

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

ISTANBUL

GDP (country rank), 2012 ¹	Share National GDP, 2012 ²	GDP/Capita, 2012 ³	Population, 2012 (country rank) ⁴	Share National Pop., 2012 ⁵	GaWC Global City Ranking, 2010 ⁶	# Global 2000 HQs, 2012 ⁷	GDP/c Growth 1993-2012 ⁸
\$301,053,529,040 (1)	26.56%	\$22,765	13,224,235 (1)	17.72%	29	7	2.38%

1) **Benchmarks — what is the city's recent ranking performance in terms of global firms, connectivity, diversity, range of cultural assets, immigrants, visitors?**

Istanbul is a historic imperial city and Turkey's largest metro area, with a resident population approaching 14 million. Its growing business and financial services sectors suffered after the global financial crisis, but high economic growth has since resumed.⁹ Despite recent volatility, Turkey's economic center retains the confidence of high-wealth individuals; it is home to the fifth-largest number of billionaires and has become one of the most sought after prime real estate destinations in Europe.¹⁰ Its wealth management experience has seen the city rise to 56th in the Global Financial Centres Index, moving ahead of Moscow and Mumbai. The city has also become one of the 10 most visited cities in the world since 2007.¹¹

Istanbul's rapid growth has brought with it challenges of all-round quality and livability. It has fallen surprisingly from 28th to 37th since 2008 in the Global Cities Index because measures of talent and information exchange are weak.¹² The metro is unfavorably assessed by senior executives surveyed in the European Cities Monitor because of weak telecommunications, a lack of qualified multilingual staff, limited air transport links, car-dependency, and congestion.¹³ High prices and weak outcomes in health care, education, and security also afflict Istanbul, and concerns about crime and social cohesion are among the most acute in Europe.¹⁴ Finally it is assessed only 25th of 30 cities in Siemens' European Green City Index due to poor water and air pollution.¹⁵ Although skills and infrastructure deficits are being tackled, Istanbul's leaders have to guide the city carefully through the next phase of adjustment.

2) Narrative – the city’s journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?

With a unique location at the intersection of two continents, Istanbul was a prosperous imperial center in both the Roman and Byzantine Empires, and for many centuries it was the largest and most internationalized city in Europe. In its former incarnations as Byzantium then Constantinople, the city was a magnet for trade between Europe, Asia, and Africa, and later was a key cultural and political partner of the Kiev Rus state. But the city’s power began to decline in the 13th century due to the crusades, and its status as an international metropolis disappeared for almost a quarter of a millennium.

Istanbul re-emerged as the capital of the Ottoman Empire in the 15th century, when it was rapidly repopulated and investment in large infrastructure projects began again. The construction of large mosques, palaces, and other public buildings gave the city a new face to the world. Forced and free migration of Slavs, Greeks, Jews, Armenians, and Muslims saw the city become a center of several religions. Devoted leaders Sultan Mehmet II and later Suleiman the Magnificent supervised an artistic and architectural renaissance, and the city gained recognition as a tolerant, culturally vibrant capital.

As the capital of an expanding empire, Istanbul became home to diplomats and embassies, and it gradually assumed a powerful Muslim identity that provided refuge for Muslim refugees fleeing violence elsewhere. Under the reign of Ahmed III in the early 18th century, the city experienced an age of extravagance and cultural assertiveness. But European scientific and engineering innovations began to surpass Ottoman developments.¹⁶ Its melting pot character diminished, particularly as empire indebtedness and territorial loss became more acute in the mid-19th century.

Upon the collapse of the Ottoman Empire in 1917, Turkey’s capital was moved to Ankara, and for the first two decades of independent national rule Istanbul consistently lost out in the allocation of physical and human resources. But after the Second World War, new infrastructure development and an upgrade of the city center prompted rapid population expansion. Istanbul quickly became Turkey’s dominant location for industry, logistics, and finance.

