

ASSESSMENT OF ISTANBUL'S POTENTIAL TO BE CENTRE OF FINANCE

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ABSTRACT

It is now very difficult for developing countries to reach the standard of the economic market that the developed countries attained with globalization. Along with technology, strategic location, history, cultural texture and structure; economic power is one of the most important features to have in development of countries. There is an extraordinary growth potential when ever-growing economy of Turkey and financial service sector, which has not been improved enough in comparison to developed countries, come together. Keeping this in mind, Istanbul has been trying to be a significant financial center. The fact that Istanbul has a hidden source of qualified workforce and potential of creating income support its effort to be financial center. Hence, Istanbul has an advanced competitive power that the regional rivals cannot compete with. This circumstance primarily creates the vision of Istanbul Finance Centre regionally and finally it would pave Istanbul to be a global finance center. This study evaluates the potential Istanbul has in order to be a finance center.

Key Words: İstanbul Finance Center, Global Finance Center, Regional Finance Service, International Finance Center, IFC

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1.Introduction

Finance center is an outcome of the condensation of demanded financial services, establishments and products in a certain region.³ Financial centers are usually located at the economic centers of a country. Turkey is in the middle rank in terms of growth in the world economy. Thereby it is difficult for Istanbul to compete with current international financial centers. Hence, the primary target of Istanbul Finance Center is to be a “regional” and final aim is to be a “global” center of finance. Turkey has the largest economy among Central European, Middle Eastern and Central Asian countries. It has a potential to be regional center in one or several geographical areas. Although Warsaw, Bucharest and Budapest are the competitors in the Central European region, Istanbul seems to be one of the most significant finance and commercial centers when we consider the economical crises that the European Union and especially Eastern European countries undergo.

In order for Istanbul and Turkey to be regional power, it is aimed to form a center of attraction for all the sub-sectors below:

- Banking (investment, private and institutional banking)
- Capital market (stock, titled deed of loan, derivative products, commodity)
- Asset management (formation and management of investment funds)
- Insurance and reinsurance
- Other financial establishments (factoring, leasing, consumer financing)
- Islamic finance products
- Alternative finance products (hedge funds, financial partnership funds)
- Operational support activities⁴

Capital market's being the center of attraction is also closely related to ISE's (Istanbul Stock Exchange) reflection of the potential it has. While Turkey is in the 18th position in GDP, ISE's market value is in the 26th position in the world stock exchanges. ISE can easily be a regional center of attraction by using its potential. For this, Turkish Republic and ISE are in the stage of

³Çevik, F. (2012),”Uluslararası finans merkezleri, ülke ekonomilerine etkileri ve İstanbul'un potansiyeli”, İstanbul, İstanbul ticaret odası yayınları, s.28.

⁴SERPAM. (2012). *İstanbul Bölgesel bve uluslararası finans merkezi* . istanbul: İstanbul üniversitesi Sermaye Piyasaları Araştırma ve Uygulama Merkezi,s.5.

giving important decisions. At present, there are ongoing works related to the privatization and institutionalization of ISE.

LITERATURE REVIEW

Parlow, Holger and Röchter, Angelika ,(2015), financial difficulties paved the way for demographic developments and important changes in work places as well as changing demands. The number of the youth trying to get university education has increased. The system of e-learning has taken its place within the educational curriculum. In this study, the author analyzed the advantages and disadvantages for all parties.

He mentioned positive effects of cooperation between corporations and universities on the market.

Korkmaz, Murat et al.,(2013), The aim of this study is to determine the perception of students on the advantages of cooperation between university students and industrial sectors; and to test whether the perceptions change depending on various demographic characteristics. The research manifested that the perceptions of the advantages of cooperation between universities and industrial sectors vary depending on the level of education and gender; the perceptions is more negative among the students in public schools and male students. Also, it is determined that students are not of the opinion that the universities they study at provide them with employment opportunities and applications of the joint training policies of institutions and entrepreneurs within the cooperation between university-industry would be more effective and beneficial.

