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1 Introduction

Globalization appeared practically with the start of trade. Trader never contented themselves with their domestic markets since the beginning of trade. There have always been new market visions in their minds in order to gain advantages. Especially after World War II, multinational entrepreneurship (MNE) arose unexpectedly. In the course of time different kinds of globalization form were discovered. Foreign Direct Investment (FDI) is one of the important investment forms, which developed during 1990s with the integration of technology and transport progress. Multinational business became more important, moreover some companies found out a safe way to invest abroad to survive in their domestic markets. The companies which are making business now with their own advanced technology and management system advantages, are quite often confronted with hard competition in immediate future. They need to set their visions and investments compatible to global trade to survive in the future. Therefore foreign investments in new markets keep significance, thus foreign direct investments become the main investment form in the last two decades.

According to official definitions foreign direct investment offers an authorization, if the investor has 10 % of the investment with a right of audience on important administrative decisions about production, marketing, sales or logistics etc in a completely new investment with building facilities and infrastructure (Greenfield investments) or a current company which has already been existing (Brownfield investments).

The literature about FDI and globalization has moved forward as well. The discussions and disagreements about FDI's advantages and disadvantages under the lights of globalization have not ended and probably can't be concluded in the future. Is FDI enough profitable for host country or it is only an illusion?
Turkey, with its dynamic labor and economic growth potential leaded by European Union accession negotiation, became a brilliant market although it couldn't attract enough FDI inflows in the globalization progress. Turkish economy shifted from import orientation to export orientation at the beginning of 1980s and the influence of government on economy was alleviated as a start of liberalization, which was

regrettably not enough to attract foreign capital inflows in the country. However, after the new regulations and incentives, particularly the new FDI law, Turkey started to increase on the world FDI inflow ranking. The new FDI law, which was legislated in 2003, offered foreign investors equal rights with local investors and affected the investment climate positively. FDI inflows increased rapidly after 2003. The question is whether it is a result of investment climate amelioration in Turkey or the increasing global investment trend that influenced Turkey's FDI inflow positively?

The aim of this study is to light the investment way in Turkey to clarify on FDI effects in a host country and to specify the attractiveness of investment climate in Turkey and its progress methods.

This study consists of three basic sections. In the first section (Chapter 2), the start of globalization and the definition of FDI is discussed briefly. Furthermore historical development of FDI is worked out, following with some famous studies. The importance, benefits, advantages and disadvantages of FDI with various kinds of investment forms and major determinants are explained. FDI situation in Turkey and in the EU is shown with formal statistical data from Turkey Prime Ministry Undersecretariat of Treasury and European Commission.

Chapter 3 presents demographic information and economic indicators about Turkey, Turkey's economic growth and related with this analyses of various sectors. Furthermore a general view about FDI attractiveness and the offered incentives are explained broadly.

In the fourth chapter, the effects of FDI on Turkey are discussed. A general *PEST* analysis (Politic, Educational, Social, and Technological) with Spillover effects is executed.

The fifth chapter, which is also the final chapter, shows a short conclusion of this study.

2 Overview about Foreign Direct Investment (FDI)

2.1. Globalization

Globalization is; "A social process in which the constraints of geography, on economics, political, social and cultural arrangements recede, in which people become increasingly aware that they are receding and in which people act accordingly" (Water, 2001, p. 5).

The activities between different country's people, firms and governments are implemented by international trade which is also supported by technology. Therefore globalization creates mostly reasons to make a change in the life because these implementations have effects on the social, cultural, juridical and economic environment, which generate the human being.

Globalization can be defined the expansion of economic activities between international boundaries. Nayyar (2006) structured the globalization not only on international trade, international investment and international finance but also the expansion of transactions and organisation of economic activities of different countries (Nayyar, 2006).

According to Cartwright (2004) historical globalization did not actually started at the end of the 20th century, contrary it started with the voyages of discovery from Europe in the 16th centuries. Magellan, Drake, de Gama are the important characters of the history, but they have contributed also to the world trade. Most of the explorers were concerned with trade to find new markets for their sponsors' products and also new products to sell in their home country as well. Trade is as old as civilization. The big empires of that time traded in large distance regionally. The Roman Empire, which owned a large area, traded also regional although they traded around the Mediterranean (Cartwright, 2004, pp. 8-9).

The industrial revolution had a strong effect on UK at the beginning of 19th centuries. The domestic companies had the chance to become national. From a viewpoint of the first 21st century, aircraft transporting and travelling were difficult as a compare to

rail and seaboard, which was founded by a network of UK, to transport the goods and people safely (Cartwright, 2004).

As a result of globalization, there were two key factors of 18^h international economy, which figured the economy of 19th economy. Capital and labor flow between different countries and the convergence of living standards (O'Rouke & Williamson, 2001). It is obvious to see the requirements changing the life have also a great effect on globalization evolution.

Globalization has offered chances to many individuals and nations, but also exposed them to unforeseen risks that they couldn’t even dream before. The allocation of benefits and disadvantage is not equal on the world (Nayyar, 2006).

Foreign Direct Investment has been the most significant gateway into globalization by the complementary actions of international corporations. FDI flows into the foreign country’s economy have become a fundamental resource and one of the most important sources foreign capitals (Erdilek, Today's Zaman, 2007). For this reason foreign direct investment has been a key indicator for global economy in the last decades. Following chapter will focus on FDI.

2.2. Definition of FDI

The role of Foreign Investment has been more fundamental over the last decades for the nation’s global economy if we look at the increasing of investments and their statistics.

According to an average human being in any country, FDI shows its influence with by decreasing pressure of trade barriers, which means that it becomes easier to deliver products and services from other countries compared to the past decades. Therefore the growth in foreign direct investments is a fundamental manifestation of the globalization (Cartwright, 2004).

Basically FDI is “*investing directly in production in another country, either by buying a company there or establishing new operations of an existing business”* (Economist

Online Dictionary). But the definition of FDI acquires a different character in respect of countries. For example, according to Energy Information Administration (EIA) in USA; *"foreign direct investment in the United States is defined as the ownership or control, directly or indirectly, by one foreign investor of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or the equivalent interest in an unincorporated U.S. business enterprise (or asset). Ownership or control of less than 10 percent of the voting securities of a business is not considered to be direct investment"* (Energy Information Administration, 2005).

UNCTAD characterizes; "*FDI refers to an investment made to acquire lasting interest in enterprises operating outside of the economy of the investor*" (BMP5, 1993)[1]. OECD defines FDI as "*a direct investment enterprise is an incorporated or unincorporated enterprise in which a single foreign investor either owns 10 per cent or more of the ordinary shares or voting power of an enterprise (unless it can be proven that the 10 per cent ownership does not allow the investor an effective voice in the management) or owns less than 10 per cent of the ordinary shares or voting power of an enterprise, yet still maintains an effective voice in management* " (BD3, 1996)[2].

After looking at different definitions, the difference between foreign direct and indirect investment has to be clear as a first step to understand the definition of FDI better.

The definition of FDI, according to European Union foreign direct investment yearbook 2008 *"Foreign direct investment is the category of international investment in which an enterprise resident in one country (the direct investor) acquires an interest of at least 10 % in an enterprise resident in another country (the direct investment enterprise). Subsequent transactions between affiliated enterprises are also direct investment transactions"* (EU FDI Yearbook, 2008).

A capital investment that is owned and operated by a foreign entity is called foreign direct investment. Alternatively, an American might buy stock in a Mexican

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[1] Balance of Payments Manual: Fifth Edition (BPM5) (Washington, D.C., International Monetary Fund, 1993)

[2] Detailed Benchmark Definition of Foreign Direct Investment: Third Edition (BD3) (Paris, Organization for Economic Co-operation and Development, 1996)

corporation (that is, buy a share in the ownership of the corporation); the Mexican corporation can use the proceeds from the stock sale to build a new factory. An investment that is financed with foreign money but operated by domestic residents is called *foreign portfolio investment* (Mankiw, 2002). Portfolio investments refer to the purchase by individuals or institutions of foreign paper assets, either equities or bonds. Portfolio investment does not imply taking managerial control over a foreign company, or control over its physical assets (Ingham, 2004). An example is when McDonald's opens up a fast food outlet in Russia. That is referred to as a Foreign Direct Investment. Alternatively, when an American buys stocks in a Russian corporation, this would be an example of foreign portfolio investment (Mankiw, 2002). Whenever 10% or more of the voting shares in a U.S. company are held by foreign investors, the company is classified at the U.S. affiliate of a foreign company, and as a Foreign Direct Investment. Similarly, if U.S. investors hold 10% or more of the shares in a company outside the United States, that company is considered to be a foreign affiliate of a U.S. company (Eiteman, Stonehill, & Moffett, 2006). The main difference between FDI and foreign portfolio investments (FPI), has to be found in the authority of controlling.

As we see these different definitions it is clear to understand, the definitions acquire a different character from the view of the person that handles the subject but this paper is not going to work about the variable definitions of FDI.

2.3. Historical Development of FDI

Foreign direct investment (FDI) is a forceful dimension of globalization. To have a better and parallel view of historical development of FDI, it is necessary to understand the history of globalization. What is really interesting is the fact that there is neither a definitive start of FDI nor globalization. We can see the trade between distant regions at any moment of the history as long as the people trade.

Obviously the globalization didn't start in the 20th century. It commenced with the discovery of other parts of the world by explorers. These explorers also backed up the commercial life. In fact they were looking for new markets to sell their goods, and getting better and cheaper raw materials for their production. This is the reason, why

some of them are sponsored by traders too. It has also been claimed that the globalization is not centralized in Europe because of Chinese exploration in Africa before the 15th century. As long as trade exists, the idea of new markets, new products and new resources, etc has existed as well; what might be a reason for globalization. It is known that the old nations like Persians Greeks or Romans traded. But we have the clearest information about globalization and FDI starting at the beginning of 20th century as an American origin (Cartwright, 2004).

Robert E. Lipsey claims that historically, *“The United States began its role as a foreign direct investor in the late 19th Century, while it was still a net importer of capital. It became the dominant supplier of direct investment to the rest of the world, accounting for about half of the world’s stock in 1960. Since then, other countries have become major direct investors. The U.S. share is now less than a quarter of the world total and the United States has become a major recipient of FDI from other countries”* (Lipsey R. , 2001).

By looking at the examples we can assume that the idea of internationalization, globalization and resulting from globalization, FDI exists since the trade exists.

2.3.1. Until the World War I

The cooperation of traders and transnational network subsidiaries of business enterprises have been exist since the Middle Ages. Along the channel of commerce was built a strong infrastructure such as agencies, warehouses and shops by the traders or the society to guarantee the development of a frictionless business using price fluctuation in different areas.

They had agencies in all big European cities and in all important producers regions.
Over the years they started to offer financial services beside their main businesses. At the end of 14th century there were about 150 Italian banks, which were also transnational active, so that they were characterized as the first multinational enterprises. At the beginning of modern times, various business enterprises and banks invested at the beginning of modern times in mine occupation (i.e. Family Fugger, one of the richest families of Europe in 16th century, had silver mines in Spain and in South America). As a result of the development in transport technology,

faster and bigger ships, maps, navigations and the latest discoveries, it was possible to expand the commercial activities. Various commercial firms such as the British and Dutch "East Indian Company" or the "Royal African Company" opened up big regional markets. As a compare to middle age terms the family firms war not the subject because these firms were founded or supported by the state because of political power reasons.

The industrial revolution has brought a dramatic change to the abilities and encouragements of enterprises and countries concerning implement into the colonization and international commerce. In 19th century the people first and foremost from Europe applied to immigrate to North America. They brought their capital, technology, management knowledge and entrepreneurship overseas. Another reason for investing abroad is the demand for mineral and agrarian raw material for the strong expanding industries and aliments of the people.

In the first half of the19th century, the investments in a foreign country were not a direct investment according to today's definitions. In most cases, the firms were "freestanding" in other countries; that means that they were not depending on a firm in a home-country. The traders immigrate with their capital to a foreign country and but still maintained an office in the home-country.

In individual case there were some Direct Investments before the1870s in a sense of today's direct investment definition. There were direct investments in service branches such as banking; insurance, transporting and big companies had a network of branch offices in different countries before 1870s (Steiger, 1999).

Table 1: The Worldwide Oversea Investments (Portfolio and Direct Investment) according to origin countries in 1914

	Value in Billion. $	Ratio in %
UK	**18,9**	**43%**
France	**8,8**	**20%**
Germany	**5,7**	**13%**
Belgium, Holland, Switzerland	**5,3**	**12%**

USA	3,1	7%
Others	2,2	5%
Total	44,0	100%

Source: (Steiger, 1999, p. 118)

Table 2: The World Wide Direct Investments according to Home Countries in the Years 1914, 1938, 1960

	1914		1938		1960	
	Bn. $	%	Bn. $	%	Bn. $	%
Developed Countries	**14,4**	**100%**	**26,4**	**100%**	**62,9**	**98,9**
North America						
USA	2,6	18,6%	7,3	27,7%	31,9	48,3
Canada	0,15	1,0%	0,7	2,7%	2,5	3,8
Europe						
West Europe						
UK	6,5	44,6%	10,5	39,8%	10,8	16,3
Germany	1,5	10,3%	0,4	1,3%	0,8	1,2
France	1,8	12,0%	2,5	9,5%	4,1	6,2
Italy, Belgium, Holland, Switzerland, Schweden	1,3	9,6%	3,5	13,3%	12,1	18,4
Other Developed Countries						
Russia	0.3	2,1%	0,5	1,7%	Disregarded	Disregarded
Japan	0,3	2,1%	0,8	2,8%	0,5	0,8%
Australian, New Zealand, South Africa	0,2	1,2%	0,3	1,1%	0,2	0,3%
Other	Disregarded	Disregarded	Disregarded	Disregarded	2,5	3,8%
Developing Countries	Disregarded	Disregarded	Disregarded	Disregarded	0,7	1,1%
Total	**14,6**	**100,0%**	**26,4**	**100,0%**	**66,1**	**100,0%**

Source: (Steiger, 1999, p. 118)

Table 3: The Allocation of World Wide Direct Investments according to Host Countries Years 1914, 1938, 1960

	1914		1938		1960	
	Bn. $	%	Bn. $	%	Bn. $	%
Developed Countries	5,2	37,2 %	8,3	34,3 %	36,7	67,3%
North America						
USA	1,5	10,3%	1,8	7,4%	7.6	13,9%
Canada	0,8	5,7%	2,3	9,4%	12,9	23,7%
Europe						
West Europe	1,1	7,8%	1,8	7,4%	12,5	22,9%
UK	(0,2)	(1,4)%	(0,7)	(2,9)%	(5,0)	(9,2)%
Remain Europe	1,4	9,9%	0,4	1,6%	0,4	0,4%
Russia	(1,0)	(7,1)%	(-)	(-)	(-)	(-)
Australian South Africa	0,45	3,2%	2,0	8%	3,6	6,6%
Japan	0,035	0,2%	0,1	0,4%	0,1	0,2%
Developing countries	8,9	62,8%	16,0	65,7%	17,6	32,3%
Latin America	4,6	32,7%	7.5	30,8%	8,5	15,6%
Africa	0.9	6,4%	1,8	7,4%	3,0	5,5%
Asia	3,0	20,9%	6,1	25,0%	4,1	7,5%
China	(1,1)	(7,8)%	(1,4)	(5,8)%	Disregarded	Disregarded
Indian and Ceylon	(0,45)	(3,2)%	(1,4)	(5,6)%	(1,1)	(2,0)%
Middle East	0,4	2,8%	0,6	2,6%	1,5	2,8%
South Europe					0,5	0,9%
Total	**14,1**	**100,0%**	**24,3**	**100,0%**	**54,5**	**100,0%**

Source: (Steiger, 1999, p. 119)

According to Pohl (1994), the time between 1820 and 1914 is defined as a growing free trade period. International trade and overseas capital movements sharply developed in this period. But by the investments in foreign countries, the portfolio investments were most prevalent, although the direct investments have increased in the second half of the 19th century. Different kinds of technologic innovation accelerated the process of industrialization and internationalization. In this period most of the European firms founded a branch office to avoid the customs barriers

and to open up into the new markets in USA. The majority of market-orientated investments flew between industrial countries, e.g. German chemical industry invested in USA and French capital flew to Russia. At the beginning of this period, the industrial lands are in the same time investors and debtors, whereas the United Kingdom was the biggest investor in the world because of its colonies. The big industrial firms in the USA and UK supplied row materials resources with their colonial politics.