In the three decades after 1970, Istanbul gained almost four million migrants, including from abroad, mostly seeking employment in thriving manufacturing industries. This stretched the city’s public housing and transport capacity, with implications even today. Gecekondu, or informal “self-help” housing, grew in number and became an increasingly permanent feature of the fringe landscape.

In the 1980s, a more ambitious city leadership sought to drive change in Istanbul’s urban fabric and investment profile, attracting Turkish-origin conglomerate capital to build shopping malls, residential complexes, and business headquarters. The deregulation of the labor market from 1980 resulted in widespread deindustrialization and an initial decline in the formal sector, but new job growth struggled to compensate for lost manufacturing employment.

Foreign investment was considered Istanbul’s major solution to eliminate the problem of insufficient resources and to maintain economic development. A political and a legal framework established to facilitate the entrance of foreign capital inflow during the 1980s meant that the number of foreign investment companies in Turkey had increased by around 3000 percent by 2000.¹⁷

Since the early 1990s, the opportunity to re-elevate Istanbul to its “natural” position as a regional hub at the fringe of Europe has been grasped by national and metro actors alike. The metropolitan government and the central government have become more conscious of Istanbul’s strategic location and time-zone advantages, and together invested in urban transformation and the construction of prestige projects that support logistics, financial services, and culture.¹⁸ The establishment of the Improvement of the Investment Environment Coordination Board also resulted in national and international firms operating on a more level playing field. Governance changes transferred greater planning responsibility to the Istanbul Metropolitan Municipality, a

move that produced more integrated urban management. A more entrepreneurial metro leadership has become increasingly open to global influence, thereby developing new spaces for consumption and tourism, and to large-scale real estate and service industry investment. The sale of public land assets to international investors – especially from the Middle East – in districts such as Zincirlikuyu has been a notable feature of this process.

Consistent investment has transformed Istanbul's commercial and tourist profile, culminating in the successful 2010 European Capital of Culture program.¹⁹ Meanwhile the national government's increased investment in transport infrastructure, enabled by high economic growth, has resulted in a new metrobus, the extension of an existing metro line on the European side, the opening of the metro line on the Asian side, and road projects such as the Marmaray tunnel and the third Bosphorus Bridge. These improvements are occurring alongside projects, including a forthcoming new airport and dramatic office space construction leveraging Middle Eastern capital, intended to make Istanbul an international financial center.²⁰

Despite reforms, actors with authority over Istanbul's future remain fragmented, partially as a result of political and functional mismatches. Leaders are yet to develop the capacity to unite the city behind a shared vision or to communicate and galvanize effectively with surrounding regions. Failure to have comprehensively planned for growth is an ongoing challenge, given the large low-productivity manufacturing sector, talent and linguistic constraints, and growing income and spatial division. The challenge to replicate the concentrations of talent and resources found in more established world cities may take at least several decades.

3) Elements of international and global orientation - In what ways is the city globally connected and relevant? What sort of trade patterns does it exhibit?

In the 1990s and early 2000s, Istanbul's infrastructural modernization attracted global firms' large scale regional headquarters, such as Coca-Cola (Eurasia/Africa), Microsoft (Middle East/Africa), Benetton (Caucasus), Bosch (Caucasus), and PepsiCo (Southeast Europe).²¹ Recent additions include Adobe (Mediterranean), Sanofi-Aventis (Middle East), Huawei (Central Asia/Caucasus), GlaxoSmithKline (Middle East/North Africa), and Intel (Middle East/Africa). Istanbul has acquired a more experienced workforce in international commercial transactions, as managers gain European business ethics and discipline to complement existing communication skills. The key elements of attraction are the city's favorable logistics position, a rise in connections through Turkish Airlines, and a more stable investment environment.

Foreign investment has increased by approximately 10 times since 1990, especially from the European Union, and is mostly directed into electricity and information technology, banking-insurance, automotive, and construction.²² Leading investors include the Netherlands, Azerbaijan, Sudan, Russia, and Switzerland. The number of foreign investors has continued to rise since the global financial crisis – especially from Iran, the United Kingdom, Germany, and the Czech Republic – not least due to Turkey's prudent public finance management.