Dr. Van R. Wood, Philip Morris, (2015), in this study the author dealt with the networking, friendships, learning and career opportunities of the students in the countries with developing and developed market. They mentioned about key concepts such as the success of students and “work-leadership” for the success of students.

Nola Hewitt-Dundas, (2011), The author deals with the importance of innovative talents training for the post graduate education in China. The article has analyzed innovative talents and postgraduate academic requests as well as the educational quality of innovative talents. The

study of innovative talent training at postgraduate level in China came to a conclusion that there is still much distance to cover.

Graber, Mark and Bolt, Susan, (2011), This study discusses a sample of entrepreneurship of work courses between The African Virtual University and Curtin University. Despite the hardships, students successfully graduated from these entrepreneurship courses.

Gündoğdu, Aysel, (2013), In her study, the author states that for the companies in international finance centers, in addition to number of geographic and strategic factors, benefiting from scale economies would offer advantages and the economy of the city or the country they are located in would contribute significantly.

Selçuk et al.,(2012), In their study, the authors mentioned that Turkey's rapid growing economic structure and strength in banking and finance pave the way for Istanbul to be among the important international finance centers. The Global Finance Center Index (GFCI), which has been announced by City of London since 2005, illustrated that Istanbul has increased its potential to be an international finance center.

Akyol and Baltacı, (2015), This study conducted a research on the possibilities of Istanbul's being a regional finance center on the short run and international finance center on the long run. Istanbul is the most significant finance center of Turkey, which aims at being one of the 10 largest economies in the world in 2023. The result of the study illustrated that everyday new cities assertive of being finance center emerge and play their roles in the world stage as a result of regional polarization and specialization. It means that in the years to come new finance centers might be seen in top positions.

“Assessment of Istanbul's Potential to be an International Finance Center” by Deloitte & Touche Consultancy Services in May 2009. “ The developments in Turkey's economical and political environment after 2002, emergence of growth potential of finance sector and the growth in the last five years in the financial service sector pave the way for Turkish Union of Banks to conduct a research on

"The Project of Istanbul International Finance Center", by the Committee of Markets and Instruments in June 2012 conducted by Capital Market Board dealt with the formation of structures and mechanisms in order to prevent their loss during the extension of time in conflict resolutions of domestic people and foreigners processing their financial procedures in our country; resolving conflicts related to financial processes according to general law norms and Turkish legal system recognized internationally.

2.Types of Finance Centers

1. **International Finance Center:** Places where establishments from anywhere in the world carry out works employing financial tools anywhere in the world.

Followings are the general characteristics if the centers:

- Cross-border operations are wider in the volume of financial services,
- Majority of foreign financial establishments in offering financial services,
- Bringing fund holders and fund users together in international area,
- For cross-border operations, financial establishments must be located in this center; arrangements of markets and financial products according to this cross-border demand. For example, two cities in the world are recognized as international finance centers: London and New York.

2. **Regional Finance Center:** The countries that are more prominent in terms of the size of finance sector in a specific region and can meet the needs of the neighboring countries. Tokyo, Frankfurt and Paris are examples of regional finance centers. Use of international funds for the region and valuing regional funds in international areas,

- Foreign financial establishments and cross-border operations have wide coverage within the system,
- Developed as a colony within a historical process and turned into a structure of a small island or city state.⁵

⁵Hikmet Akyol, N. B. (2015). Uluslararası bir finans merkezi olarak İstanbul'un değerlendirilmesi. *Gümüşhane Üniversitesi Sosyal Bilimler Elektronik Dergisi*,s.360.

3. **National Finance Center:** The centers where the operations of financial institutions, markets and processes are intensified. Milano, Barcelona and Amsterdam are examples of national finance centers.
4. **Off-Shore Finance Center:** the centers that mediates international funds hosting foreign financial establishments by offering exceptions in matters such as tax, operations, and registration. The instances are Bahrain, Bahamas, and Guernsey.
5. **Product Oriented Financial Centers:** These centers are focused on certain fields of services and products. Luxemburg center of investment fund, Frankfurt banking service, Zurich private banking center and Dublin Private center of operations are product oriented financial centers.⁶

3. Formation Criteria of Finance Centers

Followings are the summary of criteria, in the lights of the works conducted, to be an international financecenter.