2.3.2. FDI during World War I

World War I changed the size, structure and the form of international production. The War forced some of the participants to sell their assets in foreign countries or lose them. The new border determination and loosing areas of the war were a reason of great losses in foreign countries. Without exception the industrial countries were influenced by the crises at the end of the 1920's and at the beginning of the 1930's. The economic climate in international trade in this time was frostier than in 1914. Nevertheless the global direct investment increased between 1914 -1938. Generally speaking, it can be said that, the speed of internationalization decreased a little, but it experienced an intensive maturation.

2.3.3. FDI after the World War II till 1960's

After the Second World War, every form of internationalization has expanded steadily. A fundamental part of investments were market-orientated to avoid trade barriers and trade was substituted by direct investments. The capital flow has taken place in this time period between industry countries as before. The US FDI has displaced the UK direct investments on the top of the list until 1960's. All of the war participations have lost their economical power and they have found the solution by selling their foreign assets. However, the macro economic situation in the period after the Second World War (WWII) allowed the European countries to catch the level before the WWII times rapidly. Although the powerful European countries have their old position snatched to USA, the UK had the best percent of foreign investments in Europe according to other UK countries. With innovation, management and entrepreneurship had a big advantage of US multinational enterprises in fast-increasing branches. The overvaluation, as a result of dollar scarcity, has raised the labor cost in USA and afforded the beneficial buyout of European industry firms.

Many American firms, which were not trading till that time internationally, forced to invest in a broad if they wanted to be competitive. Therefore the overvaluation dollar was an impulsive force of internationalization for American industry. As reasons for internationalization advantages through the direct investments were till 1960s primarily market and resources orientation. The areal division of work was minor at that time.

But one of an important investment reasons of European firms in USA was to acquire the production, organization and marketing know–how of Americans.

2.3.4. FDI from 1960's till today

Today USA is the major host country for direct investments. Canada has changed its situation since 1960s from host country to an investor. In Europe, the oversea investments have been strengthened with the developed integration effort meanwhile the single market of EU attracted the capital from overseas. The high value of Yen, expensive investment costs, the areal and cultural distance, market entry barriers, and preference of customers to use their own domestic products hindered to developing in Japanese markets by foreign MNE. But in the new times for the FDI developments situation, especially for the European countries, foreign investments have increased strongly; even then the European countries have lost the meaning of investing out of Europe, particularly the countries, which have no integration with other economics, have founded their investments primarily in Europe at the same time US FDI have increased in Asia and Europe after the lost of meaning on their own country. In this time period, the Japanese investment has started in abroad, which the capital flow was profited by USA, center European countries and East-Asian countries.

2.4. Importance of FDI

FDI is one of the most fundamental resources for a country to guarantee a stable and sustainable grow. Although globalization has always been paid great attention in science, the theories have not become mature enough yet. The most important question is "Which potential advantages make a company actually invest in an abroad company? What are the reasons for investing in a foreign country?" FDI has

become much more important for the developing countries, after the importance of globalization has been released.

Not only sharing the limited capital around the world, but also the contribution of foreign investments to the foreign country's economy, countries every day try to create more attractive conditions for foreign capital. Before realizing the importance of globalization, foreign investments were intended to maximize the effectiveness of capital, to raise the production, to decrease the unemployment, to decrease the production costs, labor costs, benefit from tax advantage, to obtain cheap raw material, to enable a foreign-exchange reserve development, creating a competitive atmosphere within the country, bringing new technologies into the country and know-how, getting political and economical support of capital exporting and well developed countries, economic growth, environmental protection, improving the human resources (Oksay, 1998). Additionally in the view of investors, why companies engage in FDI is accessing the new overseas markets, new technology basically Research and Developments (UK Trade & Investment Services, 2006). FDI The importance, advantages & disadvantages and affects of FDI will be discussed in the following sections, specifically on Turkey macro- economy and FDI.

2.4.1. What benefits does FDI offer?

Griffith (2006) claimed that the countries try to attract FDI for various reasons, economic growth, FDI flows and technology transfer. According to his study, FDI will not always offer such benefits as expected, which depends on various factors to give advantage to host country. There are also key indicators which determinate the benefit level on the host country. The benefits depend on the subsidiary whether it is a part of global network or has an organization to trade intra firm. Furthermore the technological advantages in comparison to local firms, the host economy's scientific talent, have all an affect on the benefit of the host country (Griffith, 2006).

Developing countries see the FDI inflows into their countries as an important resource to reach the economic welfare, modernisation in the society and growth of employment. Countries needed a liberal regime and a feasible policy to attract the

FD Investors. They have approached to the subject, how to adapt their policy to benefit and improving the presence in the host country (OECD Report, 2002)[3].

International investments help firms to achieve the growing and economies of scale, which is difficult to achieve for the domestic companies alone in the host country. That is why they are more productive and beneficial by offering more recruitment and salary system. The high productivity enables supporting the ability to competing as companies become open to new ideas (UK Trade & Investment Services, 2006).

2.5. FDI advantages & disadvantages

2.5.1. The Advantages of FDI

The FDI has been an important determinant of the developing global economics. Historically FDI increased in the last decades more than before. This is obviously a result of various factors, such as governments' rapprochements to foreign investors, globalization trend of the world economy or the expected benefits on the host country and its encouragement, and other advantages that FDI occurs.

An important advantage of FDI is being resilient during a crisis situation. For example during the global financial crisis from 1997-1998, the FDI investments were stable in the East Asian countries. Another proof of resilience could be seen in the Mexican crises in the years 1994- 1995 and the Latin American crisis in the 1980s. This resilience might dazzle the developing countries trying to attract the new FDI inflows as a compare to other capital inflows.

Economists keen a free capital flow between different countries, to make the free capital searching the highest return rate. The free flow of capital also offers other advantages, which were discussed by Feldstein in his article (2000). International capital flows lower the risk of investors by diversifying their investments. Secondly the integration of capital markets supports the allocation and better implementation in corporate governance, accounting and legal structure. Lastly the circulation of capital limits the bad policies and affects the government policies (Loungani & Razin, 2001).

[3] OECD; Organization for Economic Co-operation and Development, established by 1961 in Paris, 30 member country with 342,9 million € www.oecd.org

Feldstein (2000) claims, net cash flows are not the only gain, which the host countries aim from a foreign direct investments, he summarize the expectation of host countries except the net cash flow in three points;

- FDI supports and supplies a mechanism for technology transfers, which is not possible to get by financial investments, by trade in goods and service or exporting and licensing.
- The countries, that have received a foreign direct investment, acquire an employee training by operating new businesses.
- The equity capital is the reason of profits in the host country, and these profits are the tax assessment in the receiving country, even though the investor wants to get back the income to his home country, the funds are the subject of corporate taxes and taxable in the host country.

In addition to these advantages in the recipient countries, FDI provides also benefits to the company in home country, as a reason of using the advantage of economy of scale (Feldstein, 2000).

Dr. Khondoker Abdul Mottaleb (2007) starts his article with the following sentence to emphasize the affect of FDI on the economic growth: "*By bridging the gap between domestic savings and investment and bringing the latest technology and management know-how from developed countries, foreign direct investment (FDI) can play important role in achieving rapid economic growth in the developing countries"* (Mottaleb, 2007).

2.5.2. Disadvantages of FDI

2.5.2.1 Investment cost

FDI is very cost intensive in comparison to exporting and licensing. On the on hand foreign companies have to venture much more money for the building and investing of production in a foreign country or acquiring a foreign firm. On the other hand, if a company wants to export its goods, it doesn't necessarily need to accept a high-cost risk like a FDI. When a firm licences the authorization of its brand-name or know-

how, it doesn't take any risk to pay on the contrary acquires the gain from its licensing.

2.5.2.2. Political risks

When an international company is interested in investing in a foreign country, it is again riskier than exporting and licensing. One of the most important factors to be successful in a foreign country is the stability of political circumstances and a free competitive open market (Contractor, 1984). Another political risk is that the foreign investors may hold back because of corruption and keep away from countries with high corruption level. For example, some African countries where corruption is rampant, receive very little FDI (Habib & Zurawicki, 2002).

2.5.2.3. Cultural distance

Another important risk when investing abroad is cultural differences. Cultural distance is also important during decision making phase for the entry mode. The firms should not ignore the cultural differences while they are investing in a foreign country. In this point of view exporting and licensing are less risky but not always more profitable. FDI refers mostly high communication costs. The linguistic and cultural distance between the host and home country can cause also problems. FD Investors have to pay attention to cultural differences. Therefore it is recommended to enter into a domestic partnership or local agency into the new markets with a big cultural distance which might be useful to hurdle the cultural differences disadvantage by investing abroad (Brouthers, 2002).

The importance of cultural distance by investment decision can be understood with the words of Curt Nicolin, the CEO and chairman of the Swedish company ASEA: **"***Don't ever buy 100 percent of any company in China, because you don't understand the Chinese. You must have somebody who is involved in the business, whom you can trust and who can tell you what you can do and not do in China, and he must be part owner* **" (** (Slangen & Hennart, 2002)as cited Morosini, 1998, p. 182)).

2.6. FDI FORMS

It is important to make a decision which form of FDI is best for an investor, who wants to invest abroad safely. Every form of FDI has its own advantages and

disadvantages, which should be considered by the decision-makers. The development ability and chance of a FDI depends also on the form of FDI at first. The FDI forms are classified into 8 subheads.

2.6.1. Greenfield & Brownfield Investments and Mergers and Acquisitions

According to Qiusheng et all, the expanding in a foreign country is in two ways possible: Internal and external growth. The aim of internal growth is using the internal resources and increasing the efficiency as external growth refers external resources. Green field investment is an example of internal growth and M&A is for external growth. Both of expanding methods have their own advantages and disadvantages. Hence it is important to decide the convenient way (Qiusheng, Guanghui, & Yunhua, 2006).

2.6.1.1. Greenfield Investment

Greenfield Investment is an FDI form, when investors' company builds a new asset in host economy. New jobs are also offered as well as the buildings in host country. Host countries which aim to develop, offer tax-breaks, subsidies and incentives to get the green field investments (Harzing, 2002). Following table shows total number of Greenfield FDI Investments on the world with a comparison of some country data.

Table 4: Total Number of Greenfield FDI Investments

	2003	2004	2005	2006	2007
World	9469	10254	10632	12441	11703
Developed Countries	4162	4688	5150	6198	6037
Developing Countries	5307	5566	5482	6243	5666
Turkey	71	67	73	90	93
Czech Republic	145	148	152	181	149
Hungary	218	224	212	256	219
Poland	154	240	275	350	333
Bulgaria	98	109	142	298	151
Romania	116	182	264	385	366
Source: World Investment Report 2008					

Source: (Izmen & Yilmaz, 2009)

2.6.1.2. Brownfield Investments

Meyer and Estrin (2001) defined it as "Brownfield investment is a foreign acquisition undertaken as part of the establishment of a local operation. From the outset, its resources and capabilities are primarily provided by the investor, replacing most resources and capabilities of the acquired firm."

Furthermore Meyer and Estrin (2001) remarked that Brownfield investment is also attractive if host country resources are needed but not enough for, the transaction costs prevent the traditional market entrance. The aim of using the Brownfield is the utilization of ex- infrastructures and inactive lands (Meyer & Estrin, 2001).

2.6.1.3. Mergers and Acquisitions

Mergers and Acquisitions are the investment which aims to get the already existing havings of a local company by foreign investors. There could be two main indicators why the companies choose to invest by acquisitions rather than through Greenfield investment. Firstly the target firm might represent a bargain for the acquirer, such as the value of the assets acquired is cheaper than the replacement cost. Secondly the investor can use its firm specific advantages more efficient by acquisition than a Greenfield entry (Hennart & Park, 1993).

Foreign mergers are the most common way of FDI which means, combining the havings and operation of different country's firms through joining a new juristic form. Acquisitions are formed, when the management power of existence and business operations change hands from a domestic company to a foreign one, which means the local company becomes an affiliate of foreign parent firm. In contradistinction to Greenfield investments, acquisitions, which are also an important FDI from, create a short term benefit or only the sellers of local company (Investment and Income, 2007). Statistically; the generality of FDI flows are created through merger and acquisition activities. (Globerman & Shapiro, 2004)

According to Rosenzweig and Chang (2001), the decision of entry mode could be explained by cultural and national factors. The cultural distance between home and host countries makes the investment more risky, and would lead firms to choose less risky entry modes. Greater cultural distance between home and host country, which could be measured by the indexes of Hofstede 5 dimension studies (1980), that

presents an entry through the joint ventures and Greenfield investment less risky than acquisitions (Rosenzweig & Chang, 2001).

2.6.2. Horizontal and Vertical FDI

Basically the companies invest in abroad for two reasons, the first is serving in a new and foreign market and the second reason is getting the costs lower. The difference of company's investment aims makes the difference between the horizontal and vertical FDI.

2.6.2.1. Horizontal FDI

This type of FDI says that the in host country company manufactures the similar products as in home country. It is called "horizontal FDI" which is predicted to use the similar activities in host country. The value and number of horizontal FDI increase because the investment through export costs higher as a reason of high transportation costs and barriers in the trade.

2.6.2.2. Vertical FDI

International companies fractionate the production chain in different geographical regions by outsourcing the segments in foreign countries. The aim of the fragmentation of production is showing that the production segments with various inputs, and every input cost varies depending on the host country, the companies might profit to fragment the production chain.

Backward and Forward FDI

Another differentiation is the Backward and Forward FDI which falls under the Vertical FDI classification. Backward FDI uses its own supplier to deliver the inputs to its parent company in home country. Forward FDI builds up an affiliate in host country, which supplies the inputs for its own production from the host country's company, therefore with the support of parent company that stays in front of the foreign investment in the production chain list (Protsenko, 2003).

2.6.3. Seeking Aims of FDI

It is also possible to classify the investments according to the aim and the motivation of investor.

2.6.3.1. Market Seeking FDI

Market Seeking FDIs are the investments, which aim at opening up to new markets, which have been served by exporters with products and services that have been produced out of host country’s market or which haven’t met with these products and services before. Investing in Turkey, which is going to be produced and be sold in Turkish market, could be an example for Market Seeking FDI. Some reasons for Market Seeking FDI can be, the growth potential of foreign market, product adaptations or acquiring important foreign customers.

2.6.3.2. Resource Seeking FDI

Has the aim to utilize host country factor price differentials for production process using the efficient resources such as natural resources, skill labour or capital etc.

2.6.3.3. Efficiency Seeking FDI

They aim to raise their efficiency through using the advantage of economies of scale and scope. This form of FDI is seen mostly after resource or market seeking investments, with an expectation that it could increases the company profits. It aims also using the advantage of different comparative cost advantages for the FDI productions.

2.6.3.4. Strategic Asset/Capability Seeking FDI

Strategic Asset/Capability Seeking FDI has the aim to find to strategic consideration and supporting the competitiveness of the cooperation, inhibiting the exploits of competitors that have already a market share and position in foreign markets **(OECD, 2002).**

2.7. Determinants of FDI

In fact, most of the developing countries are competing with each other to attract a handsome amount of FDI by adopting different promotional policies, such as by

liberalizing trade regimes, establishing special economic zones and by offering incentives to the foreign investors (Mottaleb, 2007).

