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Potential of Istanbul as an International Financial Center: A Comparison with Shanghai and Dubai

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Abstract

Istanbul as one of the newly emerging financial centers as well as Shanghai and Dubai, rushed up to the world stage after the financial crises of the last two decades. This article developed two level instrumental factors by summarized preconditions and theories of International financial center to evaluate potential powers of Istanbul by comparative analysis with Shanghai and Dubai. It investigates the best practiced official indexes and reports along with books and articles. Finally conclude with the strengths and weaknesses of Istanbul, looking into its feasibility and competitiveness position as well.

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1. Introduction

Financial centers have always been in the center of very hot debates in the world, and emerging financial centers have enhanced their competitive power and gained more power to rush up the league tables. Istanbul, Turkey; Shanghai, China; and Dubai, United Arab Emirates (UAE) as three particular emerging economies in the world, have attracted attention in the financial press for incorporating IFC aspirations into their development agendas. Their

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financial potential competitiveness rating has made a strong improvement since 2007, rising by 51.4%, 21.6% and 33.7% respectively.

Istanbul, Shanghai and Dubai share several features that make such research important to undertake. In addition, China, Turkey, and UAE have great ambitions to turn these three cities into regional international financial centers (IFC) and, eventually global financial centers, and they incorporate the project into a national strategy and take a lot of measures to improve from all aspects to achieve their aims. Therefore, it is very meaningful to make a comparative analysis of the three cities to evaluate their potential strengths to develop into an IFC and find the weaknesses and rooms for further improvement.

This paper uses comparative analysis and takes Istanbul, Shanghai and Dubai as the examples of emerging financial centers. The main methodology is instrumental factors analysis by investigating the best practiced official indexes and reports along with books and articles. Through analyzing the three cities 'economic conditions, historical factors, potential abilities, post-crisis opportunities and so on, we will conclude with the strengths and weaknesses of Istanbul, looking into its feasibility and competitiveness position as well.

The structure of the paper is as follows. Section 2 theories basis summarize the theories and precondition of international financial center. Section 3 is methodology issue which established the two level instrument frames which has 4 major indicators in the first level, namely, human capital, business environment, regulation and legislation, and financial potential and eight more indicators in the second level. The next section makes comparative analysis of the three cities, using the same instrumental factors. Finally, a conclusion stated for comparison analysis.

2. The theoretical basis

There are many different way to define a financial center (Xin, 2013). Basically by function, a financial center is a regional hub that has an important gathering of financial institutions that plays a financial intermediary function of financial flow, facility financial service, offers a highly developed commercial and communication infrastructure, and where a great number of domestic and international trading transactions are conducted. Therefore, the development of financial centers cannot be considered as a self-inflicted random event, but rather their emergences are supported by theories such as section-chosen, economics of scales, finance geography and global cities theory and so on. These theories are not divergent but related with each other.

Davis' section-chosen theory is related to industrial place chosen theory and financial area, using the demand-supply microeconomic way and economic externality to explain the inner decision of the formation of the financial centers. Place theory, presented by Walter Christaller, says that the spatial inequities are the outcome of urban hierarchies. Suppliers consider that the boundary of the demand should be at the minimum scale which meets the normal profit because the range of the market has geographical limitations: the consumer and producer prefer to close the place, so the hierarchy range of the market depends on the distance and size.

Scale Economics Theory suggests that the financial center result from financial activities clustering. It could increase the efficiency gains and reduce transaction costs due to agglomeration of the finance, and create information symmetries as well as knowledge economies. The main ideas about the financial geography focus on information hinterland and information center. Porteous (1995) defines information hinterland as 'a region for which a particular core city, acting as that regional center, provides the best access point for the profitable exploitation of valuably information flows.'

However, the new technologies, telecommunications and information technology have led to both decentralization and agglomeration of economic activities. All of these intensified the international metropolis to play an increasingly important role in control and management of the center of global economic activities. Therefore, since 1980s many scholars have done extensive research on the world or global cities in the background

of globalization. It can be said that the world cutting edge cities are global financial centers as well. There are many papers mentioning ample factors from their own aspects, it is could not indicate all. Thereby this paper creates instrumental factors for competitiveness which combine and synthesize theories and studies.

3. Methodological issue

An IFC is a desirable place with high quality of life that attracts talents and professionals. Its location is close to other key areas such as economic, trade, shipping centers and so on. High-developed communication and net system infrastructure are the basic conditions for such centers. In addition, it should have a good market access, with adequate economic and financial freedom, reasonable tax regime, stable political and economic environment and a good reputation to entry the world competition.

