global linkages in the 'complex spatial hierarchy'.

4.2.2 TOTAL FLOOR AREAS ARE COMPARED IN RESPECT OF THEIR INCREASED POPULATIONS BETWEEN IZMIR, ANKARA, ISTANBUL

According to the increased populations, total construction statistics of each sector of Izmir, Ankara and Istanbul are compared between 2002 and 2010. Then, within the every sector's construction statistics, the differences with the total development in the sectors for each three cities are analyzed. With respect to the total, Istanbul is ahead as an attraction center compared to two other cities in Turkey. Industry and storage sector have importance in the dispersion, in spite of the discouraging policies promoting the idea of Istanbul's relative position in the globalization process.

In respect to the Figure 4.9 commercial real estate supplies in office, wholesale and retail trade and public service buildings are higher mostly in Ankara, Istanbul leads in hotel construction and high and community buildings, and Izmir in industrial buildings. Backward position of Istanbul according to the per capita construction permits can be related to its higher population increase compared to Ankara and Izmir. However, in compliance with the total populations and the total areas (m^2), Istanbul keeps its leading position.

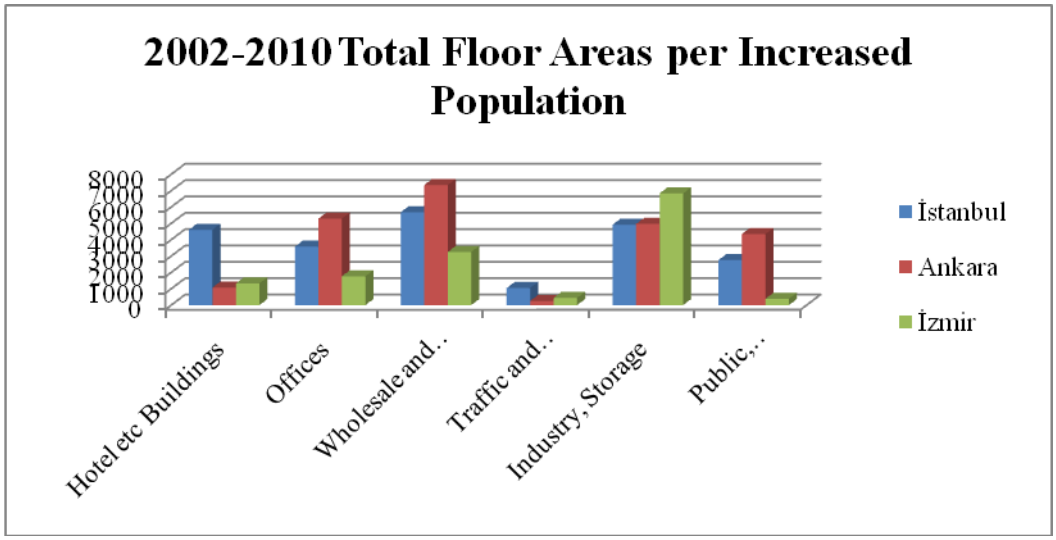


Figure 4.9 Total Floor Area of Construction Permits per Increased Population in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

Total floor areas per increased population for each city during the years between 2002 and 2010, each city diverges in each sector in which there is no leading city among the sectors. In Hotel etc Buildings, Istanbul is ahead with 4605.99 m^2, in Offices Ankara has the highest amount with 5285.28 m^2, in Wholesale and Retail Commerce again Ankara is leading with 7344.18 m^2, in Traffic and Communication Istanbul has the highest amount with 1040.31 m^2, in Industry, Storage Izmir is leading with 6831.37 m^2 and in Public, Entertainment, Education, Hospital Ankara is ahead with 4346.44 m^2.

This shows that per increased population quantitative do not give the exact results due to shortage of land in Istanbul that the construction area per population is not as large as Ankara and Izmir. Besides, governmental buildings in Ankara increase the total construction areas for office sector and Izmir has organized industrial zone within large available land for construction in industry and storage.

4.2.3 COMPARISON OF CONSTRUCTION PERMITS STANDARDIZED ACCORDING TO 1000 POPULATION BETWEEN IZMIR, ANKARA, ISTANBUL

Construction permits of the three cities are also compared as standardized according to 1000 population. According to the standardization, values are closer to each other in most of the global sectors. Its reason is that there is shortage and high price of land and Istanbul cannot supply that much office floor area as Ankara and Izmir per employee. Thus, floor areas in construction permits appear not much related to standardized population in Istanbul.