Before firms are going abroad, the managers have to decide which country is more favorable to invest in order to make a right investment decision. At this point there are some criteria which they have to compare and evaluate the investment decision in these countries as a “potential” host country. These determinants can vary according to firms or the skills of managers. It is summarized in this paper in 12 titles.

FDI depends on a region on the return rate of investment and the certainties of those returns, because of that, the investors have to compare the potential gains and risks of these investments within the framework of various investments factors. Investors check the major economic policy subjects concerning domestic and international trade, juristically framework, labour and other resources. Undoubtedly it is impossible to control these important factors by regional policy such as geographical situation of the host country, some national resources etc. However countries can also control some of the other fundamental economical determinants to improve their FDI flows as a host country. The literature of FDI determinants is rich. There are also many theories giving clearness to the questions why foreign direct investors take the investment decision and what the fundamental reasons or determinants are. On of the most important research method in the literature is the Dunning`s Eclectic Paradigm of international production, which was introduced first in the year of 1976 and he claimed three fundamental determinant groups for MNE`s to cooperate as an FDI. The OLI Eclectic Paradigm is the combination of 3 different theories of foreign direct investment:

The eclectic paradigm explains that FDI and Multinational Corporation’s growth can be explained by ownership-specific advantages of the firm, location, and by localization. Thus, it is the configuration of these ownership, location and internalization advantages which affects the firm's international investment and growth (Sing & Kundu, 2002).

If a foreign investor wants to overcome their competitors they have to get some advantages to make lover the costs investing abroad. Therefore the investor has to

find out how to profit more or how to reduce the production costs through having the **Ownership Advantages** such as having possession of inadequate resources, royalties, know-how.

The decision of where to invest with a factory or an office depends on neither ownership nor internationalization advantages. The attractiveness of different markets, which can change by the time to be more suitable for FDI, determines the investment decision. **Location Advantages** consist of economic advantages, which means also the efficiency of production, lower cost etc, political advantages and government attitude which affects FDI inflows and social advantages for instance cultural distance or communication costs.

FDI seeks always the markets that are not conquered yet or new discovered with a high potential markets (niche). To use **Internationalization Advantages**, particular know-how or patents are the asset which can increase the gains for the firm. The firms can gain by licensing the Ownership Advantages to another company, adjustment subsidiaries abroad or exporting (Dunning, 1988).

According to Sahoo (2006) it is possible to categorize all the determinants into two groups

"*All the determinants of FDI can be grouped under two categories (i) economic conditions and (ii) host country policies. Economic conditions include market size, growth prospect, rate of return, urbanisation / industrialization, labor cost, human capital, physical infrastructure, and macroeconomic fundamentals like inflation, tax regime, external debt, etc. Host country policies include the promotion of private ownership, efficient financial market, trade policies/free trade policy/regional trade agreements, FDI policies, perception of country risk, legal framework, and quality of bureaucracy. Empirical research suggests that FDI is sensitive to the host country's overall economic policies, including its tax policy****"*** (Sahoo, 2006).

2.7.1. Market Size

FDI requires mostly a large sized market to be able to reach more resources and as a reason of resources plentifulness; it could also be possible to lower the fixed cost. The inward FDI expectation is in the direction of increasing, when the market size grows. Foreign direct investors are always affected to invest in growing economies to use the advantage of economies of scale and the large resource possibilities. Therefore, there is a positive relation between market size and FDI inflows (Rusike, 2007). The investment goal of FDI`s in the growing economies is entering the developing countries and hence market size plays an import role in investment decisions. Market size is calculated by income per capita or GDP. Market size is not only important for decreasing the fixed costs or economies of scale but also providing domestic sales and benefiting from domestic resources (Sahoo, 2006).

2.7.2.Growth expectation in the host country

Together with other determinants and market size, the prospect of a country's economic growth also has a positive effect on FDI inflows in a host country. Countries with a higher economic growth rate have more FDI flows than countries which have insufficient growth rates (Sahoo, 2006).

2.7.3.Skilled labor and lower labor costs

Cheap costs of labor and availability of skilled labor are fundamental determinants of FDI inflow in foreign countries. Productions with higher payments of labor attract the Efficiency-Seeking FDI´s to produce efficiently not only for the host countries productivity but also for export. The cheap costs of labor could also lower the production costs. But in this point of view skilled labor availability problem occurs because if the firm only wants to lower the labor costs it would cause the decrease of production efficiency. In the host country, skilled labor can be more expensive than the average; therefore the solution is what kind of an aim the firm in foreign country has (Sahoo, 2006).

2.7.4.Infrastructure facilities

The availability and the quality of infrastructure facilities, such as electricity, transportation, airports, roads, seaports or telecommunications, is an essential

determinant of FDI. Countries which possess these facilities can attract the FDI flows easily along the other fundamental determinants. As a result of this, a positive relation is expected with FDI inflows into the host country (Rusike, 2007).

2.7.5.Government finance

It is an important aspect which influences the capital flow. If there is a big deficit in the economy, the government could raise the taxes what affect the foreign direct investments inflow in the country. If a country wants to attract the foreign investors, economic stability has to be granted to a certain level (Sahoo, 2006).

2.7.6.Rate of return on investment

The expected growth rates and the investment profitability are fundamental factors of an investment decision, which is always affected strongly by the rate of return on FDI in a foreign country. The rate of return on the investments is likely to be higher in the countries which have a shortage of capital. It can be hypothesized that if the GDP per capita is low, than the rate of return on investment is high, hence there is a negative relation between GDP per capita and rate of return (Sahoo, 2006).

2.7.7.Policy measures

Developing countries always try to attract the FDI inflows, to develop their economies in many ways, but the most common ways are the exception of paying the corporate tax, duties or granting other subsidies. As FDI tend to be affected by the tax rate differences. Being subsidized by the governments helps foreign investors to reduce the costs and improve their trademark. The governments try to make the market more attractive for foreign investors by offering incentives (Sahoo, 2006).

2.7.8.Business environment

It is also valuable for foreign investors to be welcomed in the foreign countries there the attitude of the host country is also a determinant of investment decision. These

positive ways of behaving lowers the costs of business, juristically barriers and moderate the general economic relations in the host country (Rusike, 2007).

2.7.9.Political stability

Obviously economies which have stable political conditions would take more FDI inflows than the unstable ones. In democratically developing or not developed countries there could be judicial problems. Foreign direct investors want to be sure that their investments and business would not be influenced negatively because of the political changes (Rusike, 2007).

2.7.10. Agglomeration effects

If the host country has a large FDI stock volume, it would be another reason to make increasing the prospective FDI. Hence the FDI stock size of foreign country is considered by investment decisions phase (Rusike, 2007).

2.7.11. Natural resource availability

There are many host countries which have possibly received FDI inflows as a result of the availability of natural resources especially, if the required natural resources are not available in the home country of the foreign direct investor. Consequently if the host country has plentiful resources, it would attract more foreign investors (Rusike, 2007). A good example is Saudi Arabia which always receives new overseas FDI as a result of its wealthy oil resources.

2.7.12. Inflation and Risk Rate

The inflation rate is an important sign of economic stability. Doubtless the investors would prefer to invest in stable countries, which offer less indistinctness.

Same as inflation rate, the risk rate affects the inflow of FDI negatively as well. The risk rate shows also the risk of default the foreign payments, which could limit the circle of capital in international are (Nonnemberg & Mendonça, 2004).

2.8. Situation of FDI in Turkey and in EU

2.8.1 FDI in European Union

According to the European Commission Glossary, the aim of the Rome Treaty, which was signed in 1957 for the European Community (EC), was to create a union in the future for the European people and a new collective market and economy. In 1992, the Treaty of Maastricht (Holland) was signed on the basis of EC. It created the European Union and a result of the negotiations on monetary union and on political union (European Economic Community, 2008).To highlighting the importance of the European Union in the world economy, it is necessary to analyze the EU FDI yearbooks.

Foreign direct investment brings the result of the developing the importance as a catalyser in the macro-economics (EU FDI Yearbook, 2008). Information of the European Union Foreign Direct Investment yearbook 2008 is available, which contains data for the period of 2001 – 2006 FDI stocks and flows. It can be said that the European Union had in the year of 2006, 34% of the world's FDI outflows.
The USA, Canada and Switzerland are the first three host countries for the EU direct investors. In the world economy, there was an increase of FDI inflows by 56% between the years 2005 and 2006; therewithal there was a 24% increase of EU FDI inflows. 48% of EU outward FDI flows have been received by USA, and by the beginning of 2006 a strong outflow to Japan could be observed from EU countries. UK was on the first place as host country at the end of 2005 among the EU-27 countries. EU FDI outward flows to non-EU countries was 260.2 billion € in 2006, with an increase of 11% compared to 2005. The USA received 72, 0 billion €, which was doubled in 2006 from 2005 by 28% of non-EU FDI outflows. FDI inflows to the EU from non-EU countries were € 211.3 billion in 2006 (EU FDI Yearbook, 2008). (See the chart 1 which continent has invested by which percent in the EU) The significant increase of EU FDI stocks, (outward-inward-net assets) is shown in the following Figure 1.

Figure 1: EU FDI stocks: outward, inward and net, 2002-2006 EU-27 for 2004-2006, EU-25 for 2002-2003

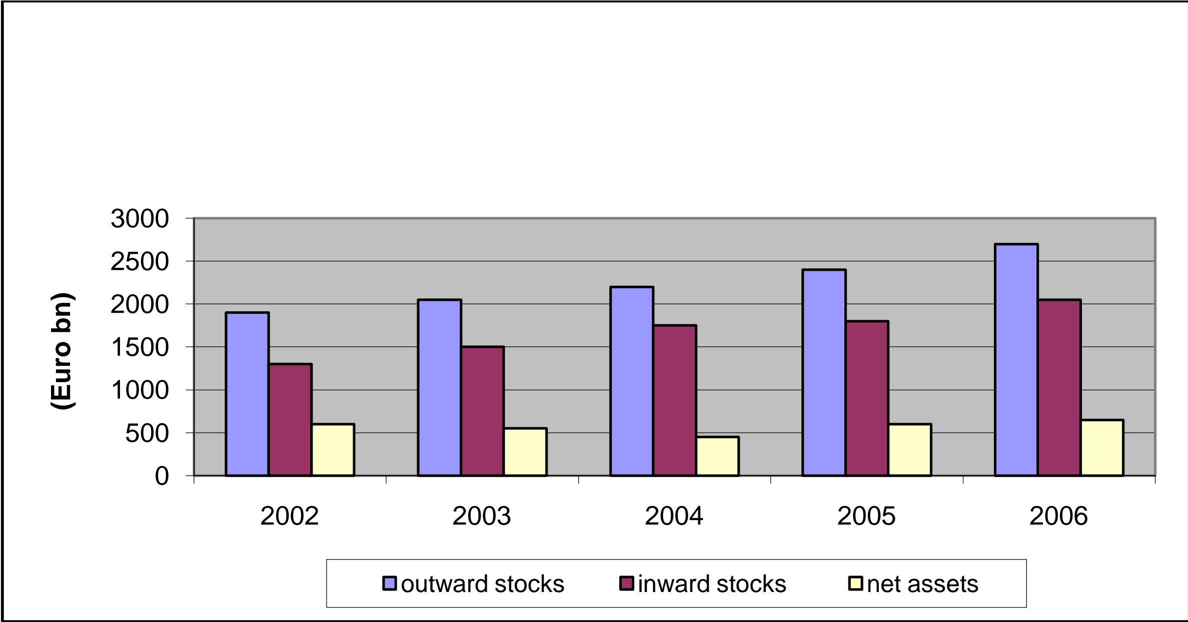


Figure 1 Source: (EU FDI Yearbook, 2008)

Figure 2: EU-25 FDI Inward stocks by extra-EU main Investor (End-2006)

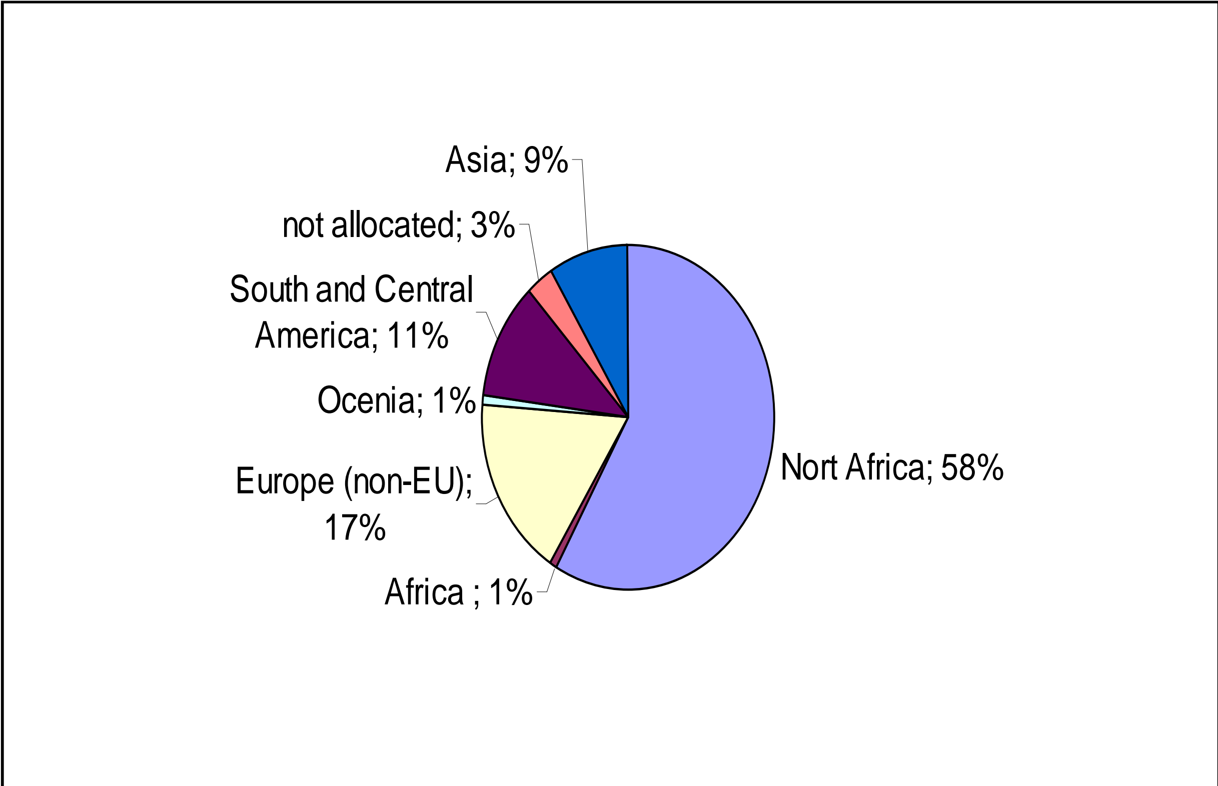


Figure 2 Source: (EU FDI Yearbook, 2008)

The EU FDI outflow increased to the value of 2706 billion €. As an expected result of USA, North America received the most of the FDI flows from the EU countries. 23%

of the EU outflows went to non-EU European countries in the second place after North America (EU FDI Yearbook, 2008). Chart 0.6 shows how the EU FDI outflows orientated in 2006.