1. The economy must be big and steady.
 2. Specialized and qualified personnel in finance sector must be easily found and the cost must be comparable with other countries.
 3. The legal infrastructure must be compatible with international standards; more importantly, the approach of legislation officers flexible.
 4. The country must be in close distance with available finance centers and open to finance establishments and financial products.
 5. The required infrastructure for the business world must be flawless. The infrastructure service must primarily cover the areas of transportation, telecommunication and real estate.
6. **Distinctive Criteria**
 7. **Political Stability**
 - Geographical position and proximity
 - Time period and work hours

⁶Diğerleri, S. U. (2000),” *Bölgesel Finans ve Hizmet Merkezi*”, İstanbul , İstanbul: İTO yayınları, s.43-44.

8. Legal Environment

- Primary regulations and Regulatory institutions
- Independence of Central Bank
- Financial environment and liabilities

9. Relative factors for competition

- Qualified work force
- Product specific regulation and taxation
- Infrastructure
- Potential for creating income
- Access to Professional Services
- Cost of operation
- Attitude in favor of business

10. Factors that create differences

- Image
- The Way of Life

4. Functions of Financial Centers

Finance centers are the places where national, regional or international financial services and products are offered. Finance centers keep financial markets, organized stock exchanges, financial establishments and other institutions of financial services together. Financial centers are also places where other service sectors are developed. The most distinguishing feature of finance centers is their characteristics of gathering qualified human power in one place. Financial centers keep all customers demanding financial services together in a center. They form a huge volume of large international institutions, national establishments, investors and individual customers in a wide range. Technology offers significant advantages especially in terms of costs. Internationalization, liberty in capital mobilizations, reduction of national borders in offering financial services pave the way for the acceleration of the centralization of financial services. All financial establishments including banks, agencies, insurance companies and other financial institutions aim at offering global services 24 hours. These financial establishments gradually gather their operations of financial services and products in international and regional centers.

The financial establishments in regional and international finance centers have access to a wide range of the networks of customers. Internationalization would pave the way for gradual reduction of national markets in international market share as well as intensity in international and regional finance centers.⁷

5. Effects of Financial Centers on the Economies of Countries

1. Positive Effects of Financial Centers

- 1. Effects in Terms of Macroeconomics,** The development of international finance centers lead to great number of foreigners in and out of the country, cash/foreign currency inflow, increase in economical activities, and balance in payments, interest, currency rate in terms of many macroeconomic impact.
- 2. The Effects Financial Centers in Terms of International Fund Flow,** When international cash flow passes through the country, a huge sum of capital will come to a country, which will cause significant effects on the country.
- 3. Their Effects in Terms of Fixed Capital Investments and national income,** Formation of new job opportunities and areas with the development of international finance centers increased qualified work force as well as employment and, in parallel, it would pave the way for the increase in domestic income significantly.
- 4. Effects in Respect to Economic Growth,** There will be a major activity in economy along with the increase of the number of domestic and international investors, financial institutions, intensity of capital inflow due to the development of finance centers.
- 5. Effects in Regard to Deepening in Financial Markets and Regulation,** It is important consider varieties in respect to institutions in financial markets, efficiency of the variety

⁷Çevik, F. (2012), "Uluslararası finans merkezleri, ülke ekonomilerine etkileri ve İstanbul'un potansiyeli", İstanbul, İstanbul ticaret odası yayınları, s.152.

of financial tools, whether the share of financial operation in economy is sufficient, to what extent financial liberalization is effectuated, and whether financial deregulation or reregulation works are carried out.