Moreover, the main functions of a financial center are to optimize the allocation of resources, as a financial information hinterland, to decide the goods prices in the market and to arrange capital raising and financial risk management transactions for firms around the world. Therefore, an IFC requires fair, transparent, efficient legal and regulatory regime, with support and supervise by the government. Financial potential is element factor for IFC.

According to the common characters which concluded from theories and previous studies, this paper creates instrumental factors that two levels of indicators which evaluate the financial center formation and development, demonstrated in table 1. The main factors include 4 elements: Human Capital, Business Environment, Regulation and Legislation and Financial Potential. The second level indicator encompasses 8 sub-factors.

Table 1: Instrumental Factors

Human capital	The availability of skilled personal
	Quality of life (Culture and language)
	High quality reliable and appropriate infrastructure
Business Environment	Market access (Economic base, Economic and financial freedom, Taxation regime, Stability of politics and economics, reputation)
	Rule of law
	Fair, transparent, efficient legal and regulatory regime
Regulation and Legislation	Government responsive
	Financial performance

4. Comparative analysis of emerging financial center: Istanbul, Shanghai and Dubai

4.1. The potential power of three cities overview

Fig.1 exhibits the GFCI ranking for Istanbul, Shanghai and Dubai from 2007 to 2015, all three cities ranking increase remarkable. Especially Istanbul increased its rank significantly from 72nd/77 in 2004 to 47th/98 in 2015. Before 2003 Dubai's rank was in front of Shanghai, after that Shanghai improved its position rapidly and overtook Dubai. It was even among the top 10 for 5 years, but there was a big fluctuation, by the end of 2012 and Shanghai had a sharp fall to the rank 19th. Dubai looks steadier and has small fluctuations, it merely moves between the ranges 20 and 30.

Istanbul is the largest and most cosmopolitan city and economic artery in Turkey (TR), which accounts for 20% total population, and contributed 27% economic output and 40% tax revenues and almost 50% exports and imports of the whole Turkish. In addition, it centralizes the great majority of manufacture, service and financial activities of TR. Historically, Istanbul always been financial capital of Turkey due to the special location advantage which international junction of European and Asian. Developing Istanbul into an International Financial center also had

been set as a long-term economic goal in 2007 by ruling Justice and Development Party of Turkey, and the first step to develop Istanbul as regionally dominant within 10 years and future IFC within 30 years.

High economical growth and positive national supporting and ambition lay a solid foundation and create opportunities to Istanbul to be an IFC. Turkey is 17th largest economy in the world in 2015 due to worldbankand. At the end of 2011, its GDP reached to \$1,288 trillion, with 9.49 of GDP growth rate, per capita is \$10,498 billion, and the unemployment rate descended to 7.8% under control (Oct.2012). From 1980s the opening of specific markets in the city provides basic financial condition, moreover, financial globalization and integration also benefit to Turkey a lot. Which created freer financial environment, thus attracted greater internationally mobile capital for Turkey,

Shanghai has a lot of potential: it is one of the biggest cities in China, a historical IFC in the world, and stood as the Asia Pacific’s undisputed financial hub in the 1930s. The —Paris of the East has not only hosted opium dens and cabarets, but also the world’s third largest stock market in terms of capitalization. Shanghai had the world’s second-largest bank building after the Bank of Scotland in London. Although for some reasons it lost this competitive position for many years until 1980s, after the open policy reform in China, it developed fast and regained its competitive power in finance and became an economic hub. Shanghai’s port is the world’s busiest, measured by cargo tonnage.

Shanghai benefits from being located in the Yangtze River Delta Economic Region which accounts for 19% of China’s GDP, 37% of its exports and 49% of foreign investment, providing strong economic backing for Shanghai. Shanghai’s financial sector is leading in domestic financial markets, and it hosts the mainland’s key trading markets for futures, gold and foreign exchange. Centralize the latest technology and goods market. Active economics creates huge demand for credit, insurance, trade finance as well as stock and bond markets (Tong, 2009). In addition, manufacturing, logistics, economic and financial advantages, accompanied by a budding entrepreneurial culture in neighboring provinces and increase Shanghai’s potential as an IFC.