Figure 3: EU-25 FDI outward stocks by main destination

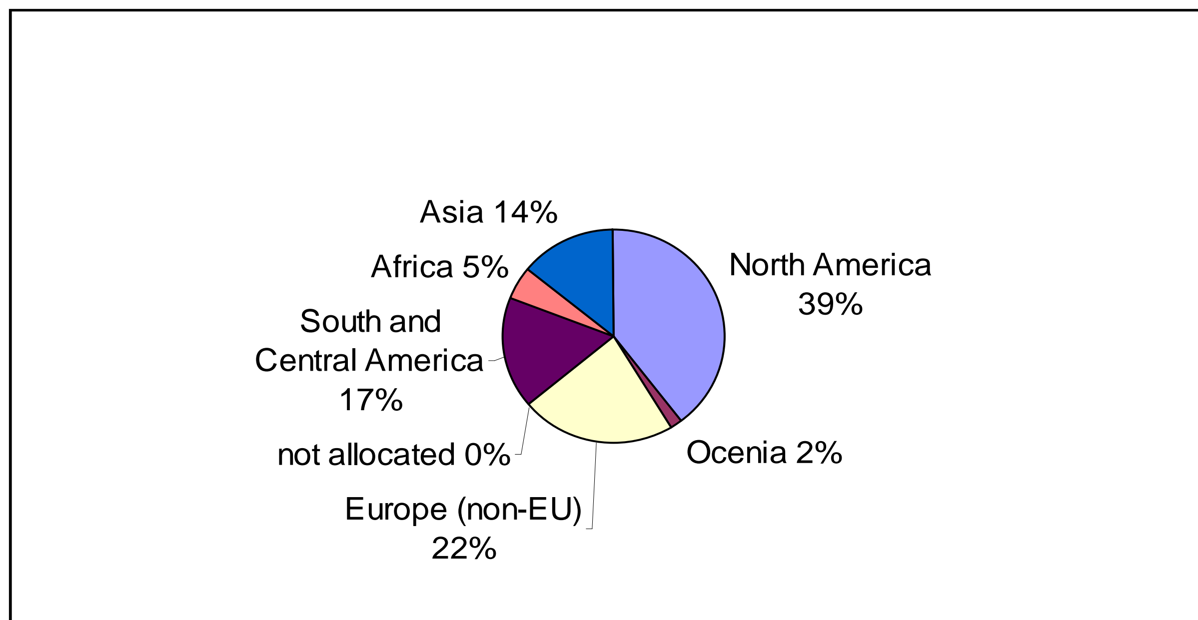


Figure 3 Source: (EU FDI Yearbook, 2008)

By of 2006 there was an increase of EU FDI outflow to the USA and Canada. 27% of the EU FDI flows was received by USA with a huge increase by 130% from 2005. Switzerland and USA were the main investors in 2006 with a share of 59% together (11% - 48%). The Table 0.1 shows us the main partners for EU and their FDI flows in 2006 (EU FDI Yearbook, 2008).

Table 5: Main partners for EU FDI outward and inward flows in 2006*

	Outward flows		Inward flows	
	Euro bn	**%**	**Euro bn**	%
Extra EU of which	260,2	100%	157,1	100,0%
Europe (non-EU) of which	66,8	25,7%	25,8	16,4%
Switzerland	20,9	8,0%	16,7	10,6%
Norway	5,9	2,3%	1,6	1,0%
Candidate Countries**	12	4,6%	-0,5	-0,3%
Croatia	1,5	0,6%	-0,1	0,0%
Turkey	10,5	4,0%	-0,4	-0,3%
Russia	10,4	4,0%	-0,5	-0,3%
Ukraine	2	0,8%	-0,1	0,0%
Africa	11,8	4,5%	1,9	1,2%
North America of which	102,5	39,4%	82,7	52,6%
USA	72	27,7%	75,6	48,1%
Canada	30,4	11,7%	7	4,5%

Central America of which	30,2	11,6%	17,8	11,3%
Mexico	1,2	0,5%	0,1	0,1%
South America of which	9,3	3,6%	1,9	1,2%
Brazil	5,1	1,9%	1,1	0,7%
Argentina	1,5	0,6%	0,1	0,0%
Asia of which	30,6	11,8%	29,5	18,8%
Japan	0,5	0,2%	13,6	8,7%
China (incl.Hong Kong)	8,9	3,4%	1,8	1,1%
Indonesia	-2	-0,8%	-0,5	-0,3%
India	2,5	0,9%	0,5	0,3%
South Korea	1,3	0,5%	1	0,6%
Ocenia of which	7,6	2,9%	4,5	2,9%
Australia	7,2	2,8%	3,7	2,3%
OECD (non-EU)	150,4	57,8%	120,5	76,7%
Offshore financial centre's***	50,8	20,0%	29,2	18,6%

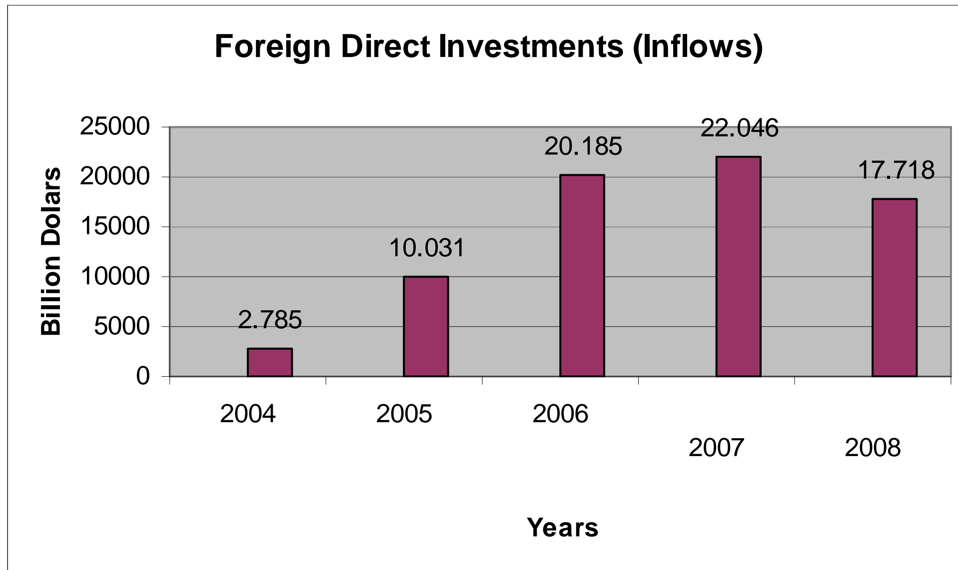
Source: (EU FDI Yearbook, 2008)

*The sum of continents does not always equal total extra-EU because of not allocated flows. Parts may be higher than totals because of disinvestment.
** Candidate countries: Croatia and Turkey.
*** Offshore financial centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries (for example Hong Kong, Singapore, Jersey, Bahamas, Bermuda, Cayman Islands).

2.8.2 FDI in Turkey

Unfortunately Turkey has always received lower inflows of FDI than other competitor countries, which have similar economic properties. There are of course several reasons for this improvable performance such as judicial and economical barriers, high bureaucracy, economical and political instability, corruption, etc. (YASED & TUSIAD, 2004). According the reports of YASED – International Investors Association of Turkey (March 2008), as a result of positive affect of political and economic stability after the unique governmental efforts for the economic reforms and to improve the attractiveness of the country, annual FDI inflows has climbed strongly between 2004-2007 from $ 2.78 billion to $ 22.0 billion with an increase by 790 %, which regrettably fell by 20% at the end of 2008.

Figure 4: FDI Inflows in Turkey



Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2003)

Table 6 : The yearly FDI Inflows between the time periods of 1993 – 2008

Years	Million USD	Years	Million USD
1993	636	2001	3,352
1994	608	2002	1,133
1995	885	2003	1,751
1996	722	2004	2,785
1997	805	2005	10,031
1998	940	2006*	20,185
1999	783	2007*	22,046
2000	982	2008**	17,718

Provisional Data Source: (The Undersecretariat Turkish Treasury , 2008)

In Turkey a strong rising in the number of foreign direct investor companies could be seen after the "Foreign Direct Investment Law" which was put into practice on 17.06.2003.

The numbers of FDI companies according the Turkish by Undersecretariat of Treasury statistics between the new law enforcement in 2003 and 2008 proofs the positive effect of the new FDI law with an increase of FDI companies that invested in Turkey.

Table 7: Number of Companies with International Capital by Year according to Mode of Establishment

Year	Company Establishment	Participation	Branch Office	Total
1954-2002 (Cumulative)	4.221	871	202	5.294
2003	800	198	31	1.029
2004	1.440	446	62	1.948
2005	2.081	478	54	2.613
2006	2.473	633	63	3.169
2007	2.913	655	61	3.629
2008	2.695	638	64	3.397
Total	**16.623**	**3.919**	**537**	**21.079**

Provisional Data, Source: (The Undersecretariat Turkish Treasury , 2008)

Turkey as a host country, has received a large proportion of the FDI inflows from European countries especially EU countries with a decrease of 13% in 2008. The topmost country is the UK in 2008. The Gulf Arabian countries make up the second place in Turkish FDI inflows. The following table shows the situation of FDI inflows in Turkey with a regional differentiation.

Table 8 : International Direct Investment Inflow by Country

(Million $)

Countries	2004	2005	2006	2007	2008
European Union (27)	**1.027**	**5.006**	**14.489**	**12.600**	**11.008**
Germany	73	391	357	954	1.048
France	34	2.107	439	368	680
Netherlands	568	383	5.069	5.443	1.767
United Kingdom	126	166	628	702	2.281
Italy	14	692	189	74	219
Other European Countries	212	1.267	7.807	5.059	5.013
Other European Countries (Excluding EU)	**6**	**1.646**	**85**	**373**	**289**
Africa	**--**	**3**	**21**	**5**	**83**
U.S.A.	**36**	**88**	**848**	**4.212**	**848**
Canada	**61**	**26**	**121**	**11**	**24**
Central-South America And Caribbean	**--**	**8**	**33**	**494**	**60**
Asian	**60**	**1.756**	**1.927**	**1.405**	**2.129**
Gulf Arabian Countries	43	1.675	1.783	311	1.746
Near And Middle Eastern Countries	11	3	127	297	223
Other Asian Countries	6	78	17	797	160
Other Countries	**--**	**2**	**115**	**36**	**1**
Total	**1.190**	**8.535**	**17.639**	**19.136**	**14.442**

Provisional Data, Source: (The Undersecretariat Turkish Treasury , 2008)

According to EU FDI Yearbook 2008, the evolution of outward extra-EU stocks held in the 20 largest partners at the end of 2006, which was ranked in respect of growth rate between 2004-06. Turkey had the second place in the fastest growth in extra-EU stocks statistics (EU FDI Yearbook, 2008).

3 Turkey for Investors

3.1. Demographical Information about Turkey

The Republic of Turkey was founded in 1923 after the Ottoman Empire by national leader Mustafa KEMAL, who was later honored with the surname of Atatürk which means Father of the Turks. With his guidance, the new republic adopted social, legal, and political reforms. The type of the government that was established is a Republican Parliamentary Democracy (CIA, 2009). The Grand National Assembly of Turkey (in Turkish called TMBB, was founded in 1920 by Atatürk) is situated in the capital Ankara with 550 members of parliament, from 81 cities, with an election every five years.

Figure 5: Country Map of Republic of Turkey

Source: (U.S Departmant of State, 2009, p. http://www.state.gov/p/eur/ci/tu/87012.htm)

The geographical situation of Turkey has always been playing an important role for the politics and the economy. Turkey located on Southeastern Europe and Southwestern Asia (makes up only 3% of the total area of Turkey), bordering the Black Sea, the Aegean Sea and the Mediterranean Sea. The neighboring countries of Turkey are Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Iran, Iraq, and Syria. Connecting two continents Turkey is in the GMT+2 time zones, which enable Turkey

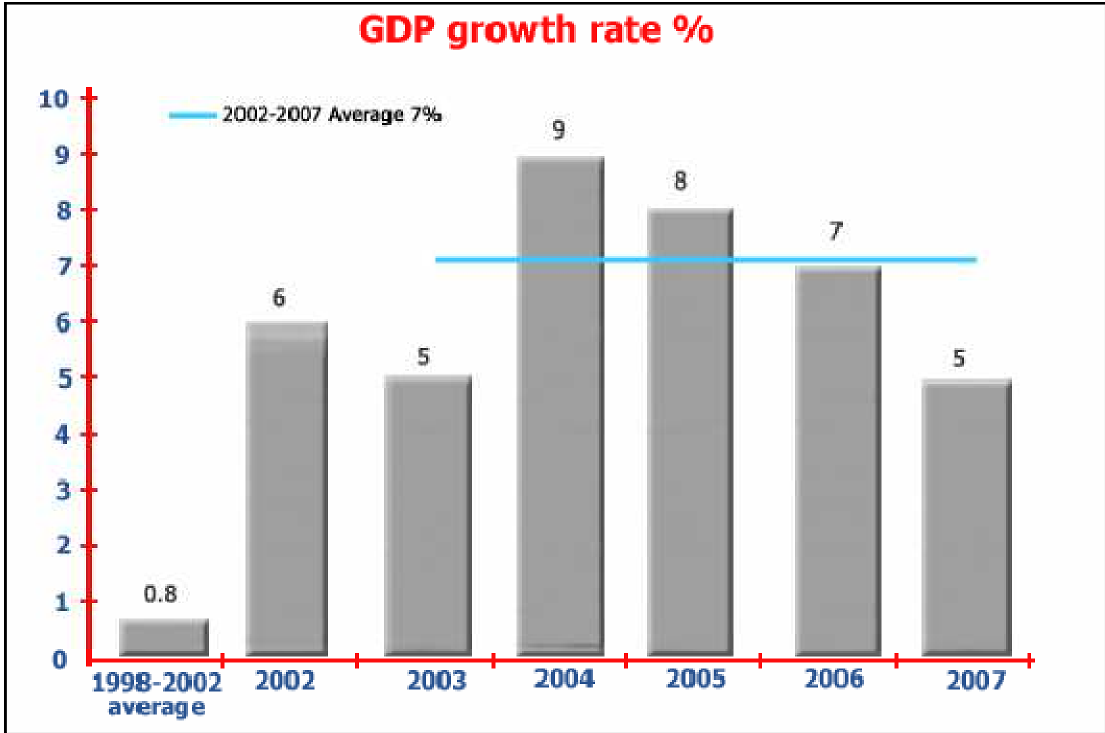
to make business with European and Asian countries. The two continents Europe and Asia are connected by the Bosporus in Istanbul, and the Dardanelle in Canakkale. According to data of Turk Stat (Turkish Statistical Institute) the population is 71.517.100 in Turkey on December 31, 2008. The male and female populations make up approximately the same rate. The growth rate of Turkey's population was 13.1% in 2008. The most populated city is Istanbul with 12.697.169 as a result of migration from other cities because of economy, investment and its recruitment which is considered as a proof of the importance of Istanbul for the Turkish economy (Turk Stat, 2009).

There are many ethnic groups in Turkey, the majority of these groups are the Turks with a high ratio of 80% and the official language is Turkish. Although the republic has no official religion as a result of a laicism reform which was implemented by Atatürk, 99% of the population is Muslim (CIA, 2009).