6. **Effects in Terms of Increasing Competition in Financial Markets**, There will be increase in productivity growth in order to serve better in current customer market with the increasing market.
7. **Effects in Terms of Productivity Growth in Finance Sector**, When the country becomes an international finance center, many foreign finance institutions will enter into a competition with domestic institutions. However, the increasing competition paved the way for the increase of the productivity growth of the domestic finance institutions, decrease of operational costs, which will as a result lead account owners to have better quality service.
8. **The Effects in Terms of the Increase in Employment**, On condition that it becomes a financial center, the number of native and foreign investors will increase, as a result new employment opportunities will emerge, which will effect the employment positively.
9. **The Effects in Regard to the Increase of Seniorage**, The income of the country from money printing is thought to increase with the finance resources of its own kind of currency.
10. **The Effects In Terms of the Possibility that New Formations in Financial Sector may be Conducted Faster in Comparison to Production Sector**, In comparison to production sector, finance sector is established and spread faster.
11. **The Effects in Terms of Quick Set up**, Finance sector requires fixed low capital investment and is carried into effect swiftly.

12. The Effects in Terms of Technology Transfer,

13. The Effects in Terms of Not Polluting the Environment, The effects of the finance sector on environmental pollution are in ignorable size in comparison to that of production sector.

14. The Effects in Terms of Higher Education, There has to be a long-term policy along with the developments of International Finance Center and other commercial developments. The budget of this sector must be reregulated to emphasize more on finance based higher education to meet the needs of IFC.

1. Negative Effects of Finance Centers

The negative effects of finance centers pave the way for the owners of capitals, institutions and establishments to make choices by the criteria and the quality differences in the centers. Whereas they can contribute to the economy of a country, with all these negative effects to take place they may also lead the country to crises as seen in many worldwide examples.

6. Istanbul's Potential in terms of becoming a Regional Financial Center

1. Turkey's Role and Significance in the World

Turkey is situated in an influential location in the Middle East and the Caspian Sea which have the most important oil reserves in the world, the Mediterranean Basin located at the crossroads of important sea lines, the Black Sea and Turkish Straits that have always maintained their significance in history, the Balkans which underwent structural changes as a result of the disintegration of the USSR and Yugoslavia, the Caucasus with rich natural resources beside ethnic conflicts and, beyond this, at the geographical center created by Central Asia by its geopolitical and geostrategic position. Having a very important geo-strategic location connecting three continents with one another, Turkey is at the same time a country of Europe, Asia, the Balkans, the Caucasus, the Middle East, the Mediterranean and Black Sea. In short, it is a Eurasian country. The other features that reinforce Turkey's geostrategic importance are its

implementation of the western systems as a country which has a democratic, secular and social state of law and accepted market economy and adaptation of integration with all of the institutions of the west, maintenance of cultural unity and positive relations dating back in history with the Balkan, the Middle East, the Caucasian and Central Asian countries which have witnessed great changes since the 1990s, containment of one and the most important of all destinations designated routes for the delivery of the Caucasian and Central Asian oil and natural gas to the west, participation in initiatives for peacekeeping, regional security and stability missions of UN and NATO and its indisputable weight on European Security Architecture with its leading role in some of them.

Turkey, as a country that has a democratic, secular and social state of law and accepted a market economy, can be the driving force of change towards peace, stability and welfare of painful region in which it is located as a center of attraction with its implementation of western systems, adaptation of integration with all institutions of the west, its wealth of resources and demographic structure in addition to its qualification as an island of peace and stability, and its democratic and secular regime based on the respect for the rule of law and human rights, dynamism of its economy, production capacity and the competitiveness of its industry.⁸

Considering Turkey's strong position in terms of economic and financial development in the regions of Eastern Europe, the Middle East and the Central Asia, it can be seen that Istanbul has the potential to become a regional at first and a global financial center after then. Turkey's economic performance in recent years and the joint efforts of institutions in the financial sector show that Istanbul's will to become an international financial center is an extremely realistic vision.⁹ At the same time, Istanbul's proximity to both the east and the west stands out as an advantage that cannot be ignored. Being a center of geopolitical importance in uniting London in the west and Singapore in the east, Istanbul is located at the highest point with the potential to bring investors and financial companies in the triangle of Central and Eastern Europe, the Middle East and Central Asia. It has the difference of at most 2 hours between itself and the countries of Europe, Eurasia, the Middle East and Northern Africa with its location. Its physical proximity

⁸http://www.tasam.org/tr-tr/icerik/2317/turkiyenin_jeopolitik_jeostratejik_ve_ekostratejik_onemi