UAE government also aims to capture the global opportunities to develop Dubai into an IFC. In 2004, the UAE constitution was amended to allow an emirate to establish a —financial free zone, a separate legal, geographic and judicial jurisdiction. Dubai is located in the Persian Gulf and surrounded by oil and gas reserves. In its thirty years of development, Dubai has been synonymous with luxury and richness. It is a leading international trader in the world, one of the trade hubs worldwide with very developed shipping and airline centers. Due to Sheikh Rashid’s foresight and long term national development plan, Dubai has been a trade hub from pearls to textiles since its earliest history.

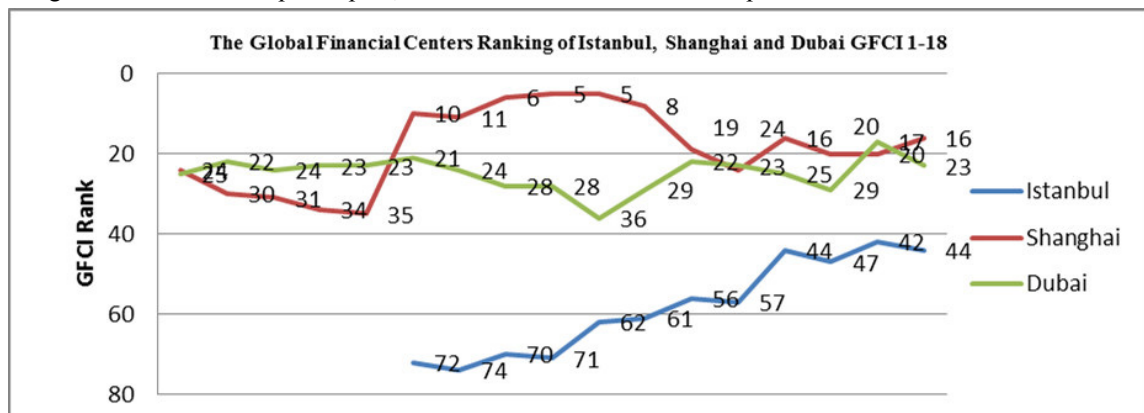


Fig. 1 GFCI Ranking of Istanbul, Shanghai and Dubai

4.2. Comparative analysis study by instrumental factors

4.2.1 The economic base of three cities

Table 2 reflects the macroeconomic environments of Istanbul, Shanghai and Dubai in 2010. In terms of GDP growth, Shanghai is the clear leader among the three cities. Meanwhile Istanbul is also experiencing significant growth and its rank in recent years was higher than Shanghai. Dubai's GDP growth rates are much lower compared to Shanghai and Istanbul.

Table 2. *Main Economic indicators for Istanbul, Shanghai and Dubai 2010*

	Population (Millions)	GDP (Billions, PPP)	GDP Growth Rate (%)	GDP per Capita (PPP)	Unemploye ment (%)	Inflation (%)	FDI Inflow (Millions)	Public Debt (% of GDP)
Istanbul	13.5	\$188.2	8.2	\$13,463.7	11.7	8.566	\$9,071.0	42.2
Shanghai	23.03	\$272.48	10.3	\$7,518.7	4.3	3.326	\$105,735.0	33.8
Dubai	1.9	79.9	2.8	\$48,820.9	2.4%	0.897	\$3,948.3	21.0

World Bank; Shanghai statistic yearbook 2010;

However, even though Shanghai's and Istanbul's current levels of GDP per capita lay well behind of Dubai and other developed countries; they can still sustain high rates of growth in the foreseeable future. High inflation is one of the primary disadvantages of Istanbul. Despite the fact that it is already under control in recent years, it still high to in comparison to other emerging cities. Shanghai has an absolute advantage in attracting FDI, and it is almost tenfold higher than Dubai and 26 times than Istanbul.

4.2.2 Human capital

Adequate and competitive level of skilled force with lower wage rate supply becomes one of the most important advantages of Turkey, especially retail banking field and IT structure which at global levels. The Istanbul IFC feasibility study 2009 argued that, as of 2009 Turkey's workforce is around 23.5 million, and it has ample potential for labor force since 40% of its total population is less than 18 years old, which accounts for approximately 30 million people. Therefore, the potential of retain home-growth talent is considerably high. Business education offered in Turkey is qualified, especially MBA program which was selected as "one of the best MBA programs in Europe". (Consultancy, 2009)

However, there are many expatriates outside the country, and they should find a way to bring them back. Comparing with the industry volume, the HR profile of the staff employed in industry is very high. The senior and lower levels of management in local banks acquired by foreign banks remained 90% the same. Although Turkey's labor force has some advantages, there is shortage in financially skilled talents especially in the middle and back office operations. Employees in financial sector in Turkey are usually occupied with front-office operations, and the country lacks sufficiently skilled vocational school graduates for back office functions. Capital market professionals are supervised and it is required by Capital Markets Board that they pass a number of exams to obtain a license to qualify in most of the fields of finance in Turkey.