3.2. Economic Indicator

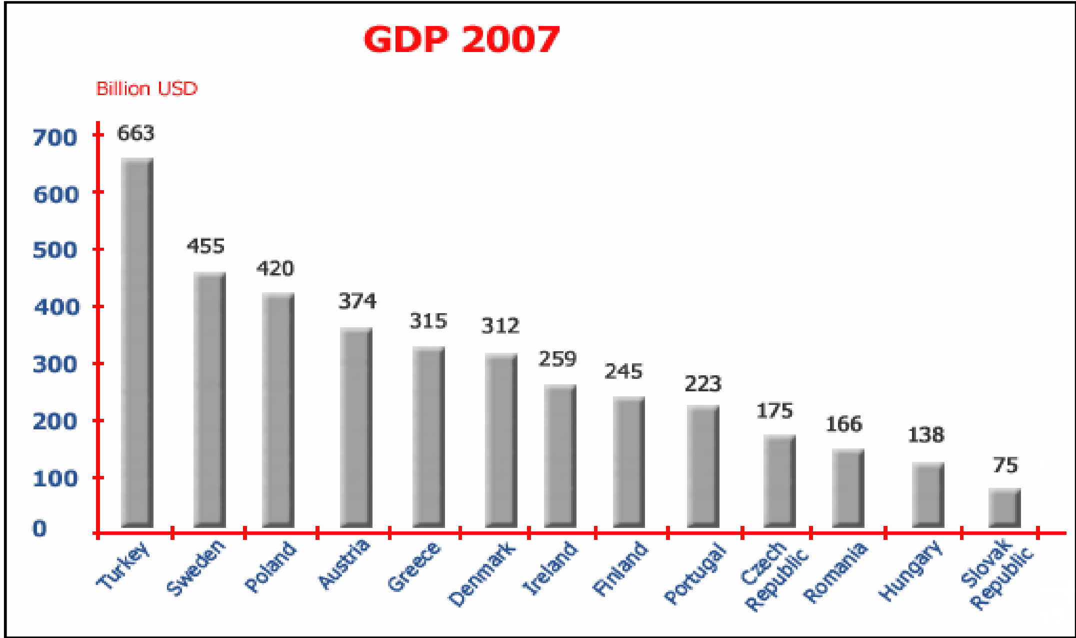
Turkey has a dynamic economy, as a combination of industry, commerce and agriculture. Although the private sector has become stronger, the government creates the main investments in banking, transport and communication sectors. The biggest sector is textile, which employs one third of the labor in industry sector (CIA, 2009).In the last two decades, Turkish global economic relations revealed remarkable change. Turkey's economy has been affected by Customs Union in 1996, economic crisis in 2001 and the beginning of EU negotiation in 2005 (Izmen & Yilmaz, 2009, p. 4). In the last couple of years the growth of GDP and GDP per capita is stable and the integration of Turkish economy in global economy continues. Though the average of annual growth was 0.8% between the years 1998-2002, Turkish economy has grown with an increasing acceleration, due the reforms and macroeconomic policies, which became 7% in the time period of 2002-2007. (See Figure 6) In comparison to some other European countries Turkey's GDP reached 663bn $ at the end of 2007 (See Figure 7) (Investment Support and Promotion Agency, 2009).

Figure 6: GDP Growth Rate (%)



Source: (Investment Support and Promotion Agency, 2009)

Figure 7: GDP 2007 in Europe



Source: (Investment Support and Promotion Agency, 2009)

The liberalization era of Turkish economy has started with the structural reforms at the beginning of 1980s. Export was supported in these years by regulations such as tax rebates, credits or duty free accession. The most significant move in Turkish economy is the Custom Union Agreement with EU, which was signed in 1996 as an important forward step in the EU. EU has the half of Turkish trade share after Custom Union (Izmen & Yilmaz, 2009, p. 7). After the economic crisis in 2001 the reform packages, which were supported by an international environment and EU negotiations, were implemented successfully in the Turkish economy. As a result of these packages, Turkey reached the average growth rate of 7% between the years 2002-2007 which was also the average growth rate of OECD (OECD Policy Brief, 2008).

Turkey became a more attractive country in the last years. In 2007, FDI inflows increased to 22 billion $, which was having 1 billion $ annual average before. The increase of FDI inflows shows a parallelism with economic stability and attractiveness as host country for investors as well.

Turkey has started to attract a bulk of FDI. According to USAK (International Strategic Research Organization), only a little percentage of this foreign direct investment flew to manufacturing sector. Therefore Turkey should regulate the legal structure by speeding up the start-up, by supporting the protection of intellectual property rights and bankruptcy procedures (USAK, 2008).
Economic packets after the crisis in 200 created a suitable occasion for economic growth in Turkey. Fiscal and monetary policies should be performed in this crisis period within 2008 to overcome safely and continue with rapid economic growth (USAK, 2008).
After the global crisis in 2008 which will probably have a strong effect until the beginning of 2010, the decreasing statistics of Turkish economy might be interpreted in a wrong way if the national economy is not analyzed by referring to global statistics.

3.3 The Development of FDI in Turkey

1980 was an important year for Turkish economy and trade policies. The integration of the economic program (24 January 1980) based on the country's policies had to ensure the principles of a free market mechanism, and its implementation in the global economy. Turkish government decided to support an economy based on export rather than one based on import (Investment Support and Promotion Agency, 2009) .

Turkish economy was pretty closed until 1980. After 1980, the economy became stronger but one sided. On 31 December 1995 the Customs Union enable the Turkish economy to open up more to global economy. But the FDI started to flow in Turkish economy lately in comparison to other developing countries. Even the customs union could not bring the FDI to Turkey. The most important failure of Turkish economy not being able to attract more FDI in this time period was the economic and politic instabilities in 1990s and beginning of 2000s (Izmen & Yilmaz, 2009). New investor value was less than 10% of FDI annual flows in the country since 1994. In the year 2000, Turkey had a net outflow of 260 million $, FDI inward target of the government was 2.8 million $, which explains that Turkey was an exporter of FDI.

The economic reasons of being unsuccessful were inflation rate, instability, lack of intellectual property rights, inadaptable international accounting standards, privatization, legal system, insufficiency of communication transportation and energy systems. On the other side the non-economic reasons were conflicts in the country and political instability, attitude toward economical relations between foreigners what might be explained by historical conflicts in the era of Ottoman Empire, high bureaucracy and corruption, etc. (Erdilek, Dimensions of Western Foreign Direct Investment in Turkey by Ekrem Tatoglu ; Keith W.Glaiser, 2001). Turkish government laid down a new FDI Law by 2003 to reduce the instability for investors and attract investment in Turkey.

3.3.1. FDI Law 2003

FDI inflow in Turkey increased considerably after 2003. An important reason for this growth is surely the new Foreign Investor Law released in 2003. Through this law the government aimed at offering a more suitable investment climate for foreign investors to develop the economic growth through a new transparent market which is open to global trade and an efficiently operating government a supporter (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2003). The first article of the new law brings to light the purpose of this law:

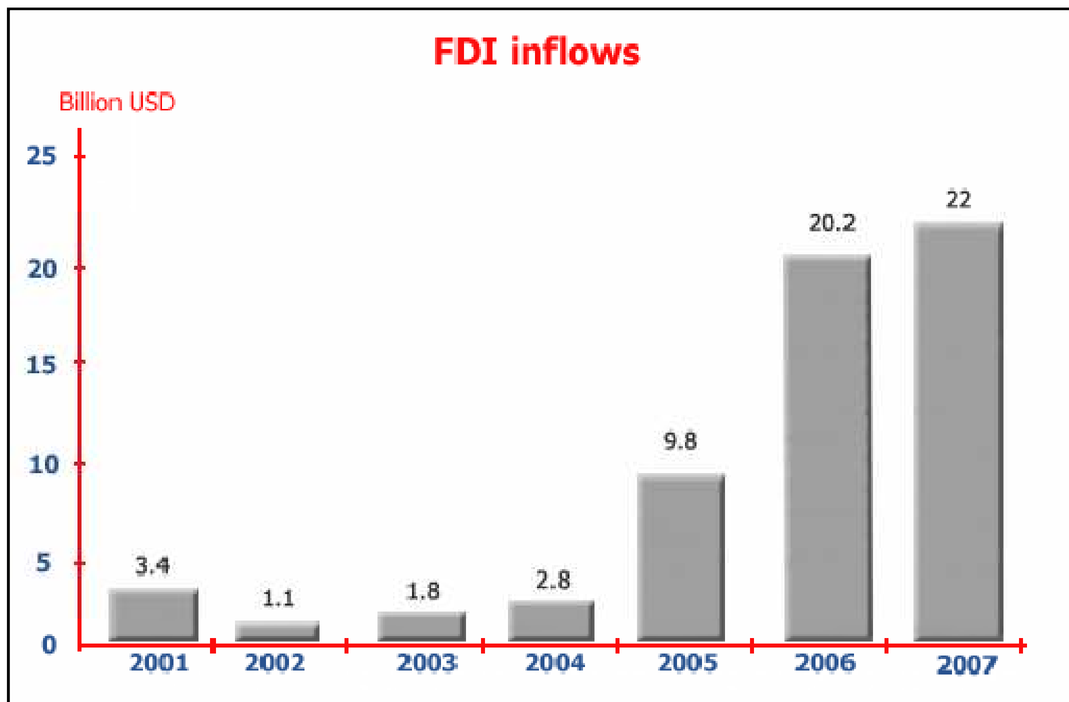
"The aim of this Law is to encourage foreign direct investments; to protect foreign investor's rights; to bring the concept of the investment and investor into line with international standards; to establish a notification-based system for foreign direct investments rather than screening and approval; to thus regulate the principles to increase foreign direct investments through established policies. This law is directly related to the treatment applied to foreign investments" (Resmi Gazete, 2003)[4].

The important aspects of this law enable investors to make investments without great barriers (less approval or capital requirement), guaranteeing the rights through formal and stable documents, standardizing foreign direct investment and investor definitions which are accepted in global economy and streamlining the investment climate. All investments are handled equal as Turkish firms in legal structure independently its establishment with foreign capital. It became free to choose an FDI form included in Turkish Commercial Code and investors don't have the obligation to bring a minimum capital 50.000$ as before (Ozdemir, 2005).

One of the other important regulations to increase investment in Turkey, is the Coordination Committee for the Improvement of the Investment Climate (YOIKK), *"...which was initiated in order to improve Turkey's national competitive power on attracting FDI was established within the framework of "the Reform Program for the Improvement of the Investment Environment for Turkey.""* (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2003). The positive effects of new FDI law (2003) can obviously be seen by analyzing annual FDI inflows. (See Figure 8)

[4] Resmi Gazete: Official Gazette http://rega.basbakanlik.gov.tr/

Figure 8: FDI Inflows in last years



Source: (Investment Support and Promotion Agency, 2009)

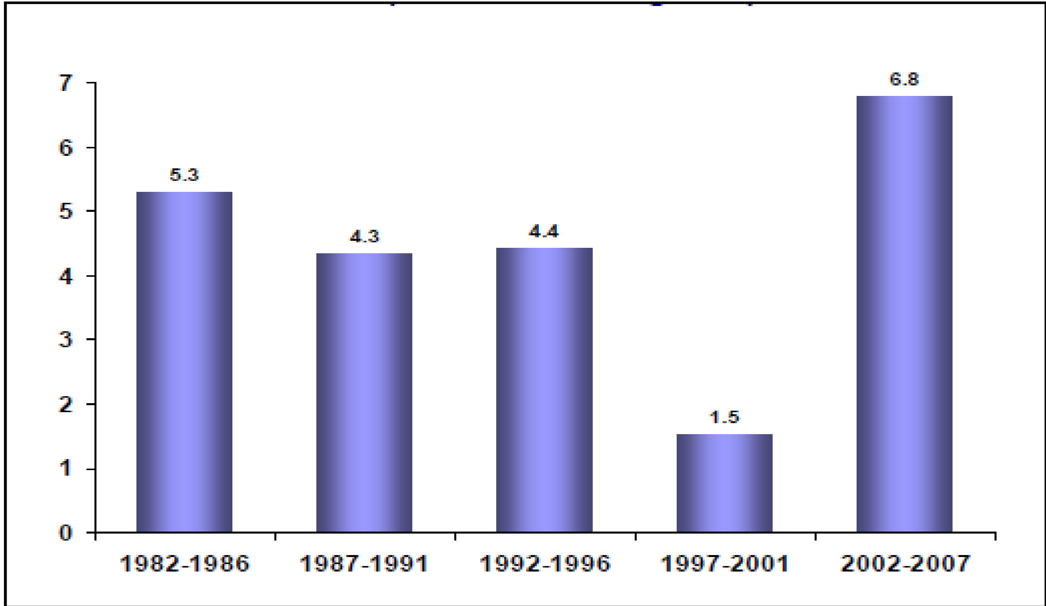
3.4 The Growth of Economy

When the Turkish Republic was founded, economy was weak due to capitulation (in Ottoman times), and World War I which strongly disrupted the new republic. The recovery period started in 1923 with a 9 % growth rate in industry and services till 1929. In 1930s the global economic crisis also affected Turkey so that economic growth decelerated. In1940s the growth of Turkey slackened because World War II restricted global trade. Economy experienced the disruptions after 1950 and was confronted with the crises at the end of 1970s. Turkey had to deal with account deficits which occurred as a result of external borrowing, which by 1980 reached 16.2 billion $ or in other words, one quarter of annual GDP. Government couldn't take necessary measures against the increasing oil price in the years 1973-1974 and tried to finance the economy with short term external debt. In the late 1970s, inflation reached three-digit numbers, unemployment rate was up to 15 % and industry was not working with full capacity therefore the government could not pay even the interest of external debts. At the beginning of 1980 government started to implement a reform program which was run by Turgut Özal (Deputy Prime Minister). This strategy aimed at enabling Turkish economy to grow by making use of an export

strategy in the long term through an extensive economic package. The economic package of Özal could overcome the crisis in the balance of payments, enabled Turkey to borrow money in global capital markets and accelerated economic growth.

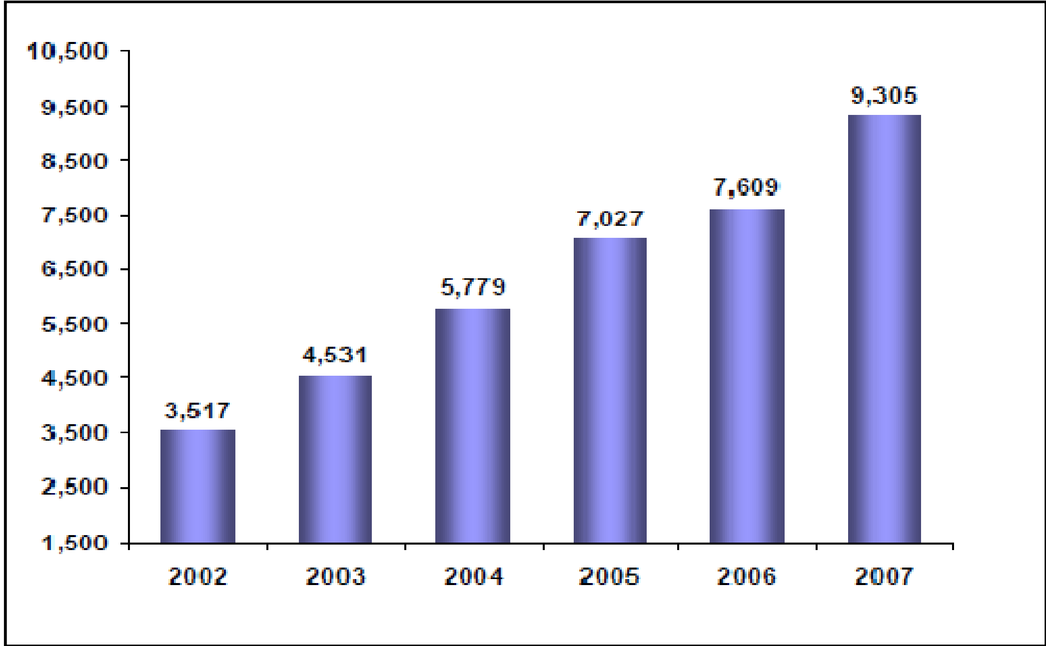
After the war between Iran and Iraq (1980-88), Turkey became a member of the advantageous sides. Iraq needed Turkish export routes for oil due to limited access in Persian Gulf. The pipelines in Turkey were used to transport oil, those had a capacity around 1.1 million barrels per day, the fee for using was between 300-500 million$. The growth of economy came to a standstill with the Persian Gulf War (1991) because UN imposed an embargo on Iran, which had the effect of not using the Turkish (Ceyhan) pipelines (Metz, 1995). The economic growth of Turkey has been always interrupted by crises. However, looking at the last two decades it can be seen that the speed of economy and the implementation of fiscal reforms helped to create economic growth and stability. The effect of measures, which were taken by the government to provide stability and continuous economic growth, can be seen in the following two charts.