⁹ Yumuşak, İ. G. (2005). Beşeri sermayenin iktisadi önemi ve Türkiye nin beşeri sermaye potansiyeli. *Kocaeli University, Faculty of Economics and Administrative Sciences. İ.B.F. Department of Economics.*

and presence in close time zone with centers such as London, Frankfurt, Zurich and Luxembourg, Istanbul provides convenience for financial institutions planning to open branches there. This convenient location of Istanbul in terms of time zone makes it easy for it to work with other world stock markets. One can visit 56 countries and other financial centers in the region with a plane flight shorter than 4 hours with Istanbul's central position that serves as a bridge between Asia and Europe. 238 destinations in 104 countries can be reached by Turkish Airlines which flies to maximum number of countries throughout the world and was chosen as "Europe's Best Airline" in the last three years. Foreign participation in international conferences and events held in Istanbul increased by virtue of its modern city life.

2. Historical Position and Strategic Importance of Istanbul Metropolitan City

Capital city of civilizations and empires ... a city where shopping, culture and art, and monuments of faith reached the peak... a metropolitan city housing millions of young, dynamic and entrepreneurial people...now Istanbul takes the stage with its distinction of being an international economic and commercial center. It is a metropolitan city in terms of architecture, religion, culture, population, economy, history and civilization. At the same time, the concept of metropolitan city is a concept that makes references to other capital cities. Hence, Istanbul is a metropolitan city due to being the capital city for Roman, Byzantine and Ottoman civilizations. It has a Bosphorus that combines two continents and bridges two seas together: it is a world capital with mosaics of religions, languages and races, a city of cities. It was the European capital of culture in 2010.¹⁰ There are many reasons for Istanbul to become at least a regional financial center. It is in the midst of a major capital accumulation and economic basin from Russia to Saudi Arabia, from Germany to Iran. It is a center for economic activity extending to thousands of years and still one of the most colorful countries of the world. It has a strong physical infrastructure. It also has numerous universities, a large population and potential for qualified staff.

¹⁰Çevik, F. (2012), "Uluslararası finans merkezleri, ülke ekonomilerine etkileri ve İstanbul'un potansiyeli", İstanbul, İstanbul Chamber of Commerce publications, p.152.

http://www.tasam.org/tr-tr/icerik/2317/turkiyenin_jeopolitik_jeostratejik_ve_ekostratejik_onemi

3. Effects of Globalization on the Turkish Economy and Istanbul

Turkey has a qualified workforce whose level of education is constantly increasing. 40 percent of Turkey's population is under 18 years of age and the half of over 13 million of population in Istanbul is under the age of 30. The financial sector provides employment to 180 thousand people and the banks are the first with 150 thousand jobs. Total number of universities increased more than 2 times in the last decade and rose to 175 universities with the goal of establishing at least one university in each province. Istanbul is the province which has the highest density of higher education institutions with 41 universities. The real estate sector is growing rapidly in Turkey. According to Sunday Times, Turkey is the 5th most attractive country for foreign investment. Foreigners' interest in housing in the country shifted from the touristic regions to the metropolitan areas. Istanbul hosts numerous international festivals, concerts and exhibitions and events from all branches of art throughout the year with its museums, art galleries, hall and cultural centers. Istanbul is historically an important trading center due to its geographical location. It was the capital city of the Ottoman Empire and was the place where the foundations of Islamic finance were founded. Today, the economies of Istanbul and Turkey are very strong as well as their trade relations with the region. It makes sense that it extends to the Gulf Region, Central Asia and the North Africa. Istanbul International Financial Center Project (IFC) was included in Turkey's 9th Development Plan covering the period of 2007 and 2013. The Undersecretary for State Planning Organization was assigned as the project coordinator with the publication of the project in the Official Gazette of May 2010. In addition, "Financial Markets and Istanbul Financial Centre Authority" was established within the Ministry of Development in that year. The vision of Istanbul Financial Center project aims to make Istanbul a regional at first and finally a global financial center. Istanbul strives towards becoming an international financial domain in recent years beyond being an important financial center. Turkey has an extraordinary growth potential with its continuously growing economy when compared with developed countries after its not mature enough financial services sector was companied together.¹¹

¹¹ diğçerleri, M. K. (2013). Kűreselleřme sűrecinde űniversitelerin iř ve sanayi sektűrűyle olan iliřkileri ile űğrencilerine sađladıđı avantajların uygulamalı űrneđi. *International Periodical For the Languages, Literature and History of Turkish or Turkic* Volume 8/8 Summer.