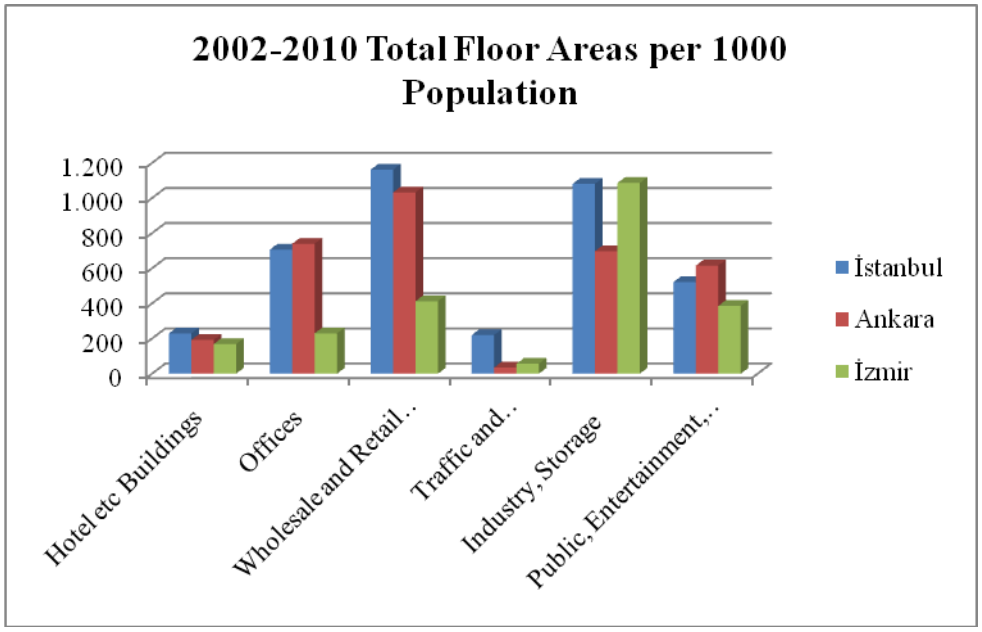


Figure 4.10 Total Floor Area of Construction Permits by Standardized to 1000 Population in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In total floor areas of construction permits by standardized to 1000 population between the years 2002 and 2010, also the results do not give the accurate numbers due to the similar reasons with increased population's data. According to standardized to 1000 population data, in Hotel etc Buildings Istanbul is ahead with

229 m^2, whereas in Offices Ankara is leading with 706 m^2, Istanbul is again ahead with 1,162 m^2 in Wholesale and Retail Commerce and in Traffic and Communication Buildings with 220 m^2. In the Industry, Storage sector Izmir has the highest numbers with 1,086 m^2 and in Public, Entertainment, Education, Hospital Ankara is leading the sector with 616 m^2.

4.2.3.1 ANALYSIS OF THE COMPARISON OF IZMIR, ANKARA AND ISTANBUL BY EACH SECTOR FOR EACH YEAR IN RESPECT OF STANDARDIZED 1000 POPULATION (2002-2010)

This standardization takes into account the basic service needs for each 1000 population in those cities. In this respect, by means of the population census of TUIK's Address based Population Registration System 2000 and 2010, each year's population has been calculated between 2000-2006 by the formula;

$P_{(n)} = P_0 (1 + r)^n$

(P_n is the future population after n years, P_0 is the initial population and r is the growth rate)

After the calculation of each year between 2002 and 2010, the areas (m^2) per 1000 population for each global sector are estimated.

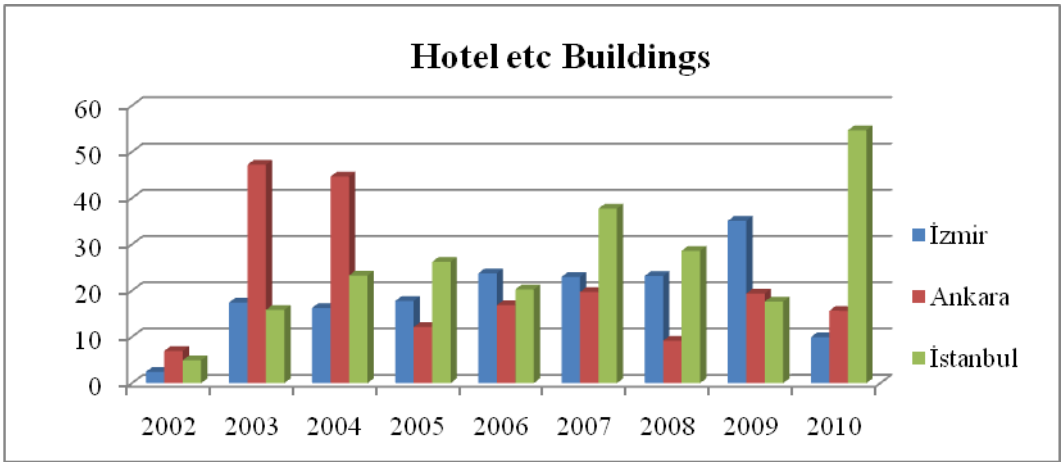


Figure 4.11 Total Floor Area of Construction Permits as Standardized by 1000 Population for Hotel etc Building Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

Istanbul has attraction in Hotel etc Buildings Sector generally, and it increases in 2010 again which creates a big gap with Izmir and Ankara. Per 1000 population, Istanbul develops the most increasing from 5 m^2 in 2002 to 55 m^2 in 2010, whereas Ankara increases from 7 m^2 in 2002 to 16 m^2 in 2010 and Izmir from 2 m^2 in 2002 to m^2 10 in 2010. toThis shows, despite the inexact results of the construction stocks, Istanbul keeps the priority in the sector.