Istanbul's diversity is expressed in different city districts. The suburb and business district of Levent is highly Europeanized, while on the Eastern side of the Bosphorus large Kurdish communities have settled, bringing their rural pastoral practices with them. In the last decade, immigrants have settled from the Balkans, the former Soviet Republics, Africa, and the Middle East, contributing to an annual growth of 150,000 residents. The district of Laleli has become a workplace for the citizens of the Ukraine, while Tarlabaşı has done the same for African immigrants. Returnees from Germany and other countries where Turkish populations previously emigrated now make up a growing proportion of in-migrants, while other sizeable new immigrant groups include persons from Bulgaria, Azerbaijan, Greece, and Iran.²³

4) To what extent is the city's international dimension inherited or intentional?

Istanbul's history as the Byzantine and later Ottoman imperial city has carried a tangible legacy in terms of cultural assets and also national identity symbols. Its thousand-year trading and architectural tradition has

allowed it to embody Turkey's present dynamism, as well as to become a popular host to numerous international festivals and conferences. Furthermore, Istanbul's location at an important cultural crossroads has fostered complexity and openness to influences not only from Europe but also from the Middle East, the Balkans, the Ukraine, Russia, and Central Asia.

Istanbul's more decisive entry into global networks of investment and culture has been enabled by a new era of support from the central government in Ankara. The Justice and Development Party (AKP) government has adopted a much more positive stance toward globalization, resulting in a consensus between local and central government to promote Istanbul as Turkey's face to the world. Prime Minister Recep Tayyip Erdogan's previous experience as mayor of Istanbul was valuable in elevating the city's development needs to match its financial aspirations. The ongoing relocation of public finance institutions and regulatory bodies to Istanbul to support private-sector growth has clearly increased investor confidence. More recently, Mayor Kadir Topbaş has overseen an expanded metropolitan-scale planning initiative enacted through the new Istanbul Metropolitan Planning Office.

Istanbul's globalization in the recent period is a product of determined and ambitious leadership from within the Istanbul Metropolitan Municipality, established in the early 1980s. Its mayor from 1984 to 1989, Bedrettin Dalan, sought to revitalize a "tired" Istanbul into a dynamic metropolis. Dalan's administration accomplished considerable modernization of the urban form, with many significant de-industrialisation and upgrading developments initiated. More recently, Mayor Topbaş has become a powerful and charismatic figurehead for a metropolitan government growing in confidence and identity. This intentional leadership has often succeeded in modernizing infrastructure and preparing the city for the next phase of growth.

Visionary and effective leadership has not been embedded throughout the city management process in the recent phase, however. The city's development plan is widely criticized for a lack of cohesion or innovation, and leaders have not succeeded in ensuring national and city governments collaborate effectively in growth plan formulation. Part of this shortfall is linked to a lack of revenue flexibility at the city level, with foreign finance and public-private partnerships constituting an important alternative for providing infrastructure finance.

One of the products of intentional leadership has been the effective marketing of Istanbul's idiosyncratic cultural heritage and historical significance. The city has undergone a minor cultural renaissance through its partnership with the private sector. The Istanbul Metropolitan Municipality's master plan has sought to project a contemporary image through investment in culture and cultural infrastructure. Local municipalities have also invested in cultural infrastructure and in public spaces, with areas such as Beyoğlu turned into Istanbul's version of Montmartre. Cultural legislation has aimed to provide incentives for private-sector investments in art and culture. As a result, Istanbul's Biennale has become one of Europe's leading visual arts events. The model of centrally controlled cultural provision has been thoroughly superseded.

Despite more deliberate attempts to exploit obvious brand advantages, the city's image and identity is still not clearly expressed beyond tourism, although the Capital of Culture stage provided some strategic leverage. The national government has begun to recognize Istanbul's brand potential over that of Turkey as a whole. A successful bid for the 2020 Olympics, whose host will be announced in 2013, would provide a unique platform for brand consolidation.

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

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