The structure of the financial sector still concentrates on the university level, employee depth is not deep, that is, the number of post-graduates and higher level talents is relatively low with a rate of less than 10%. For instance, among the banking employees in Turkey, 70% of the labor force employed in banks is college graduates, while only 6% of that has a master's degree. Professional level is not higher enough, only very few lawyers with international connectivity are working for 'recognizable' firms. The limited salary is one important factor which less attractive for Turkish to hire high skilled and experience people.

Shanghai's financial sector is currently suffering a talent shortage; it has been an extreme bottleneck for Shanghai's development as a financial center. Shanghai's local government has taken many measures to attract

financial talent, such as “Thousands of talent plans” and taxes subsidy and many other favorable policies in order to attract foreigners or domestic professional elites. Such actions gained initial success, but it is still insufficient. The main reason is that the city lacks senior and mid-level managers and talented individuals familiar with new financial products and services. It is forecasted that the number of financial jobs in the Shanghai will increase by 39.13% over the next five years, from 230,000 to 320,000.

The best financial sector professionals are employed in Dubai thanks to the power of money, high salaries and zero tax, and luxurious life in Dubai. However, Dubai has its own problems. It has shortage of local skilled labor, as the majority of talents are foreigners. Very low level of female labor force (24%) is one disadvantage of Dubai. However, this number is approximately 50% in Turkey. Labor force of Dubai is the hidden obstacle against the long-term development. Too small local labor pool increase the cost of talent people, and it is unlikely to use “buy in” skill sets to keep sustainable development.

From the EIU global city competitiveness index “human capital” result, we could see Dubai (37th/120) is in the leader position among the three, Shanghai (60th) at the middle stage, and Istanbul score is much lower with only 48.5, thus it still has much room to improve. Quality of life is a considerable element for the individual satisfaction with life and companies as well. There are large gaps between these three cities. The overall score of Shanghai, Istanbul and Dubai is -17, 66.1 and 175.3, respectively. Dubai is absolutely own a higher standard quality of life, but Shanghai is worst which has negative score.

Dubai has emerged as a regional hub in the Gulf region over the last two decades. With the higher level of leading shopping malls, hotels and restaurants, Dubai is an ideal destination of tourist, business and leisure life, although has disadvantage of limited historical or cultural heritage and harsh climate. Dubai has the lowest level of costs and is the safest city compared to Shanghai and Istanbul. The purchasing power of Dubai is very high, there is low pollution, low traffic commute time and the price houses are reasonable.

Shanghai’s quality of life score is too low in comparison with the other two cities. The purchasing power and health care are the lowest level among the three cities. The most unfavorable factor is the high estate prices; the ratio of house price to income is 30.08 in 2012, however, in Istanbul and Dubai the same ratio is merely 7.14 and 4.52 respectively. Therefore, the cost of living is much higher in Shanghai whether you rent a house or buy a house. The level of pollution in Shanghai is not acceptable, either.

As for Istanbul, safety is a shortcoming compared to Shanghai and Dubai, because it is a highly important factor when individuals or companies opt for a place. However, traffic is drawback of Istanbul. 2013 TomTom has revealed that Istanbul is the second worst city in terms of traffic congestion. Public transportation is not developed sufficiently, information and infrastructure of transportation need to improve fundamentally. Moreover, Lower cost of living is another advantage for Istanbul. You would need around 15,222.43TL in Dubai or 9,951.74 in Shanghai to maintain the same standard of life that you can have with 7,100.00TL in Istanbul. (NUMBEO, 2016) which assuming you rent in three cities.

Chinese culture is diligent and thrifty; the workforce is willing to work longer hours to create more social wealth. As the huge population ends up in a harsh competition in the society, people must strive hard to make a living. The efficiency is also one of the crucial qualities for work. Overtime work in most companies is a common thing. However, due to the culture difference, people in Dubai and Istanbul prefer spending their free time with friends, sharing food and tea no matter how busy and hardworking they are. They are used to having their private life separate from work. So they do not have a strong time perception.