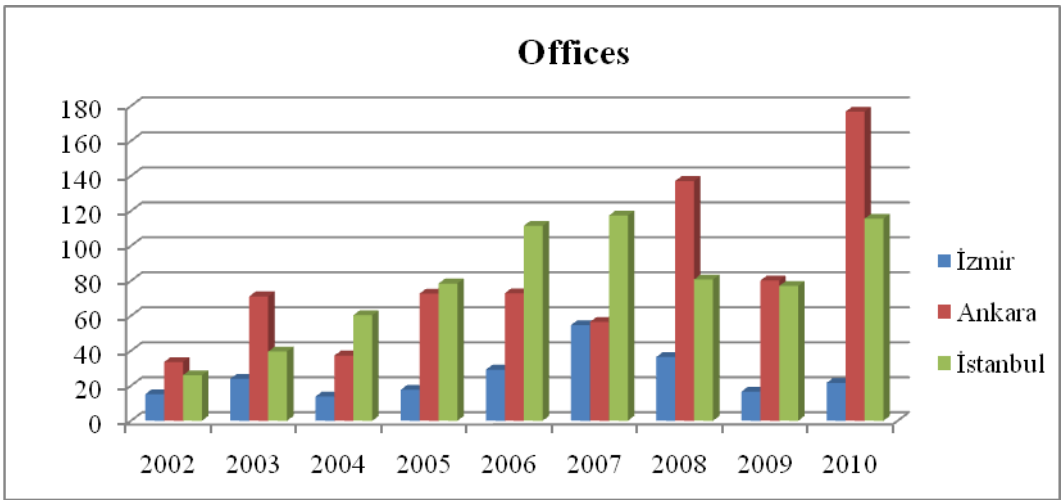


Figure 4.12 Total Floor Area of Construction Permits as Standardized by 1000 Population for Office Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In the office sector, Istanbul and Ankara are the dominant cities in the sector with respect to 1000 population. After the crises in 2008-2009, office constructions increased in Ankara and Istanbul in 2010. Therefore, Ankara developed at most due to the increased demands in private and public office areas both. The office total floor area per 1000 population in Ankara the number increased to 177 m^2 (2010) from 34 m^2 (2002), whereas in Istanbul it increased to 116 m^2 (2010) from 26 m^2 (2002) and Izmir increased to just 22 m^2 (2010) from 15 m^2 (2002).

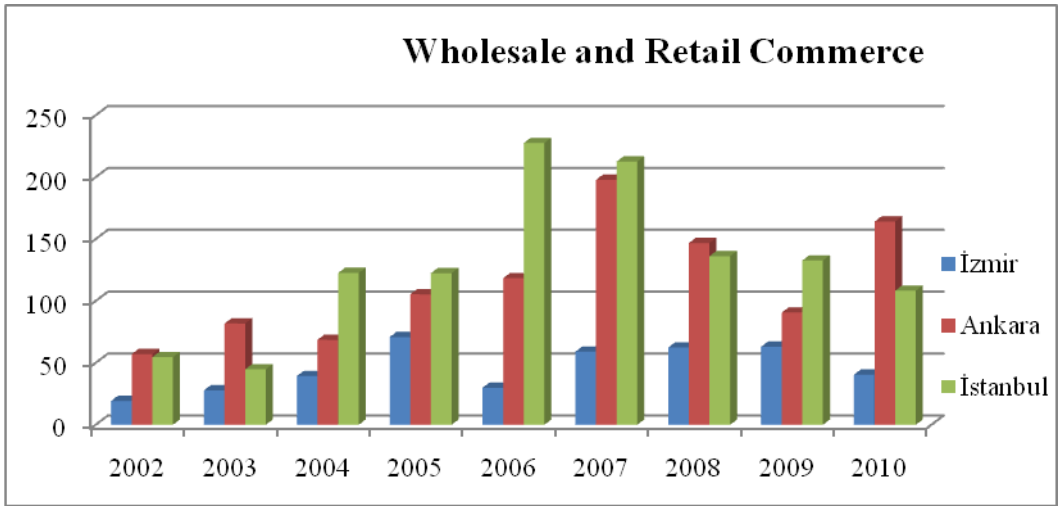


Figure 4.13 Total Floor Area of Construction Permits by Standardized to 1000 Population for Office Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In the Wholesale and Retail Commerce sector, again Istanbul and Ankara are the dominant cities as regards the standardized population. Increased demand for shopping centers in Ankara and the existance of large lands for new constructions increased the wholesale and retail commerce sector in the recent years. Although there is also demand for the new shopping center in Istanbul, shortage of land restricts the construction. Istanbul could just increase to 108 m^2 (2010) from 55 m^2 (2002), while Ankara increased to 164 m^2 (2010) from 57 m^2 (2002) and Izmir increased to 40 m^2 (2010) from 19 m^2 (2002).