Figure 9: GDP Growth Rate (Annual Average %)



Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury)

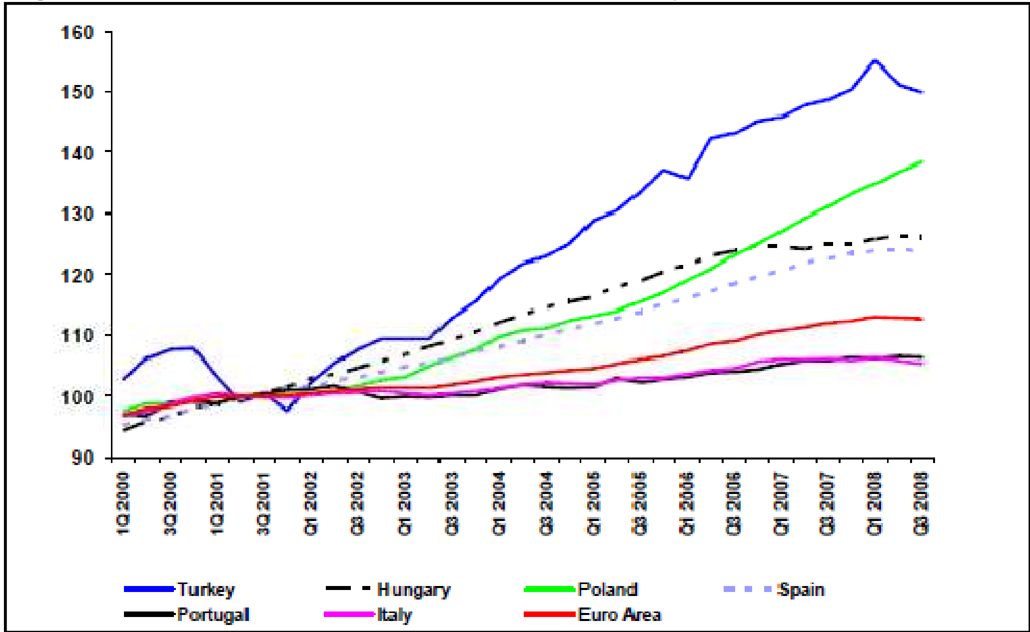
Figure 10: Per Capita GDP (USD)



Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury)

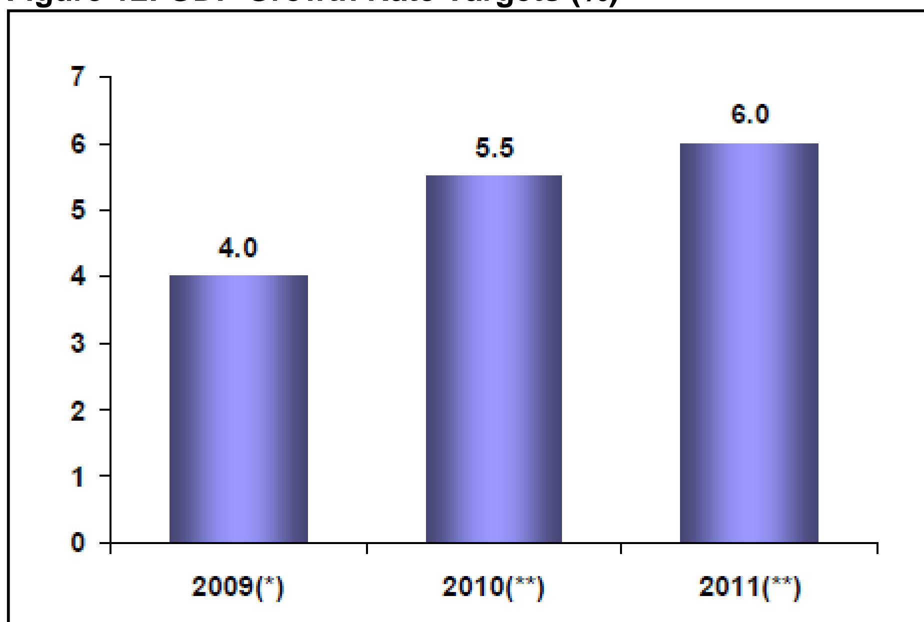
To have a better idea of potential of Turkish economy, the real growth rate should be compared with some other European countries. In the following chart shows the increase of GDP Growth of various countries and also gives an idea of how brilliant the economic future of Turkey might be.

Figure 11: Comparison of Europe and Turkey: Real GDP Growth (2001=100)



Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2003)
According to Eva Sanchez, the global crisis in 2009 could prevent the growth of Turkish economy, additionally Sanchez claimed, that Turkey's economy has become more flexible in a crisis situation than in the past (The Journal of Turkish Weekly, 2009). The government already set its GDP growth rate target in the next 2 years tough the crisis, which expects a strong economical stability against the crisis with an annual increase by GDP Rate.

Figure 12: GDP Growth Rate Targets (%)



Source: (The Undersecretariat Turkish Treasury , 2008)

3.5 FDI Sectoral Range

Turkish economy consists of many dynamic sectors, which enabled the country to supply foreign countries with various kinds of goods since 1950s. Domestic production slowly shifted from agriculture to manufacturing and later to services, which is always expected and foreseen in global economy. At the beginning of 1950s, agriculture gained nearly 50 % of GDP and the manufacturing sector ratio was 20 %. After two decades at the beginning of 1970s, due to the government's economic reforms and politics which paid great attention to industrialization, manufacturing left behind agriculture in the direction of industrialization trend all over the world which caused also much more rapid growth in manufacturing and service sectors within the reforms of 1980s. At the end of 1990s, the service sector took over the economy by gaining over 50 % of GDP, as manufacturing gained nearly 30% and

agriculture only 15%. All of them are key sectors for Turkish developing economy which might attract the new foreign investors. Table 8 shows the investment inflows yearly by sector allocation.

Table 9 : International Direct Investment Inflow by Sector

(Million $)

Sectors	2004	2005	2006	2007	2008	January	
						2008	2009
Agriculture, hunting and forestry	4	5	5	5	25	--	--
Fishing	2	2	1	3	19	--	--
Mining and quarrying	73	40	122	336	168	1	11
Manufacturing	190	785	1.866	4.210	3.820	290	57
Electricity, gas and water supply	66	4	112	567	1.036	4	495
Construction	3	80	222	285	764	1	59
Wholesale and retail trade	72	68	1.166	169	2.064	4	61
Hotels and restaurants	1	42	23	33	27	3	--
Transport, storage and communications	639	3.285	6.696	1.116	169	13	12
Financial intermediation	69	4.018	6.957	11.662	5.756	425	72
Real estate, renting and business activities	3	29	99	560	652	38	6
Health and social work	35	74	265	177	150	26	--
Other community, social and personal service activities	33	103	105	13	59	--	13
Total	1.190	8.535	17.639	19.136	14.709	805	786

Provisional Data, Source: Central Bank of the Republic of Turkey
Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2009)

According to Table 9, the most FDI inflows were gained in financial intermediation sector with a gorgeous increase since 2004 as a result of sales in banking sector. After the economic crisis, banks have found out a way to survive with a new cooperation or sale of parts of their business. In the last few years, foreign banks invested $ 18 billion in Turkey and obtained over 40 % of the shares of Turkish banking sectors while they had only 1% of the sector's shares in 1999. The first sale was the Demirbank to HSBC in 2001 with a value of 350 million $. By 2004 there has been an intensive foreign investor entrance (Gökce, 2009). The effect of Turkish banks sale on FDI Inflows can be seen clearly, especially between the time periods 2004-2005.

Table 10: Bank Sales in Turkey

Bank	Foreign Investor	Country	%
Garanti	GE Sonsumer Finance	USA	25
Akbank	Citigroup	USA	20
Yapi Kredi	Unicredit	Italy	40
Finansbank	NBG	Greece	89,9
Demirbank	HSBC	England	100
Denizbank	Dexia	French-Belgium	97,7
Fortisbank	Fortis	Holland-Belgium	93,3
TEB	BNP Paribas	French	42,1
Abank	Alpha Bank	Greece	94
MNG Bank	Bankmed-Arab Bank	Kuwait	91
Sekerbank	Bank Turan Alem	Kazakhistan	34
Tekfenbank	EFG Eurobank	Greece	70
Bank Pozitif	Bank Hapoalim	Israel	57,5
Oyak Bank	ING Bank	Holland	100
Adabank	The International Investor	Kuwait	99,99
Sitebank	Novabank	Greece	100

Source: (The Banks Association of Turkey, 2009)

Manufacturing also plays an important role in FDI Inflows which can be derived from an increase after 2004. Within the manufacturing sector the leader was food production with a value $3,820 million by 2008 which was followed by machinery, chemicals or textile industries.

Table 11: Foreign Direct Investment Inflow by Manufacturing Sector

(Million $)

Sectors	2004	2005	2006	2007	2008	January	
						2008	2009
Manufacturing	**190**	**785**	**1.866**	**4.210**	**3.820**	**290**	**57**
Manufacture of food products and beverages	78	68	608	766	1.279	133	10
Manufacture of textiles	9	180	26	232	190	1	12
Manufacture of chemicals and chemical products	38	174	601	1.109	196	11	17
Manufacture of machinery and equipment n.e.c.	6	13	54	48	220	1	--
Office machinery and computers	2	13	53	117	243	1	8
Manufacture of motor vehicles, trailers and semi-trailers	27	106	63	70	67	1	1
Other Manufacturing	30	231	461	1.868	1.625	142	9

Provisional Data, Source: Central Bank of the Republic of Turkey

(Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2009)

According to UNCTAD, motor vehicles-related investment was about 13% of total FDI inward in Turkey in 2006. As an example, Bosch invested $ 240 million for manufacturing auto parts in 2005. In oil sector, Indian Oil applied to invest $ 6 billion for Ceyhan refinery and Austrian OMV bought $ 1.1 billion share in Turkish Petrol Ofisi.CTF was been dealing to purchase through Cross Border M&A Turkish GSM operator TURKCELL for $ 1.6billion, while Vodafone purchased the other GSM operator TELLSIM Mobil for $ 4.6billion (A.T. Kearney, 2008).

3.6 The attractiveness of Turkey for FD Investors

The competition between countries to attract FDI inflows into the country becomes harder every day passing. Turkey, although it couldn't gain enough from FDI in the past decades, tries to attract more investors to the country. Through the new FDI law (2003), Turkey adopted an equal treatment rule, which helps foreign investors get the same treatment as a domestic investor in Turkey. Responsible offices were founded to attract foreign investors.

Foreign investors have to review their investment criteria in decision phase. They prefer to invest in the countries that have lower bureaucracy. Investors compare the countries according to their criteria which are e.g. politic, economic information and stability, taxes, incentives, geography, natural and human resources, transport and telecommunication, etc. The combination of all these criteria enables the investor to make the best investment decision (YASED & TUSIAD, 2004). Coskun summarized some of these criteria in his article, how the investors evaluate the determinants and what they find more important by investing in Turkey, and shows the findings of Istanbul Chamber of Commerce, which contains 12 investment reasons and the participants were requested to rate them (ITO) (Coskun, 2001).

Table 12: Factors influencing foreign investment decisions in Turkey, ITO's findings

	Reasons for Investment in Turkey	Percentage %
1	Potential of Turkish local market	33,6
2	Eliminating import restrictions imposed by Turkey	12,6
3	Recognition (respect and prestige)	11,5
4	Using Turkey as an export base	10,6
5	Taxation and financial incentives	6,2
6	Consolidating and stiffen firm's position in the market	6,2
7	Lower wages	3,5
8	Local inputs	3,1
9	Cheaper raw and intermediate materials	2,7
10	Limited workforce and other employment problems in other areas	2,2
11	Providing additional sales possibilities for other products of the corporation	1,8
12	Other reasons	6,2
	Total	100,0

Source: ITO (1977) cited in Taslica (1995)

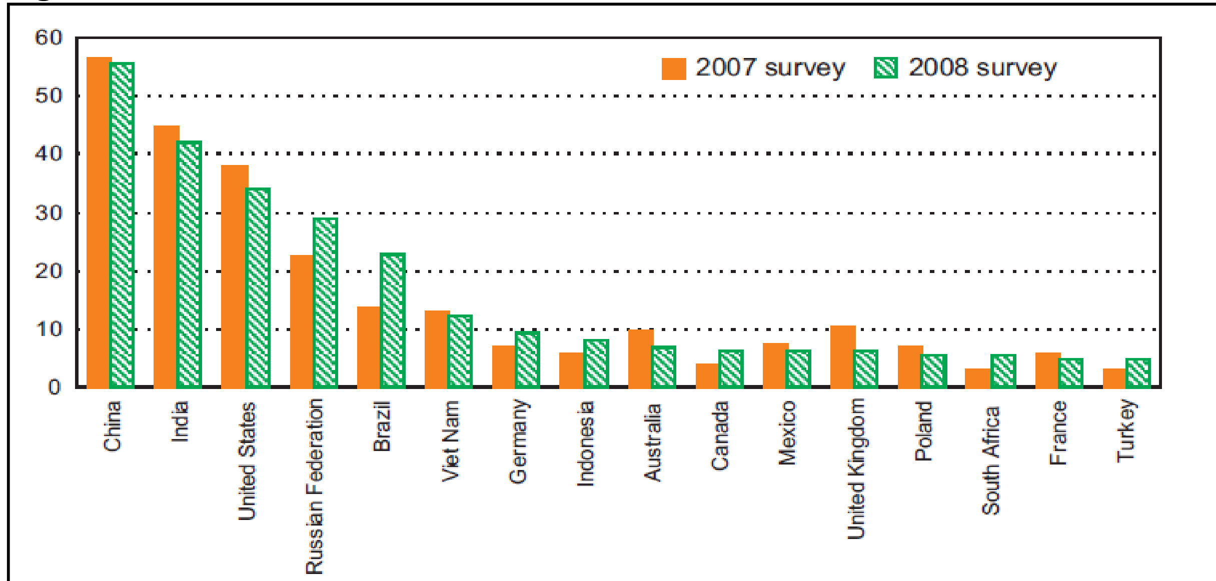
Source: (Coskun, 2001)

According to A.T. Kearny FDI Confidence Index[5] 2007, China is the most attractive country all over the world since 2002; India follows on the second place. Turkey took the 20th place in the FDI Confidence Index with losing 7 steps (see Figure 13) backward in comparison to the ranking in 2005 (A.T. Kearney, 2008).

But according to World Investment Prospects Survey 2008-2010, Turkey is about to become the 15th attractive investment location. (See Figure 12) The different results for Turkey between WIPS and A.T. Kearney's FDI index results from the fact that, A.T. Kearney's FDI Confidence Index shows more Asian and small countries, which have a good investment environment (U.N. Conference on Trade and Development, 2008). Following chapters show some of main criteria for investors to decide in the most attractive country.