Being at the crossroad and the cradle of civilizations, Istanbul is a unique city in many respects. It has been the capital city of three important empires, namely Romans, Eastern Romans (Byzantine) and the Ottomans. Located at

the crossing point between two continents, Europe and Asia, Istanbul is also the seat of the Patriarch, the spiritual leader of the Eastern Orthodox Church. Besides Muslim majority, there are Christian, and Jewish minority settlers in the city. The Hagia Sophia and the Blue Mosque are just two of the most important historical monuments among the many others. (eNewsletter, 2008). UAE does not possess such an old and deep history and civilization heritage like Turkey and China.

Chinese, Turkish and UAE government all devised elaborate strategic plan to improve English level for their own country. Especially, Turkish government plans to spend an estimated TL1.5 billion and run a five years project that aims to ‘hire 40,000 native English speakers as guest teachers’ to lay solid foundation for the English teaching. ‘English cafés’ will be opened, popular cartoons and children's shows will be hired in English with Turkish subtitles and foreign language education sets will be distributed to students’ (Today’s Zaman, 2011).

4.2.3 Business environment

In the infrastructure indicator three cities all have good performance; the government has employed considerable amount of people and invested funds to develop hard infrastructure. Istanbul has sufficient level of support services, such as health services, education and global levels of cultural background. Within the last decade, especially in the last 5 years, Turkish government made affordable and serious investments on highways, underground and maritime lines. Information technology, telecommunication and air access services are strengths of Istanbul. However, the traffic issue and transportation is still the weakness of Istanbul. In order to improve the traffic problem, TR government has planned to invest minimum 16 billion USD.

However, UAE (9th/139) has the best development level, just behind the highly developed countries. UAE keeps the leading position in all aspects of infrastructure: air transport, ground, and tourism and ICT infrastructure and high-quality roads and airports infrastructure. Dubai airport is a major airline in the Middle East, and it is the 4th busiest airport in the world in terms of international passenger traffic. Convenient transportation facilities could increase cities’ attractiveness.

Table 3 illustrates the economic freedom in China (138th /179), Turkey (73rd) and UAE (35th). Chinese economic freedom is very limited and performance is the worst among the three, and its overall score is even lower than the global and regional average. For China the problem is the vulnerable judicial system which is not independent from government, Communist Party intervention and fragile foundations, and if the widespread corruption is not avoided, it will constitute a serious obstruction. Although communist party is composed of a small leading group, it holds the ultimate authority, and makes the final decisions on many aspects of economy and politics. Too much governmental and Party-wise intervention has slowed or stopped to some extent the pace of genuinely liberalizing economic reforms. Government intervention in the market dynamics has disrupted market efficiency and long-term competitiveness, and it has also been distorting the economy to a certain extent.

Chinese government lacks the appropriate political measures and the motivation to restructure the fundamental domestic economic structure. Therefore, adverse conditions and inefficient structure has distorted economic growth and development, and made them depend on exports, public investment and government support extremely. Excessive dependency on government subsidies and credit control continue to undermine the efficiency and productivity of the state-controlled financial sector. The private investors and companies have more difficulties in participating in the competition and thus take seldom share of the whole economy. The gap between the poor and the rich gets much bigger.

The corruption leads many bureaucracies to collect excessive money which should be used on behalf of society and “table culture” wastes huge amount of resources and society’s wealth. That so-called “table culture” is one of most important aspects of Chinese officialdom. After meeting or any activities the officers are invited to a luxurious dinner to have a conversation. They discuss the problem at hand in the table, usually after drinking and eating.

Turkish government intervention has still impact on the economy; the private sector is expanding considerably. The banking sector is more independent from the government control and has weathered the financial turmoil well. The regulatory environment has improved and open market policies that encourage global trade and investment have enhanced the competitiveness of Turkey essentially (Heritage, 2012). The biggest obstacle for Turkey is the inefficient judicial system. The State has overtaken the judicial power and has bad influence on the general judicial order, which hinders judicial fairness. The absence of fairness in regulation and weak judicial system result in corruption inevitably.

UAE has a positive trend in improving the economic freedom. Economic restructuring has been underpinned by efforts to strengthen the business climate, boost investment, and foster the emergence of a more vibrant private sector. The generally open trade regime has helped to sustain the momentum for growth while controlling the costs. The corruption rate of UAE is very low compared to China, Turkey and even the other countries in the region. The weakness of UAE which harms the overall economic freedom is the drawbacks in legal system and the oppressive investment framework. There are still various restrictions on foreign investment, and the political intervention in the judicial system makes it vulnerable despite some progress (Heritage, 2012).