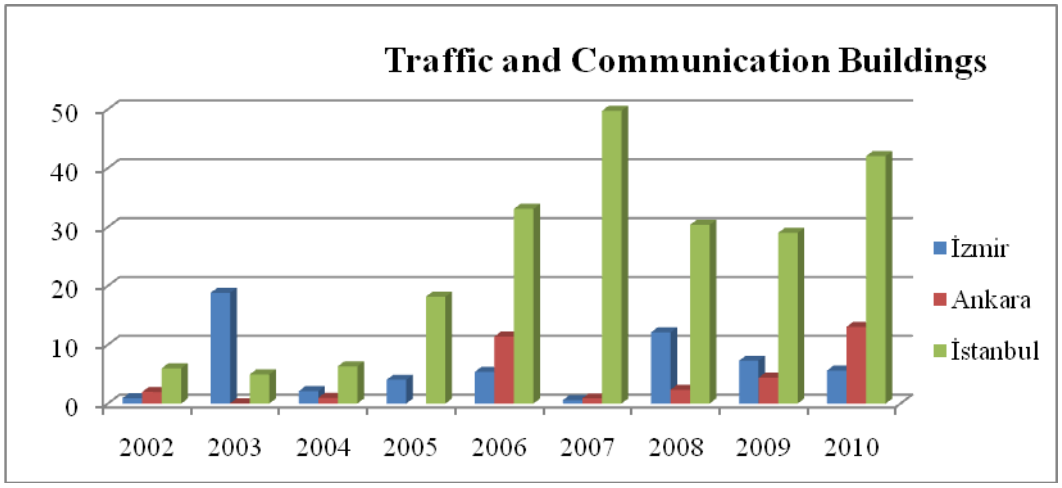


Figure 4.14 Total Floor Area of Construction Permits as Standardized by 1000 Population for Traffic and Communication Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In Traffic and Communication Buildings' Sector, Istanbul had continiously high supply by the year 2004. Ankara and Izmir have fluctuations in the period of time, besides the lacking of construction in the sector. Istanbul leads the sector with 42 m^2 increasing from 6 m^2 (2002) followed by Ankara with 13 m^2 (2010) increasing from 2 m^2 (2002) and then Izmir with 6 m^2 (2010) increasing from 1 m^2 (2002).

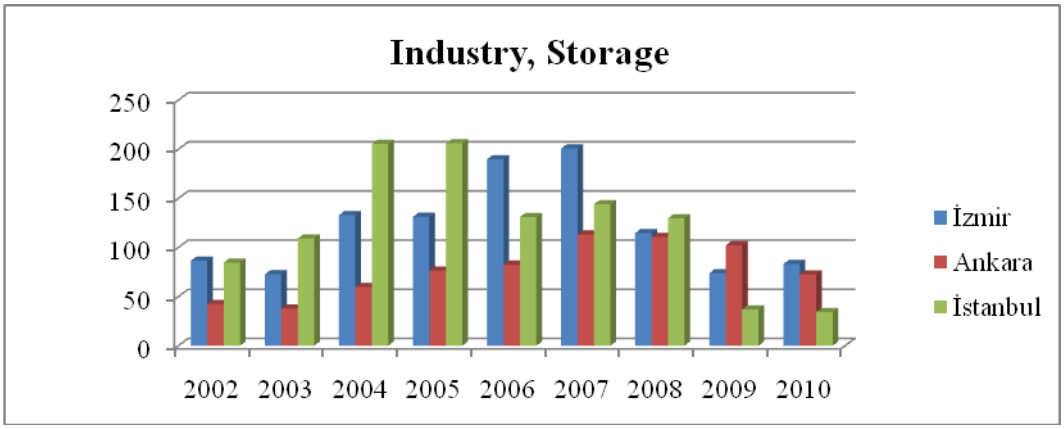


Figure 4.15 Total Floor Area of Construction Permits as Standardized by 1000 Population for Industry, Storage Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

Considering the total population, it can be seen that Istanbul has been far ahead from the other cities. However, when the amount is standardized by 1000 population, organized industrial zones appear and the competition increases. Therefore, industry sector does not relatively depend on the population. There are organized industry zones in Ankara and Izmir which have big pie in the sector. There are 13 Organized Industrial Zones in Izmir, whereas industry is discouraged in Istanbul. The share of industry in total employment in Istanbul is aimed to industrial establishments decrease from %30 to %20, until the year 2023 by relocating existing establishments in neighbouring industrial sites by the Environmental Management Plan, outside of the municipal boundaries in Gebze, Çorlu, Çerkezköy. Izmir is ahead with 83 m^2 (2010) although decreasing from 86 m^2 (2002), and then Ankara follows Izmir with 73 m^2 (2010) increasing from 42 m^2 (2002) and then Istanbul with 34 m^2 (2010) decreasing from 85 m^2 (2002).