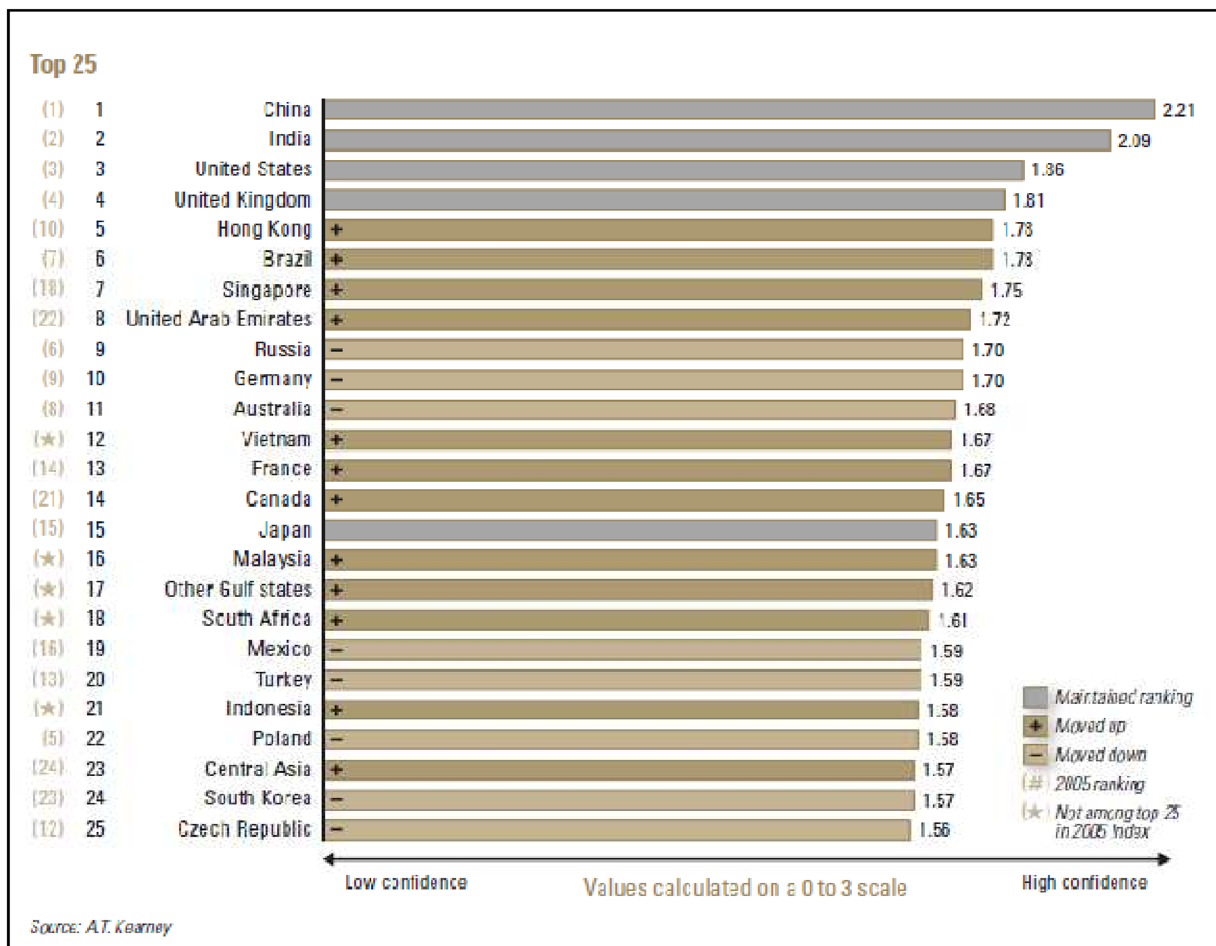
[5] FDI Confidence Index is a survey prepared by management consultant company A.T. Kearney. The Index shows a unique view of future and present situation of investment flows.

Figure 13: The 15 most attractive economies for the location of FDI



Source: (U.N. Conference on Trade and Development, 2008)

Figure 14: FDI Confidence Index



Source: (A.T. Kearney, 2008)

3.6.1.The governmental incentives for FD Investors

The incentive system for foreign investors in Turkey is based on three fundamental structures;

- General investment incentives regime
- Incentives granted to small and medium sized enterprises (SMEs)
- Incentives granted to developing regions with a priority.

Foreign investors can use all incentives as equal as local companies which are dedicated to them due to *Equal Treatment Principle* and supported and guaranteed by Foreign Investor Law (2003) in Turkey. To classify investors, to determine which incentives they could use, they have to receive a certificate from General Directorate of Foreign Investments (Romturk Online, 1999). The provided *Investment Incentive Certificates* are analyzed in the following table by years and according to sectors.

Table 13 : Sectoral Breakdown of Investment Incentive Certificates by Years

	Agriculture	Mining	Manufacturing	Energy	Services	Total
Number of Certificates						
2004	82	168	2.558	45	1.225	**4.078**
2005	96	158	2.305	85	1.660	**4.304**
2006	94	132	1.614	55	1.195	**3.090**
2007	64	131	1.424	102	645	**2.366**
2008	73	136	1.476	144	619	**2.448**
2009*	6	6	129	16	55	**212**

*For 2009, only the first two months, January and February are calculated.
Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2009)

3.6.1.1. General investment incentives regime

General investment incentives are essentially a tax-advantage regime with some credit facilities, which are used according to location, scale and investment subject. Major instruments are;

- Exemption from customs duties if the investor imports machinery and equipments,
- Value Added Tax (VAT) exemption for the machinery and equipments that the investor imports or delivers locally, (Investment Support and Promotion Agency, 2009).
- Exemption from other taxes and fees such as establishing a company, capital increasing in investment phase, investment credits with a more than one year term and capital registration.

These incentives are classified by implementation firstly according to location.
Three kind of location are there in Turkish investment market.

- Developed Regions: Cities in the neighborhood of Istanbul, Kocaeli, Ankara, Izmir, Bursa, Adana and Antalya
- Priority Regions: 50 cities in Turkey which were determined by the Council of Ministers
- Normal Regions: The remaining cities of the country (Romturk Online, 1999).

The above listed incentives location measures can be implemented in all type of investments in the normal and priority locations. Incentives can be only utilized in developed locations/cities only for limited investments. Investors need a predetermined equity rate and a minimum amount which is 50000 TL for the normal and developed locations and 25000 TL[6] for the first priority regions to be able to benefit from investment incentives (Romturk Online, 1999).

3.6.1.2. Incentives granted to small and medium sized enterprises (SMEs)

The small and medium sized enterprises[7] (SMEs) are also supported to help competitiveness of Turkish SMEs in the Customs Union. SMEs can also benefit the standard instruments of incentives such as exemption from custom duties, certain taxes, fees and investment allowances. Additionally SMEs use another incentive,

[6] 1 US Dollar = 1.5680 Turkish Lira on 06 April 2009
[7] SME is as an organization that operates in manufacturing sector, and employs at max. 150 workers, using capital goods of not more than 50 billion TL and must be registered in legal books.

which is called as subsidies credit facility to enable SMEs to finance machinery and equipments for projects which is offered by following credit facility conditions:

Table 14: Terms and conditions of Credit Facilities for SMEs

	Priority Support Region	First Priority Region	Normal and Developed Regions
Maximum amount of investment credit	30 Billion TL	20 Billion TL	15 Billion TL
Maximum amount of operating credit	10 Billion TL	10 Billion TL	10 Billion TL
Interest on credits	20%	20%	30%
Minimum equity ratios	10%	20%	30%
Max. terms of the investment credits	4	4	4
Max. terms of the operating credits	2	2	2

Source: (Romturk Online, 1999)

3.6.1.3. Incentives granted to developing regions with a priority.

Turkish government decided to offer some incentives to develop the regions, which don't have enough economic development and employment.

- **Energy incentives:** With this incentive foreign investors can reduce their electric-costs by 50 % in Van, Diyarbakir, Siirt, Tunceli, Sirnak and Hakkari boundaries.

- **Tax Exemption:** This incentive measures enable to exempt from corporate and income taxes for 5 years, starting with employing minimum 10 employees in these cities; Batman, Bingöl, Bitlis, Diyarbakir, Hakkari, Mardin, Mus, Siirt, Sirnak, Tunceli, Van, Adiyaman, Agri, Ardahan, Bayburt and Erzurum. Investors don't need incentive certificates to benefit from this incentive.

- **Free Land Allocation:** Investors need an incentive certificate and must recruit at least 10 employees. The incentive can be only used if a land owned by the public is available (Romturk Online, 1999).

Figure 15: Location Classification Map of Turkey for Investment Incentives*

Source: (Investment Support and Promotion Agency, 2009)

(*50 prioritized provinces and 4 provinces with free land allocation only)

3.6.1.4. Free Trade Zones

Free Trade Zones (FTZ) are designed as a production site whose aim in a country is to develop export based investment and manufacturing, in order to increase the entrance of foreign capital and know-how, to improve the efficiency of production to have other financial sources benefit from it. FTZ are handled as it were in abroad although it is in Turkey. There are 20 FT Zones in Turkey, which are mostly located near cities and national trade-ways. In FTZ, manufacturers benefit from the exemption of corporate and income taxes. If the investor imports goods from another country in FTZ, there is also an exemption from customs duty and if a company buys a good from another company located within FTZ, the purchaser company is granted a VAT exemption for these goods. FTZ offer companies a duty-free possibility for an unlimited time and amount of goods. Investors have right to sell their facilities within FTZ to someone and to transfer commercial revenue without any restrictions. The companies exempted from most national regulations because of can almost be regarded as a foreign land within the country (Turkish Embassy London Office of the First Economic Counsellor, 2008).

3.6.1.5. Incentives for the Technology Development Zones

Technology Development Zones (TDZ – Techno Park) are used by companies which operate in the high technology sector by using the facilities of universities and their high-tech institutes, research and development organizations mainly by converting a new innovation into a product or service. TDZ aim developing social, economic and academic environment in that location and at attracting foreign investors. The companies can make use of the exemption from corporate and income taxes as long as they use relevant revenues for Research and Developments (R&D) for five years after the operation's start. (In some zones this period of time can be extended up to 10 years by a decision of Ministers) The Ministry of Trade can also finance the facilities and buildings costs if the budget is convenient (Turkish Embassy London Office of the First Economic Counsellor, 2008).The payments of software and R&D researchers exempt from taxes until the end of 2013. Value Added Taxes exemption from income and corporate taxes is provided for IT sectors (Investment Support and Promotion Agency, 2009).

Table 15: Technology Development Zones (TDZ Techno Parks) in Turkey

METU Technopolis (METUTECH) / Ankara	**Istanbul University Technology Development Zone /** Istanbul	**Gaziantep Technopark /** Gaziantep
TUBITAK Marmara Research Center / Kocaeli	Konya Technopolis / **Konya**	Ankara University Technological Development Zone / **Ankara**
Izmir Technology Development Zone / Izmir	Antalya Technopolis / **Antalya**	Pamukkale University Technological Development Zone (PAU Technopolis) / **Denizli**
Ankara Cyberpark / Ankara	Erciyes Technopark / **Kayseri**	Firat Technological Development Zone / **Elazig**
GOSB Technopark / Kocaeli	Trabzon Technological Development Zone / **Trabzon**	Cumhuriyet Technological Development Zone / **Sivas**
İTÜ Ari Technopolis / Istanbul	Cukurova Technopolis / **Adana**	Trakya University Edirne Technological Development Zone / **Edirne**
Hacettepe Technopolis / Ankara	Ata Technopolis / **Erzurum**	Gazi Technopolis / **Ankara**
Kocaeli University Technopark (KOU Technopark) / Kocaeli	Mersin Technoscope / **Mersin**	Dicle University Technological Development Zone / **Diyarbakir**
Eskisehir Technology Development Zone / Eskisehir	Goller Bolgesi Technopolis / **Isparta**	ASO Technopolis / **Ankara**

Yildiz Technical University Technology Development Zone (YTU Technopolis) / Istanbul	ULUTEK Technological Development Zone / **Bursa**	Tokat Technological Development Zone / **Tokat**

Source: (Investment Support and Promotion Agency, 2009)

3.6.1.6. Incentives for the Organized Industrial Zones

Generally speaking Organized Industrial Zones (OIZs) are established to provide goods and services to operate the fundamental facilities, TDZs or structures with acceptable costs within the boundaries. There have been 251 OIZs in Turkey by 2009. Investor are exempted 100 % from workers income tax and a share of social security costs, benefit from 50 % reduction in electricity costs, and exemption from some charges like, waste water charge or construction duties in 50 Prioritized regions (Investment Support and Promotion Agency, 2009). OIZs support the management of urbanization, pay attention to environment; furthermore they promote the usage of Information Technologies and transfer of know-how between SMEs. In addition to general incentives, OIZs offer advantages such as a better infrastructure, lower bureaucracy, a good cooperation between companies in the zone and proper employee costs (Turkish Embassy London Office of the First Economic Counsellor, 2008).

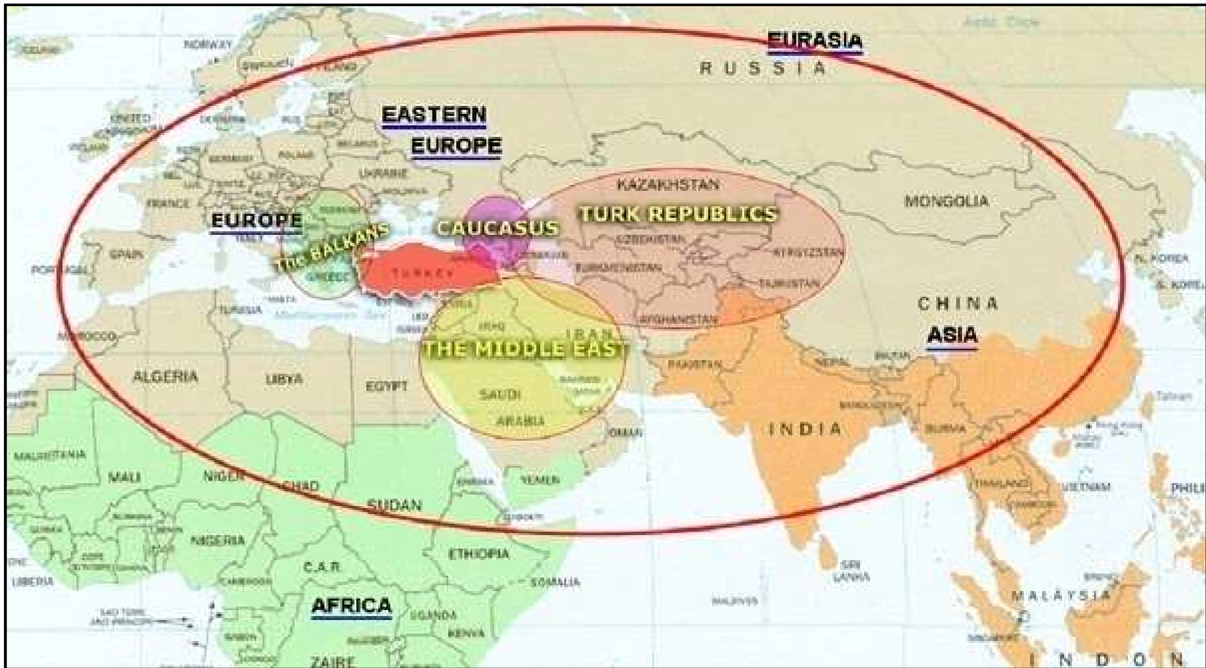
3.6.1.7. Export Incentives

The aim of export incentives is to make the companies stronger in global trade. After the shift in the economic strategy in Turkish economy in 1980s, the export incentives were extended step-by-step. Tax reductions, lower credit rate and exemptions were offered as a first step. Secondly tariff exemptions were granted on goods which were necessary to produce export-goods, and export bureaucracy was reduced by government reforms (Kumcu, Harcar, & Kumcu, 1995). Incentives can be used after receiving a certificate which will be given only to exporters of particular products and is called as “Turquality Certificate”. Other incentives which are provided by the government are e.g. R&D assistance to exporters, subsidization of fair and exhibition costs abroad, organization of international fairs in Turkey, support for exporters by assisting in market research, assisting in advertising abroad, exemptions from taxes and duties of export based revenues (Turkish Embassy London Office of the First Economic Counsellor, 2008).

3.6.2. Geographical Location

Turkey has a marvelous access to various kinds of markets such as Western Europe, Middle East countries, Gulfs, Central Europe, the Mediterranean countries, Eastern Europe, Black Sea countries and Central Asia, as Turkey is situated on both European and Asian continents. The geographical location enables Turkey to overcome the cultural distances as a reason of connecting the cultures as well as regions, with a nearly thousand year of history on this land. Additionally Turkey has a connection with Europe by air, land and sea route. It is also easy to transport goods by sea route to Middle-Eastern regions, furthermore telecommunication and transportation infrastructures are very well developed. Turkey has an important role in Black Sea Economic Cooperation (BSEC), which has a powerful market volume of over 400 million people, because its location and the economic development. Turkey also benefits from the agreement with the EU and Customs Union in the region to be unique country, which has the best integration opportunities between East and West (Coskun, 2001).