Despite the fact that the trade environment in China is relatively more free, the weighted tariff rate is 4.2%, with layers of non-tariff barriers adding to the cost of trade. The investment freedom is ranked as the 146th/179 economies and has only a score of 25, due to the non-transparent and inefficient investment regime. Chinese government has tight control of the financial system and market access. The fact that government holds many rights with its authority causes unfairness to small and private enterprises, because the government has the right to control the direction of the funds flow, lend according to state priorities and favor particular enterprises, which usually turn out to be the large state-owned enterprises.

As for Turkey, the trade weighted average tariff rate is 2.3% which is relatively lower, but non-tariff barriers constrain the freedom to trade. The government takes action to attract foreign investment, but there are still restrictions in many sectors. Additionally, excessive bureaucracy and frequent changes in the legal and regulatory environment shake the confidence of the investors. The financial system needs more transparency and competitiveness.

UAE has a modest trade weighted average tariff rate of 3.7% which is between those of China and Turkey, but lingering non-tariff barriers increase the cost of trade. Only in the “free zones” the domestic and foreign investors could be treated without discrimination. The government has some power policies in order to control the economy; for instance, except the free zones, UAE national owned at least 51% of a business, and the state possesses strong controlling power over the companies and investors. Fortunately, UAE financial sector provides a full range of services, and has open vibrant capital market. (Heritage, 2012).

The overall ranks for China, Turkey and UAE are 91, 71 and 26 out of 185 countries in Ease of doing business 2012. For starting a business, China ranks far behind Turkey and UAE. The number of procedures is twice as much, and it takes five times longer than Turkey. The minimum capital accounts for 85.7% of income per capita. The time required for Turkey is 2 days less than that of UAE; however, the minimum capital for UAE is 0 and the cost is only 6% of the income per capita. UAE has absolutely advantage for marker access and ease of doing business, in terms of starting a business, dealing with construction permits, cost, procedure, tax system.

One of the important inefficient of China is all the land are state-owned. If the individuals or companies want to use the land, they need to apply to upper governmental administration. All three cities are weak in protecting investors, because their common problem in regulative environment and judicial system is that the fairness and openness are limited. One advantage of China is the enforcing contracts and well-functioning courts which help

businesses expand their network and markets and enhance the reputation, widen the access credit of the firms and is more likely to attract new borrowers or customers. China (19th/185) is ahead of Turkey (40th) and UAE (104th).

Trading across borders in today's globalized environment, especially for China (68th/185), Turkey (78th) and UAE (5th), plays a key role in promoting the economic growth, because these three countries rely on exports and trade to a certain extent. In addition, tax system and regulation have vast impact on business environment and economic growth, and a reasonable level of tax could encourage the development of the private sector and the formalization of business. UAE (6th in paying tax 2012 rank) is absolutely in the leading position worldwide in terms of paying tax which enables it to attract investment and encourage private sector to promote economic and financial development. China (121st) and Turkey (75th) impose heavy tax burdens, higher costs and much complicated processes to collect taxes and the administration of tax is not transparent.

Shanghai, Istanbul and Dubai's scores are 37, -19, and 18 respectively in GFCI score in terms of reputation. Shanghai has very good reputation and it just behind Seoul, Singapore and Toronto. Dubai is in the 19th position out of 79 cities, and the reputation advantage has risen rapidly. However, Istanbul, in terms of this indicator, does not possess any advantage, which score is -19, means people's level of confidence in Istanbul is quite low. In this process, the corruption is an inevitable phenomenon which results in a highly vulnerable judicial system. Bribe, corruption and public drinking have been a general social atmosphere that wastes huge amount of social wealth and money of the taxpayer. Government's meddling in the judicial processes and predilection leads to unfair competition. Intellectual property rights are protected ineffectively and it is common phenomenon that infringements on copyrights, patents, and trademarks.

China's rank is 143rd/177 and the score is only 20/100. It shows private property is protected weakly and corruption is widespread in many aspects. Judicial system could not work in order, court system is inefficient, and outside settlement and arbitration is common (Heritage, 2012). There are many reasons for this result. The main reason is that all of the land in China is state-owned; that is, the individuals and companies could only attain short or long-term leases with strict constraints and many restrictions are imposed by the government. Property rights in Turkey are better than China, although the infringement remain high; the intellectual property rights regime has improved. The property rights are generally in enforcement, but the government's interference in the judiciary system makes it unfair and inefficient. The courts in Turkey are overburdened and slow, and judges are not well trained for commercial cases.