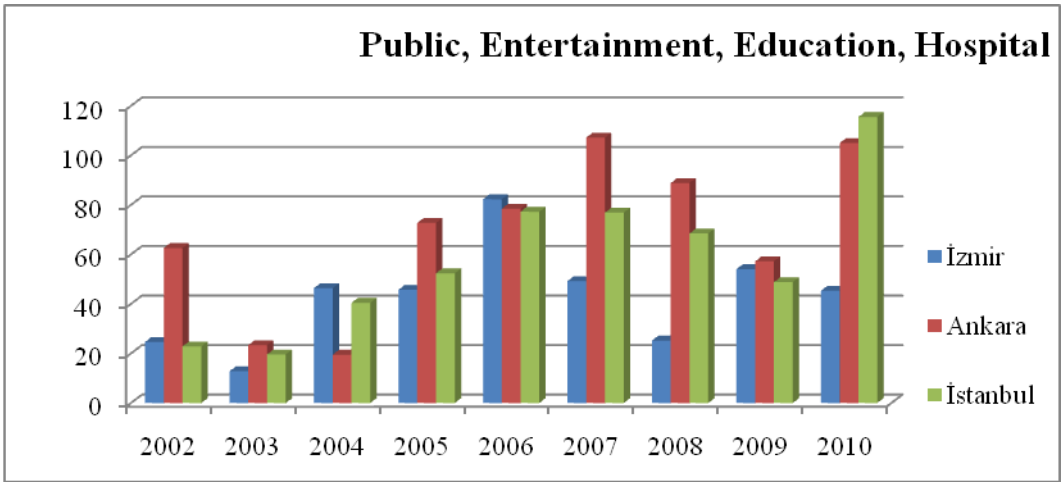


Figure 4.16 Total Floor Area of Construction Permits by Standardized to 1000 Population for Public, Entertainment, Education, Hospital Building Sector in Istanbul, Ankara and Izmir between the years 2002-2010 (Source: TUIK)

In accordance with 1000 population standardization of Public, Entertainment, Education, Hospital sector, they compete each other. Furthermore, Istanbul and Ankara have significant increase in 2010, and Izmir has a lower share. Istanbul has

116 m^2 in 2010 increasing from 23 m^2 in 2002, while Ankara has 105 m^2 in 2010 increasing from 63 m^2 in 2002 and Izmir has 45 m^2 in 2010 increasing from 25 m^2 in 2002.

There are not high differentiation between the cities in respect of the standardized sectors' areas. It can be said that, Istanbul has importance in offices, hotels and the wholesale and retail commerce sector, however, it also has global specialty in the industry and storage sector in consolidation with Friedmann's hypothesis.

Moreover, Istanbul is the most preferred city for the firms to invest due to labor intensive industry, cheap labor force, and global characteristics. Istanbul's global function in the industry sector besides the service sectors also supports its relation to Friedmann's thesis.

Moreover, to figure out the total floor area per building, the total floor areas are divided to building numbers for the same period of years. The results come out as follows:

Table 4.3 Total Floor Area per Building in Each Sector

Provinces	Hotel etc. Buildings	Offices	Wholesale and Retail Commerce	Traffic and Communication Buildings	Industry, Storage	Public, Entertainment, Education, Hospital
Istanbul	9929,726	6275,213	6109,9277	11374,98	3936,696	8279,568
Ankara	4979,133	9167,815	8423,6344	6221	2813,463	7261,188
Izmir	623,8571	1042,159	1009,106	4427,6	1440,154	3034,051