4. Istanbul's Advantages and Opportunities

Qualified workforce provides benefits in many aspects due to the youth and dynamism of 30 million population under 18 years of age in Turkey and increases the effectiveness of human capital investments. It also reveals the importance of qualified workforce on issues such as increase in the quality of education and educational spending.

Revenue generation potential indicates that Turkey's young population, its place in the world economy, and national income include potential at a very good level in terms of Turkey's revenue generation.

Infrastructure. Improvements and arrangements in airports as well as in public transportations show that a great ground was covered in the area of infrastructure. But, this indicates that the traffic congestion poses a problem in Istanbul and some improvements are needed for this.

Lifestyle. Istanbul offers a unique lifestyle by becoming a host for different cultures and religions for centuries, its history and cultural heritage which it sits upon, special location provided by its geography extending over two continents, Istanbul Strait, reasonable prices compared to her metropolitan cities, night life appealing all kinds of tastes and sense of enjoyment, appropriate climate and providing the opportunity to reach all kinds of tourism types, such as sea, mountain, culture, winter sports, etc. through an hour's flight at most.

Political and economic stability. Significant improvements were recorded in macro-economic indicators, inflation dropped to a single-digit level, important developments were made in direct foreign investment and a good growth rate was witnessed due to "Transition to a Strong Economy" conducted since 2001.

5. Istanbul's Disadvantages and Threats

Image. It would be beneficial for image works, which were mainly carried out by the Ministry of Culture and Tourism, to be developed in a way to include the financial sector. It is of particular importance to support the strategy of converting Istanbul into a center of culture, tourism and finance which recently began to be raised from an industrial city through intensive efforts.

Legal setting. The difficulties encountered in legal setting stand out as one of the most important obstacles against Istanbul to become a financial center. It is evident when considering distrust to courts, inconsistencies in decisions in similar cases, the absence of an effective arbitration mechanism, and attempts to resolve all disputes currently in courts, slow processing of decision-making mechanism as a result of judges' heavy workloads, obstacles in civil law complicating the life of local/foreign labor, deficiencies in terms of the lack of courts specialized to serve financial sector and qualified manpower to serve in these courts that rapid and radical solutions are needed to be produced in these areas in order for Istanbul to become a financial center.

6. Istanbul Financial Center Project

Istanbul Financial Center or Istanbul International Financial Center or Atasehir Financial Center is the name given to the financial center project planned to be located in Atasehir district of Istanbul province. According to the statement made by the Ministry of Education, the objective of this project is to build a financial center larger than the existing financial centers in New York, London and Dubai and to make Istanbul an international financial center.¹² Some groups, which consisted of specialized persons or institutions in their respective fields associated with the State Planning Organization, were created in order to reveal the feasibility assessment of "Istanbul International Financial Center Project." Several considerations, such as what kind of financial center Istanbul should become, what products it should present to the world, how long and in what depth these works should last, and what should be done for its success, were discussed in the projects. As a result, the common consensus stated that it should be specialized as "Regional Financial Center" at first and then should be raised to the level of "International Financial Center" as the last phase when necessary success was achieved when examining the reports produced by work groups. The groups created are as follows:

- Financial Products And Services Work Group,
- Infrastructure Work Group,
- Regulatory and Supervisory Framework Work Group,
- Current Status Work Group,
- Legal Work Group,

¹²https://tr.wikipedia.org/wiki/%C4%B0stanbul_Finans_Merkezi

- Organization Work Group,
- Tax Work Group,
- Human Resources Work Group,
- Promotion and Image Work Group.