The rule of law is relatively well maintained in UAE, but due to monarchism, the ruling families have been exerting considerable influence on the judiciary system. All of the lands in Abu Dhabi are government-owned, but it is step by step opened to non-citizens to own, buy, sell, rent and mortgage property and invest in special areas from 2010, according to a new resolution concerning property ownership (Heritage, 2012). The Global Political Risk index (GPRI) is a compound measure of a country's governmental, social, security-wise and economical risks. Table 3 exhibits the average political risk scores for China (12th), Turkey (58th) and UAE (62nd). Although one weakness of China is under strict country by Communist party, it brings politics and economics stability as a good point.

Judicial system of China and Turkey are not independent from government. Government interference plays an important role, and the procedures within the judicial system are not transparent enough. Governmental institutions hold too much power; therefore, corruption cannot be avoided. This results in ill conditions in the system and institutional structure. Various forms of corruption severely affect banking, finance, government procurement, and construction in China. In Turkey bribery is outlawed, and some officials have been prosecuted for corruption, but corruption continues to undermine perceptions of government integrity. UAE the level of corruptions remains at a modest level, it is much better than those in China and Turkey.

UAE and Turkey has better regulation efficiency performance than China. Corruption is one of the biggest obstacles that hamper the efficiency in institutions. UAE (27th/176) has a much lower corruption rate than that of

Turkey (54th) and China (80th). UAE government's control of corruption rate is 80% however, in China it is only 33% and in Turkey it is just 58%. These show that corruption in China is a very severe social problem and widespread in almost all aspects. Turkish and Chinese judicial systems have problems, they are not independent enough, and some stronger powers could intervene with the judicial system or even control it. This is quite a risk for investors and customers as in that case they will consider protection by laws and legislation is not strong enough.

The freedom of press and voice & accountability all refer to the right of individuals to know and the transparency of the government. If the government holds substantial power to control the media and the news, the transparency degree is very low. Government can control the news to impact on people and companies. As for companies, they cannot receive accurate information from public to base their decisions on. In terms of these indicators, China (174th/179) almost the worst in the world. Voice & accountability in China is only 5%, and in UAE it is 24%, Turkey 43% is relatively higher, in 2010 database.

To assess cities' institutional effectiveness, we use the data from EIU "Global city competitiveness 2012", in which they examined indicators that "encourage stability of regulations, predictability and fairness of political processes and effectiveness of the system." Shanghai's overall score is 37.6/100, Istanbul's is 49, and Dubai's is 72.7. Dubai's institutional effectiveness is higher than that of Istanbul and Shanghai, although Dubai only ranks the 40th out of 120 cities.

4.3. *Financial potential*

China fell down by four spots in the 2012 Financial Development Report, and standing at the 23rd rank overall. China has strong advantage in non-banking financial service (4th), with IPO (1st) and M&A activity (5th). However, China's business environment (47th) remains the worst performance, and banking financial service and financial access also has considerable room to improve. Turkey (30th) also showed considerable strength in financial market, particularly in equity market development (20th). However, financial instability (58th), unstable currency (50th) and banking systems (58th) still are the weakness of Turkish financial power. UAE (26th) has no doubt strength for tax regimes and efficiency (2nd), corporate governance mechanisms (16th) and highly stable banking systems (4th) also benefit a lot to UAE financial power. Despite of advantage, UAE banking system became less efficient (43rd) and IPO activity (48th), securitization (51st) need to improve. (WEF, 2012)

China leads the total financial assets of GDP with the ratio of 296%, roughly accounting three fold of its GDP; UAE is 180.1% and Turkey, on the other hand, has the ratio of 137% in financial assets to GDP. The major types are different for three countries. China, Turkey and UAE's financial assets ratios are all dominated by banking sector, 59%, 37% and 38%, respectively, and private debt securities are relatively the smaller than other financial assets. The banking financial service rank for China, Turkey and UAE are 17, 35 and 31, respectively. China's banking sector development has significant advantage than Turkey and UAE in size, efficiency and financial information disclosure aspects.