Source: Turkish Statistical Institute

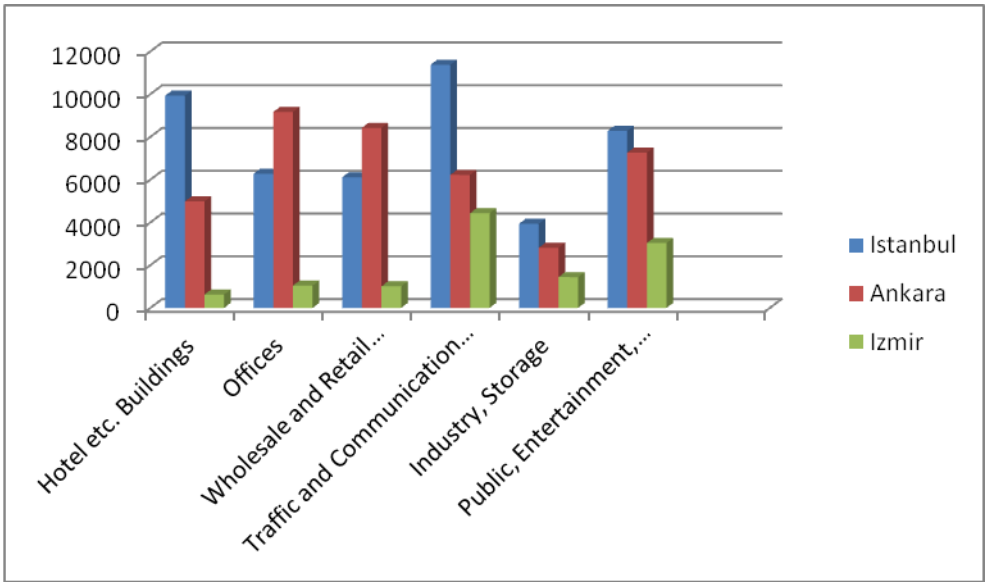


Figure 4.17 Total Floor Area per Building in Each Sector (Source: Turkish Statistical Institute)

This shows, although total floor areas high concentrated in the order of first Istanbul, second Ankara and third Izmir, Istanbul and Ankara compete each other in each sector. Istanbul has the highest floor areas in Hotels etc. Buildings, Traffic and Communication and in Public, Entertainment, Education and Hospital sectors while Ankara has the highest amounts in Offices and Wholesale and Retail sectors. These results can be also interpreted as in Istanbul per building m^2 do not give the highest amounts in the rankings, due to the defined reasons that are lackage of land and high land prices.

4.3 EVALUATION

Istanbul has a big advantage for becoming a global and regional, international finance center within its geostrategic structure, due to its intercontinental connection, historic values, and administrational sovereignty because it was a capital city for fifteen centuries has a cosmopolitan urban structure, developed commerce and tourism sector with its climate and natural structure, and institutional business life. On the other side, the weaknesses are listed by the Istanbul International Finance Center Project Infrastructure Committee as, big cultural and economic difference in

population, intense by located industry in proportion to the city's area and its natural and financial problems, imbalance in population and industry between Anatolian and European sides, transportation and infrastructure problems, lacking of highly developed and internationally recognized education opportunities, and unplanned developed areas. However, in condition that necessary configurations and regulations are satisfied, Istanbul is a candidate to become a world city and regional/international finance center. (Source: Istanbul International Finance Center Project Infrastructure Committee Report, 2010)

Floor areas in construction permits appear not much related to population in Istanbul. The reason for the low amounts of the constructions in each sector can be explained by the population increase and the high total population in the city. Moreover, there are investments exceeding the population's need in Istanbul that shows the high demand not related to the overall population. For instance, office production does not reflect the need of the population only. Whereas, in Ankara there is a new development corridor for offices as the capital city is a factor that also supports office production.

Due to shortage and high price of land, Istanbul cannot supply as large office floor area as Ankara and Izmir per employee. For this reason in service sector per employee office floor area per employee is likely to be smaller than Istanbul than Ankara and Izmir.

Thus, the best indication of the globalization process of Istanbul is represented by total new construction in each sector that gives the globalization process of Istanbul can be identified by the total floor areas without standardizing by population increase and 1000 population.

As per employee floor areas are likely different between those three cities and floor areas cannot possibly be translated to employed population.

CHAPTER 5

CONCLUSIONS

Since the 1970s' economical downturn, within the necessity of new approaches to the international urban systems in order to clarify the inter-city relationships, there have been studies on globalization. As the major theories influenced world city literature, three main concepts are emphasized among them belonging to John Friedmann, Saskia Sassen and Manuel Castells.

Friedmann (1986) describes world cities as a complex hierarchy which depends on the city's finance center, corporate headquarters, international institutions, business services, manufacturing, transportation and population size characteristics, besides the investment flows and the support services that are advertising, accounting, insurance and legal services, which articulates to larger regional, national and international economies.

Different from Friedmann, Sassen defines global cities as global proficiency services serving more than simply command centers internationally and the social discrimination between specialized professionals and other citizens.

Castells (1989) explains the world city concept with 'space and time' as the space of flows. These places as the flows and the informational exchanges of social actors can articulate to all over the world by means of the circuit of electronic impulses, the hubs and nodes, dominant managerial elites. His theory diverges from that of Friedmann and Sassen that a network cannot be assumed as a traditional hierarchical pattern.

In addition to these, Taylor developed Sassen's idea as network approaches and defined 55 cities with 46 global service firms in the 'world cityness', while Derudder et al. increased to 234 cities with 100 global service firms.

In the 1980s' economic liberalization, Istanbul is designated by the government to become the leading city in the globalization process. Istanbul has been attracting foreign capital as it is the primary gateway of Turkey in global connections. Its rank in the world city hierarchies has been increasing since the beginning of the 21st century.

Istanbul has the greatest potential of being a 'world/global city' in Turkey due to its geostrategic and geopolitical advantages in respect of international connections, historic values, climate, natural structure, cultural background and being the hometown to important empires during the history, like Byzantium, Roman and Ottoman. These aspects contribute to the commerce, culture and tourism sectors of the city as well as to its institutional business life in respect of being an attraction center for history, culture and business.