7. Strategies and Recommendations to be Followed in terms of Istanbul Becoming a Regional Financial Center

Istanbul draws attention in connection with becoming an international financial center as days pass in terms of its great historical importance as well as obtaining its geopolitical significance.¹³ Financial centers are generally located in metropolitan cities, capitals and economic centers of a country. In short, wherever companies chose to settle, financial institutions providing service to them are also located in those particular areas. Other institutions, providing service to financial sector, also follow their lead. For this reason, international financial centers emerge in the world's largest economies.

Political and Economic stability: Criteria, such as ensuring macroeconomic stability, maintenance of stability in TL and provision of price stability, etc., are necessary to maintain economic and political stability that are the most important concepts for becoming a financial center.

Legal System: Tardiness of legal system in Turkey and many problems brought out with it appear before us as the problems of legal system. The improvement of legal system is only seen to be possible by raising Turkish legal system and application to EU standards.

Tax and Taxation Issues: The biggest problem in tax system is the uncertainties. Taxation system must be simple, easy to understand, consistent, enforceable and measurable in order for Istanbul to become a financial center.

¹³Orkun Çelik, K. C. (10-13 Ekim 2012,). İstanbul uluslararası bir finans olm apotansiyeli artıyor mu? *16th Financial Symposium*, Erzurum : Atatürk University, Faculty of Economics and Administrative Sciences.

Regulations and Regulation-related problems: It must be necessary to restructure the institutions of regulation and supervision and they should be brought in line with the European Union.

Infrastructure: Especially regulations on airport and public transportation were made in recent years. However, the most important infrastructure problem of Istanbul is the traffic. Significant investments were especially being made in highways, metro, and marine transportation in the last five years. In order to achieve success, financial center should be established at a region with developed service network, access all transportation networks and high quality of life.

Banking and Insurance: The Banking sector in Turkey has the potential to grow up to 2-3 times than their current size when considering the ratio of total assets of banking sector to GDP. IMKB, SPK and BDDK should be restructured and reviewed.

Brand and Image: Despite marketing and branding works that showed great development since the 80s, Turkey needs to cover a long ground on this issue in order to become a complete brand. Turkey's brand image has sown great changes in the last decade. If we have the chance to show this kind of development likewise in the next decade, we will be resolving many of our problems related to branding. Legal system, security forces and the government image are the most important elements of brand image. Turkey should definitely invest in brand and image thinking that branding strategy specific to financial services should be created in order for Istanbul to become a financial center.

Education: An education reform, which will improve the quality of young and potential labor force, needs to be done quickly. The quality of university education in Turkey is much better when compared with most other European countries.

Labor and Labor Security: Security is increasingly a serious problem in Istanbul. The biggest disadvantages against Istanbul's bid to become a financial center are transportation and security.

Skilled Labor Source: One of the most important advantages of Turkey is its skilled labor force especially in commercial banking sector. The skilled labor in Turkey is at a very good level when compared with that of the region. It has high potential for competition when compared

