

The Intrametropolitan Determinants of Foreign Investment Firms in Istanbul

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ABSTRACT

In the context of economic globalization, there has been considerable academic interest on the understanding of location behavior of FDI firms. Generally while studies on FDI firm location focus mainly at the national and regional levels, those of the intra-urban level are limited, especially for developing countries. In developing countries, intensive studies have been carried out on the spatial impacts of foreign capital on the country city system or the regional determinants in the location choice of the foreign capital (Deichmann et al. 2003; Wei et al., 1999; Chien-Hsun, 1996). However, studies on the impacts of the foreign investments in the cities of the developing countries are limited (Wei et al. 2006; Wu and Radbone, 2005; Wu, 2000). The same situation is valid for the studies conducted in Turkey. However, studies on the spatial models at the intra-urban level are limited. The priorities in the location choice preferences of the FDI firms working in both industrial and service sectors in the Istanbul metropolitan area have been set forth by a study conducted by Berköz (2005).

Turkey adopted neo-liberal policies in order to increase economic integration into international relation after 1980. As a result of these policies, foreign direct investment (FDI) inflows increased greatly. In 1980 there were 78 FDI firms in Turkey whereas the number increased by 6511 in 2003. Turkey has become a hub of vast hinterland that extends from Balkans to Caucasus and represented a prime focus for foreign investment. For this reason, it is very important to know the characteristics and spatial distribution of FDI firms in Turkey. In the general perspective of Turkey related to FDI, Istanbul has an importance. Because Istanbul attracts the highest level of foreign investment in Turkey, 75.39% of Turkey's total capital investment and 63.29% of the total number of firms in Turkey are in Istanbul. Istanbul has attracted 59.63% of the firms which have made investment in industry in Turkey with 55.22% of this capital and 66.35% of the firms making investment in the service sector with 92.33% of the capital.

Foreign investment requires the market conditions of the area on which it would invest to be feasible for non-risky business and demands the conditions concerning the spatial quality of the area (such as the quality infrastructure, easy access, transportation-communication systems and the quality of the building and environment) to be of high standards as they are the conditions which reflect the power and prestige of the firm (Berköz, 2005).

In this study, locational determinants of foreign investment firms in Istanbul have been analyzed by using the logistic regression model.

Key Words: foreign direct investment (FDI), Istanbul, intra-metropolitan level, central districts, peripheral districts