Istanbul has taken place in the rankings of the Global Cities Index 2008 which has taken into consideration of the development of globalization in respect of economic, financial, cultural, social and policy ways. In the general rankings Istanbul is the 28th, and in order to add the other rankings it can be ranged as: 32nd position for Business activity, 13th position for Human Capital, 34th position for Information exchange, 43rd position for cultural experience and 8th position for political engagement among 60 cities around the world.

Moreover, in the Global Cities Index 2010, Istanbul is 41st among the general rankings, while the 21st according to the ranking by population and the 30th according to the ranking by GDP among 65 cities around the world. (Source: http://www.foreignpolicy.com)

In order to identify Istanbul's progress in the globalization process, construction statistics data for each commercial real estate sector in Istanbul, Ankara and Izmir are compared by using construction permit's data of Turkish Statistical Institute (TUIK) between the years 2002 and 2010. The construction permits' data are used instead of the occupancy permits' data to find out the supply as it is accepted in the real estate development that construction permits represent the supply, whereas occupancy permits show the demand. Construction permits for commercial real estate are categorized by TUIK as Buildings for Hotels, Offices, Wholesale and Retail Commerce, Traffic and Communication, Industry and Storage, Public Services, Entertainment, Education and Hospital. With regards to the comparison of the construction statistics data for commercial real estate of Istanbul, Ankara and Izmir, different results have been obtained according to the total population of each province, when standardized by the increased population and 1000 population of each province. Besides, this globalization process is evaluated in terms of the major world city concepts, among which Friedmann's hypothesis correlates more with the structure of and the commercial real estate developments in Istanbul.

Istanbul is the most developed city with the most crowded population in Turkey, and it is compared with two other cities of the country, Ankara is the 2nd and Izmir is the 3rd developed cities in terms of population size. According to 2010's population census, Istanbul has the priority with 13.255.685 people followed by Ankara with 4.771.716 people and then Izmir with 3.948.848 people. (Turkish Statistical Institute) As Friedmann (1986) mentions, this creates an attraction point for the entrepreneurs to invest in the city, increasing the global capital accumulation, besides improving the global economic connections of Istanbul. What is more, the city becomes a control node of the global economic system in the new international division of labor which supports the world cityness of the city in this way.

Afterwards, Total Floor Areas (m^2) of Construction Permits for Commercial Real Estate (TUIK) in Istanbul, Ankara, and Izmir between the years 2002 and 2010 in Turkey are analyzed that shows the development levels and competitive potential of

Istanbul in the world/global city concept. The annual construction statistics of total floor areas for each global sector in Istanbul, Ankara and Izmir show Istanbul's priority. Istanbul has always a big lead in the rankings among each sector. In Office Sector, Istanbul is leading the sector with 9.476.929 m^2, and Ankara follows just with 3.325.127 m^2, while Izmir has 834.079 m^2. Moreover, in Public, Entertainment, Education and Hospital sector, Istanbul is again in the far ahead with 7.293.354 m^2 and Ankara is the 2nd in the ranking with 2.734.476 m^2, whereas Izmir has 181.768 m^2. This shows Istanbul's leading place in the globalization process among the other developed cities in Turkey. It can easily be observed that Istanbul has the greatest potential of keeping the global capital accumulation in order to articulate to other global cities in the world and thus becoming a global city. However, Ankara and Izmir are not competitive enough regarding the global capital and its potential of articulation to global networks.

Furthermore, according to the total floor areas in respect of their increased populations, Istanbul, Ankara, Izmir seem more competitive with each other due to the shortage and high price of land in Istanbul that office floor areas are not as large as Ankara and Izmir per employee. According to the comparison in respect of increased population between 2002 and 2010, Ankara leads in the Office sector (5285 m^2), in the Wholesale and Retail Commerce sector (7344 m^2), and in Public, Entertainment, Education, Hospital (4346 m^2). Considering the Organized Industrial Sites in Izmir and the decentralization policy of the Istanbul Environmental Management Plan, the city is the leader just Industry and Storage Sector (4963 m^2). Istanbul is the first just in the Hotel etc Building Sector, due to the touristic attraction of the city (4606 m^2). These results show that the analysis does not give the exact results according to the increased population due to the specified reasons.

What is more, it can be seen in the data that there was a rapid increase of industry sector until the 2007-2008 period, as the manufacturing and command sectors had continued to grow in lines with Friedmann's hypothesis. An important reason of the decrease was the 2007-2008 crises. After the negative impact of the crisis, the market

is reactivated in each sector again except the industry sector, and construction permits continued to grow in the year 2010.