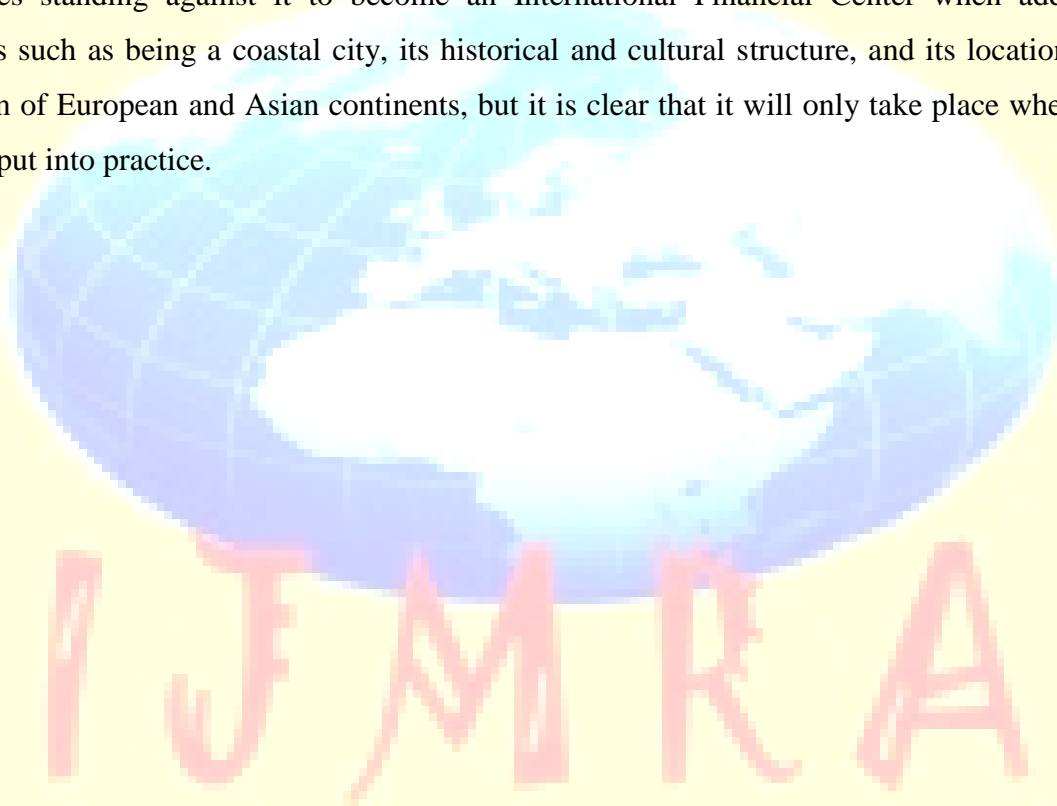
with international level in terms of information technologies. The labor force in Turkey has a high quality profile and ability.¹⁴

General Assessment and Conclusion

Istanbul's potential to become a financial center was assessed as well as factors, which would ensure it to become a financial center, were discussed in this study. We believe that there are important dynamics that would bring Istanbul into forefront in the fierce competition of cities for international capital investments. We also believe that Istanbul's importance on a global scale would increase exponentially if these dynamics were utilized well. Different features also play roles in the development of countries apart from technology, strategic location, history, cultural fabric and structure. Economic power is the most important of these different features. Senior managers, experts and lawyers, etc., arrive at financial centers from different countries of the world and increase the cultural diversity of the region they stay. Professionals, whose education levels are high and who are specialized in their respective fields, will provide the technology transfer to the country and accelerate the development. Whether or not Istanbul, which is the location of national financial center in Turkey, has potential to become "International Financial Center" was examined in this study. General information on Financial Centers was provided in the chapter on Creation and Types of Financial Centers. Types of financial centers, how these centers were created, their functions, and what kind of criteria these centers should have were also conveyed. Istanbul's historical background and its financial markets were examined in order to understand Istanbul's potential which constituted the basis of the topic studied in the chapter on Istanbul's Potential in the Extend to become a Regional Financial Center and the road maps that it should follow in order to become a "regional" at first and an "International Financial Center" later on, were attempted to be conveyed. The financial structures that it should incorporate within itself was examined with examples from the world when discussing the topic on Regional-International Financial Center and how it should be accomplished, advantages and disadvantages was attempted to be provided within the context of the information obtained.

¹⁴Çevik, F. (2012). *Uluslararası finans merkezleri, ülke ekonomilerine etkileri ve İstanbul'un potansiyeli*. İstanbul, İstanbul Chamber of Commerce publications, pp.162-165

Istanbul does not lack any features compared to other cities as a candidate for International Financial Center. In fact, it seems possible for it to achieve success in a shorter period of time due to its features not possessed by other cities. However, Istanbul Financial Center Project opened for discussion in order for this to be accomplished since 1984, but no concrete steps have been taken. Changes will take place in the face of Istanbul with the implementation of the project. The project will achieve success if it is adapted by the public, private institutions and organization as a national policy even if we would be starting behind other countries of the world. Istanbul should become a Regional Financial Center in the first phase. There will be no obstacles standing against it to become an International Financial Center when adding its features such as being a coastal city, its historical and cultural structure, and its location at the junction of European and Asian continents, but it is clear that it will only take place when these can be put into practice.



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