4.4. *Overall comparative analysis*

Fig.2 shows the four cities' competitiveness from EIU global city index 2012. Although Shanghai and Dubai placed very ahead of Istanbul in many aspects, we could see how big is the difference from a very developed city like Singapore, which is said to be the most competitive city of Asia. Except its economic strength, Shanghai lags far behind Singapore in all other indicators. On the one hand, there is big gap, but on the other, there is a big potential.

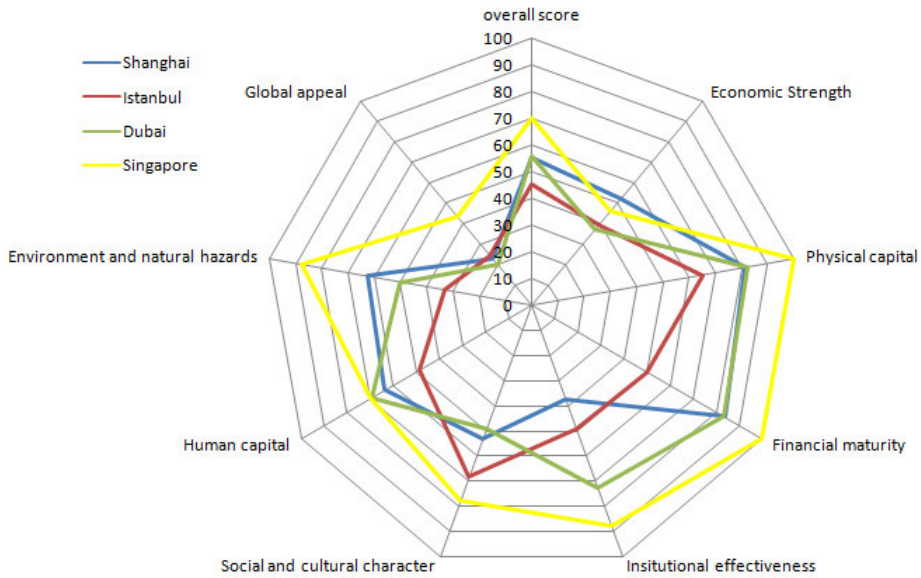


Fig.2 Global city competitiveness overall score of Shanghai, Istanbul, Dubai and Singapore

5. Comparative analysis conclusions

The strong economical foundation and rapid growth rate of GDP, big financial potential, national supporting and great efforts will lead Shanghai, Istanbul and Dubai develop into national and international financial center in different regions. After the comparative analysis from the perspective of instrumental structures, this paper can conclude three cities’ strengths and weaknesses. It is long way ahead for Istanbul to become a real International financial center. It has to promote the advantages and overcome the shortcomings and improve step by step. Table 3 shows the overall rank or score by evaluating instrumental factors. Although it does not reflect the real situation completely, it is still meaningful, and it has many implications.

Table 3: Overall instrument factors information

		Shanghai, China	Istanbul, Turkey	Dubai, UAE	Source
Global city competitiveness		43rd	74th	40th	EIU 2012
GFCI mean	City Rank	14	56.6	25	GFCI 1-18
	GDP growth	10.3	8.2	2.8	2010
GCI 2011-2012	Overall index ranking	26th	59th	27th	World Economic forum 2012
Human capita	The availability of skilled personal	101st	92nd	30th	HDI 2010
	Quality of life city	-17	66.1	175.83	QLI 2012
	Culture and language city	53.3	68.3	49.2	EIU 2012
	Human capital city score	63.7	48.5	69.1	EIU /100 2012
Business	High quality reliable and	48th	51st	8th	GCI 12-13

environment	appropriate infrastructure	45th	43rd	23rd	Financial development Index 2012/139	
		64th	55th	9th	Travel tourism competitiveness /139	
	Economic and financial freedom	138th	73rd	35th	heritage	
	Market access	91st	71st	26th	Ease of doing business	
	Capital access index	32nd	52nd	22nd	CAI 2009	
	Taxation regime	121st	75th	6th	Paying tax2012	
	Stability of political and economics	62nd	58th	12th	Political Risk index 2012	
	Reputation of the city	37	-19	18	GFCI 12	
	Rule of law: Property right and freedom from corruption	143rd	53rd	49th	Heritage	
		80th	57th	30th		
	Fair, transparent efficient legal and regulatory regime	80th	54th	27th	Corruption index 2012	
	Regulation and legislation	Government responsive	31st	43rd	16th	FDR 2012
		Institutional effectiveness city	37.6	49	72.7	EIU
Financial potential						

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