Another reason for the decrease in the industrial real estate investments, in addition to the effect of crisis, is the decentralization policy of the industry out of the city boundaries in the Environmental Management Plan. However, even though the decentralization policy for the industry in Istanbul is in effect, it still develops in the city, in neighboring settlements as well as within its region. Since, Istanbul is a big market that feeds these industrial regions; it keeps Istanbul's importance as an attraction center for the development of the region regarding the market and transportation opportunities that consolidates the city's global articulation.

In the service sector, there is a general increase in Istanbul especially in the 2006-2007 periods. After the 2008-2009 crises ended, the markets again bounce back itself and develop in 2010, yet cannot reach to the highest level. Among the studies and world-city rankings, financial services in Istanbul took place in the rankings. After the crises, demand for new commercial real estates in service sector started to increase again.

Higher growth of service sector buildings by the year 2008 could be an indication of development in lines with the Sassen's global city hypothesis. According to the Sassen, a global city is more than a simple command center consisting of dispersed economic activities within specialized service firms. This aspect also explains that Istanbul is becoming a global service center in the globalization process.

In 2008, as to the globalization process of Istanbul, the city continues to attract new investors to come to the city to exploit local and regional market opportunities. A portion of the international capital is attracted to develop shopping centers, which are most developed in Ankara in 2007 and in 2010 after the crises due to the high demand; however, in spite of restriction and shortage of land, shopping centers are still developing in Istanbul as well. Foreign capital and local investors still have attraction on the sectors that shows Istanbul's competitiveness and attraction potential in the globalization process.

In Istanbul, industry sector development has increased and keeps its high concentration until the 2008-2009 crises period that supports the hypothesis. Within the crises time, beside to the Environment Management Plan policy, this development weakens and falls. However, especially within the end of the crises period, the industry sector continues to develop in the fringe of Istanbul which feeds the sector with its transportation and market opportunities.

Regarding the data of total floor areas, which is standardized for 1000 population, construction permits appear not much related to the size of cities, which should be due to similar reasons with increased population. For instance, although in total office floor areas data between the years 2002-2010 Istanbul has three times more floor areas according to the total population, Ankara becomes the leader when it is standardized for 1000 population. Furthermore, in the industry and storage sector, while Istanbul is leading the sector with four times larger floor area on the aggregate, Izmir rises to the top of the ranking, passing even Istanbul in the standardized for 1000 population statistics. The results of the empirical analyses support the hypothesis that in per capita starts, Ankara does not get behind in the rankings that shows the city's development in both global and capital city concepts, particularly in the hotel buildings.

But, as the new industrial developments are not allowed by the recently approved Environment Management Plan, the developments of the service sector activities is expected to increase with the concentration of international service firms in Istanbul. Although new industrial developments are not allowed within the boundaries of Istanbul, large numbers of industrial developments have occurred on the neighboring settlements, many of which are adjacent to the city, therefore they cannot be considered as unrelated to Istanbul.

Moreover, there has been a dramatic increase in the office construction in Istanbul. However, according to increased population and 1000 population, office production in Istanbul is not higher than Ankara. So, this can be interpreted as rather weak development in lines with Saskia Sassens' 'global city concept'. According to increased population and 1000 population, Istanbul is not always the leading city among the sectors due to large numbers of low qualified and low income migrants in

the city. Thus, the standardized population analyses do not give the consistent results in the leadership of Istanbul in every sector in commercial real estate production.

Concentration of international service and consultant firms in Istanbul appears to be not as high as expected. In the industry sector, there is decrease in the years 2009-2010, although it was the leading sector until the recent times.

As production activities together with command functions continue to be the dominant ones in the economy of Istanbul and the headquarters of the state banks are in the process of moving to Istanbul, the city's position in lines with the Friedmann's world city concept can be expected to continue, although, the number of international service firms will be increasing in time. Both local and regional importance of the manufacturing industry and company headquarters in Istanbul show that Istanbul keeps on developing as a world city in the globalization process as being at a rather earlier stage of development as a global city. Therefore these findings support the hypothesis of the thesis.

Istanbul articulates to its regional, national and international economies by means of flow of the money, workers, information, commodities, etc that integrates the city to the complex spatial hierarchy by articulating to the global economy as well as to national and regional economies. Istanbul's presence as a finance center, as well as location of corporate headquarters, international institutions, business services, manufacturing and industry, its transportation network and it high population size also embody its hierarchical integration.

Istanbul has the characteristics of world city in terms of finance, manufacturing, firms, headquarters, administration, and proficiency services. Among the studies on world-city ranking, financial services in Istanbul have been proved the leading sector. Moreover, developed industry-storage, hotels, offices, wholesale and retail commerce sectors in Istanbul indicate the growth of global activities in support of the world city concept of Friedmann.

To sum up, the commercial real estate production in Istanbul has been in the direction of reinforcing its economic structure, which is in lines with the world city

hypothesis of Friedman. As integration with the global economy continues and new industrial developments are not allowed by the current plan that was prepared and approved recently, service sector can be expected to develop at high pace in the future in Istanbul, together with global city functions.

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