Figure 16: Regions Servable from Turkey



Source: (Governorship of Aksaray in Turkey, 2005)

3.6.3.EU Negotiations

The start of EU negotiation at the end of 2004 was determinative for FDI inflow increase in Turkish economy. It was comprehended as a given message to foreign investors and businessmen that the future of Turkey will meet with EU. The most focused points of EU negotiations gave hope to investors in institutional and legal subjects which are fundamental for investors by decision making. After the start of negotiations, the increase of FDI inflow can be observed easily, which is actually not surprising. The same increase of FDI inflow was also seen in Czech Republic, Hungary or Poland when they started with negotiations. Turkey achieved to attract record inflow of FDI after the start of negotiations (Izmen & Yilmaz, 2009). However most of international direct investments in the past took shape in the form of M&A and service sectors. FDI inflows must shift to Greenfield investments in manufacturing sectors for a better economic future of Turkey. Investment environment should be better to attract more FDI inflows through improving structural micro and macro regulations (Izmen & Yilmaz, 2009).

Turkey started to receive billion of dollars investment in Turkey from European businessmen and they conceive that there could be remarkable changes due to influence of the EU. FDI is an important component in Turkish economy, it reached 20 billion $ in the last years. This sum of FDI did not only support big multinational companies but also small and medium-sized enterprises. 60 % of FDI inflow came from EU companies which have a value of more than 50 % of total companies. What changes do investors hope to happen when Turkey enters the EU? If a country wants to join the EU, the investors predict that the environment, which is essential for business, will develop steadily. In the case of Turkey this already happens as FDI rates have steadily increased over the past few years.

Two thirds of EU integration laws, which are expected from Turkey, is related to economy. As a member of the Customs Union, Turkey became responsible for regulating free movement of goods rules, property rights and competition policies. Turkey’s accession into the EU will not only regulate the legal structure but will also create new business areas for European companies and jobs for its people. EU regulations in Turkey mainly in the fields of ~~in~~ energy, transport and telecommunications, which were closed before to investors, can offer a better

investment climate and EU companies can benefit from this circumstance by earning about 500 million $ per year from re-construction of Turkey's infrastructures. As a result of of economic growth and government reforms, investment flows in Turkey haven't been affected by unstable EU negotiations with Turkey. But if Turkey loses the chance to access into the EU, foreign investors could also lose the benefits which would probably hindered by uncompleted regulations and economic growth, therefore EU accession is fundamental for Turkish economy. Foreign investments and EU negotiation, so to say, go parallel and sustain each other. Foreign direct investments support Turkish economy to shift from agricultural economy to manufacturing & service economy. Economic growth, decreasing unemployment and other positive economic developments will make it easier to implement the regulation and conditions to access into the EU. Due to the investments of foreign companies, two million people had a job in 2005-2006 in manufacturing and service sectors.. Companies from the EU countries are doing great business in Turkey and the investors are mostly glowing about the EU access of Turkey, because they look at it from an economic perspective and predict that Turkish economy could only be completely opened with accomplished reforms, higher growth rates and FDI inflows if an EU access becomes reality. They are also aware that a failure can easily undermine their business success in Turkish economy. Even that not many company leaders speak positively about the access of Turkey in the EU sorrowful although Turkey needs the support of these business leaders (Katinka & Rainer, 2007).

The access of Turkey will improve Turkish economy growth and EU export as well. Investment opportunities will increase as a result of developing investment climate. Another expected increase could be seen in labor supply from Turkey's migration potential. But if the income differences are taken into account, the low income of Turkish regions will certainly cause an inequality in European average. Turkey's benefits from an EU accession will be economic growth due to trade development, higher domestic and foreign investments due to meliorated investment climate, sector composition and higher efficiency, implementation of market environment regulations. Turkey has to ensure the macroeconomic and financial stability and productive capacity must be increased by physical and labor capitals and structural regulations should not be interrupted (Laciner, Özcan, & Bal, 2005).

Turkey's accession into the EU is very fundamental for FDI inflows in the country. In contrast to other competitor EU countries, Turkey couldn't attract FDI inflows in the past years though various attractive determinants, until the government granted incentives for FDI. What is worth mentioning is that Turkey doesn't have to wait for advantages resulting from an EU accession as already with the start of EU negotiations, FDI inflows increased clearly in Turkey. The start of negotiations in 2005 was a signal that Turkey will achieve the access in the EU if the government can stick to EU regulations and reforms. The start of negotiations persuaded the investors that the juridical and economic structure of the country would develop the laws, economy and social infrastructure with an implementation (Dutz, Us, & Yilmaz, 2005).

As a result, EU negotiations have an important affect on FDI inflows due to the expectations of improving institutional and juridical environment. Unfortunately, the hesitation, which was reasoned politically, causes anxiety for the future of Turkish economy (Izmen & Yilmaz, 2009).

3.6.4. Political stability

One of the most important determinants is political stability which affects directly economic situation of a country. Generally it is argued that countries with a high political stability can attract more FDI. Political instabilities like expropriation risk, lack in laws and high corruption effect FDI inflows negatively (Biglaiser & Brown, 2004).

It can be said that for countries like Turkey, political stability plays an indicator role for attracting foreign companies to make investment decisions in Turkey. Political stability means that there are no sudden changes in government policy toward foreign business within a country, transportation etc. If a country has a high political instability, it can attract fewer foreign investors to the country. The expectation of the companies from an investment must gain higher to compensate this investment risk in this instable country.

Jensen argued in his study (2003) that political regimes can reduce political risks and attract international companies by production internalization which has a positive effect on cost decreasing. If the political instability level in a country low is, multinational companies will invest through foreign direct investments, just the opposite, if political instability level high is, foreign direct investors move gingerly with

the decision of entering in this new foreign market alone, or with domestic company cooperation, or avoiding the investment. Therefore democratic political regimes can reduce political risk and instabilities to increase FDI inflows (Jensen, 2003).

Stability within Turkish economy and politics started to increase by the beginning of the negotiations for an EU accession. Positive effects of this are economic growth, changes in laws, banking policies and telecommunications infrastructure. Unfortunately some conflicts still have negative effects on investment such as high taxation (although tax incentives are offered) and especially intellectual property rights (U.S Department of State, 2009). Another important point of growing stability toward Turkey as a market among investors is the coalition of government. Turkish economy has mostly experienced from coalition governments. When the economy needed a new law, it was likely to take a very long time in the Turkish parliament to set a new law due to conflicts between the coalition parties. Investors were always wary and avoid not investing in a country, where they cannot see the political situation in next year. It was proved in the last two decade in Turkey's economy by Turgut Özal's (ANAP) and Recep Tayyip Erdogan's (AKP) government with a big economic growth. The president of Istanbul Chamber of Commerce Murat Yalcintas also claimed that *"..In an economic point of view, the most beneficial government takes shape from a unique party system, not a coalition, which was also proved by data und statistics in the past. Which party acquired the government doesn't play an important role; main thing is a unique party government"* (Yalcintas, 2007).

3.7 Global crisis analysis of FDI

Although Turkey's economy gained $1,480 inflow at the beginning of 2009, foreign direct investment inflows in Turkey have been decreasing by 19% in 2009. In 2008 FDI inflows decreased by 17.6 % (a value of 18,187 billion $) and Turkey will attract less FDI inflows during the world economic crisis. This negative effect of global crisis causes an increase of the current account deficit. The following table sets a light to understand better how the global crisis affects Turkish FDI inflow

Table 16: International Direct Investment (Inflows) by Years

	2004	2005	2006	2007	2008	January-February	
						2008	2009
International Direct Investment Total (Net)	2.785	10.031	20.185	22.046	18.187	1.818	1.480
International Direct Investment	1.442	8.190	17.263	19.120	15.250	1.300	1.080
Equity Investment (Net)	1.092	8.134	16.982	18.393	14.876	1.193	1.012
Inflows	1.190	8.535	17.639	19.136	14.911	1.200	1.013
Liquidation Outflows	-98	-401	-657	-743	-35	-7	-1
Intra Company Loans**	350	56	281	727	374	107	68
Real Estate (Net)	1.343	1.841	2.922	2.926	2.937	518	400

Provisional Data, Source: Central Bank of the Republic of Turkey
Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2009)

Turkey has a big dynamic and open economy, consequently it is unavoidable to be affected by the global crisis that started in 2008 and will probably continue till 2010. According to Dr.Saruhan Özel -the Head Economist of Denizbank- (March 2008) global crisis affects current account deficit and FDI as well. Turkish economy had $38 billion deficit at the end of 2007 just before the global crisis. It means that Turkish economy needed $ 3.5 billion average foreign currency entrance monthly, which is hard to gain without an intervention of Central Bank in crisis period of Turkish economy. Turkey is still in great demand with foreign investors though the global crisis. It is clear to see, the coming end of this demand as a signal of rapid increase of foreign currency. Foreign direct investments have already started to decrease compared to the years 2007 and 2006. Another important reason of this decrease is the end of bank purchasing, which became an important resource of FDI in last two years (Özel, 2008).

3.8 .Regional analysis of FDI

Figure 17: Geographical Regions of Turkey

Source: (Columbia University, 1996)

Turkey consist 81 provinces and was separated into 7 geographical regions by First Geography Congress in Ankara in 1941. (See Figure 17)

They are

- Black Sea,
- Marmara,
- Aegean,
- Mediterranean,
- South Eastern Anatolia,
- East Anatolia and
- Central Anatolia Regions.

Turkey has the typical characteristic of its neighbors resulting from separated regions. Every region has its own specific social and economic properties. The difference in social characteristics can be seen also in the economic situation of Regions. Kocaeli in Marmara Region had a more than 10 times higher GDP per capita than Hakkari in Southeastern Anatolia Region. An important positive effect of FDI in Turkey could be seen in the reduction of these inequalities between regions. Obviously, western regions achieved to attract more FDI inflows in the last years.

(See Table following) Investors check location specific advantages under all other important determinants. What factors attract investor was already discussed in the FDI Determinants part in this paper such as big market potential, rapid and dynamic economic growth in the last years, low labor costs and geographic proximity and accessibility are fundamental location specific advantages which attract investors in decision making (Deichmann, Karidis, & Sayek, 2003).

Table 17: Regional Breakdown of Investment Incentive Certificates by Years

Number of Certificates	Marmara	Central Anatolia	Agean	Mediterranean	Black Sea	Eastern Anatolia	South Eastern Anatolia	Located More Then One Region	Total
2004	1.518	727	639	432	318	161	264	19	**4.078**
2005	1.463	732	618	541	452	209	267	22	**4.304**
2006	954	516	488	434	330	136	216	16	**3.090**
2007	774	358	316	336	280	114	175	13	**2.366**
2008	930	349	295	288	235	135	207	9	**2.448**
2009*	65	30	29	26	22	18	22	-	**212**

*For 2009, only the first two months, January and February are calculated.

Source: (Republic of Turkey Prime Ministry Undersecretariat of Treasury, 2009)

4 The effects of FDI in Turkey

4.1. Effects on Economic Growth

The relation between FDI and economic growth, which means the change in the rate of production of goods and services by economic periods, is generally measured by Gross Domestic Production (GDP) or Real GDP. The results change mostly as a result of methodology used or data which were used. Various kinds of studies were done about the relation between FDI and economic growth and how they affect each other. A lot of studies claimed that FDI causes a development effect temporary on economic growth due to investment amount. In the long time the technologic development provides an economic growth through efficiency. Thus technology, know-how transfer and spillover effects affect the economic growth of a developing country positively. Most of empirical studies explain that the effect of manufacturing FDI on economic growth due spillover effects. FDI in foreign trade, human resources and technology has a positive affect directly or indirectly on economic growth, therefore it is important to attract foreign investors in to the country for long or short term. Surprisingly, the positive relation between FDI and economic growth is one way. There is no positive relation between growth rate and FDI, which means economic growth rate doesn't affect FDI increasing or decreasing rate.

Although Turkey started to receive foreign investments after the 1950s, these investments were not enough to support economic growth of the country as a result of instability and high bureaucracy level and missing essential regulation. After the 1980s there was an increase in foreign capital inflow in the country due to market openness, regulations and reducing the bureaucracy (Afsar, 2007).

FDI is not only the solution for a country's economic growth, but it is one of the very important factors, which affect the economy. After 2001, Turkish economy started to move through cheap goods imports due to severe competition with China, who joined the World Trade Organisation (WTO) in 2001.

FDI has always been an important factor for eveloping countries' economy such as Turkey. Creating new working places, increasing stocks, improving technologic know-how, FDI can definitely affect economic growth. FDI can affect economic growth due to Research and Development (R&D) directly or developing the efficiency of human capital and production indirectly. Empirical analysis show that there is often a positive consequence from FDI to economic growth. But sometimes FDI doesn't bring its new technology in the host country, if the competition is only in the domestic protected market. Therefore spillover effects of a multinational company provides the development of technology if there are sufficient labor resources and supports the increase of productivity. The growth of Turkish economy at the beginning of 2000s with FDI inflows is related with spillover effects and productivity, the developed investment climate, the start of EU negotiations and privatizations which the state gained between 1990-2001 almost $ 7,5 billion and after 2001 over $ 28 billion till 2008. The number of state owned enterprises will decrease which has a negative effect on FDI inflows (Izmen & Yilmaz, 2009).

As a result of these empirical studies, which researched the relation between FDI inflows and economic growth, the distinction of FDI effects on economic growth in Turkey appeared in two ways; direct and indirect affects. FDI inflows affect economic growth not directly, which means there is no direct relation between FDI inflows and growth. FDI inflows affect economic growth indirectly through technology transfer, spillover effects, developing human resources and investment climate and other attracted investment chain in the future. All of these factors have clearly an effect on economic growth in the long term. Another important subject is the usage of revenue which is gained by FDI, how and where to use it. Therefore, the affects of FDI are separated direct and indirect and indirect ones.

4.2. Effect on Balance of Payments

In Turkish economy, the Balance of Payments (BOP) was standardized in the fifth edition of Balance of Payments Manual (BPM5) by IMF for the purpose of leading the right economic way of member economies and their statistical comparability. According to BMP5 standards, BOP statistics are summarized under two subtitles, "Current Account" which means all transactions that include current transfers and

real sources and “Capital and Financial Account” explains how these transactions are financed. Direct investments take place under the major group of “Capital and Financial Account” which is structured by three items, Equity Capital, Reinvested Earnings and Other Capital (The Central Bank of Turkey Statistic Department, 2009).

First of all it has to be defined clearly the difference between FDI’s direct and indirect effect on the balance of payments. It is clear that host economy balances would be affected by a foreign investment. The host country is obliged to send the reserves to the home country of foreign investors, with the prerequisite of being profitable of investment. Briefly direct effects are the income of equity capital, export incomes, capital and raw material import, interest payments etc and indirect effect is the change on capital flow as a reason of using local resources instead of goods and services which are imported before. The effect of FDI on the host country’s trade and economy depends actually on the aim of investors and firms’ properties whether the firm aims to control local and global market, has a production advantage or pricing policy. Therefore it is very difficult to estimate or foresee the definitive effect of FDI on the balance of payments. Turkey, as a developing country and an emerging market, has a higher number of imported inputs in comparison to another developed industry country. The positive effect of FDI on BOP would be lower in Turkish economy than in a developed economy (Atik, 2005).

FDI and its first investment capital has a positive but temporary effect on balance of payments at the beginning of FDI inflow to the home country, but when the company closes the production site some day, it would take this capital back to the host country. Furthermore FDI brings its international ability within the country and utilizes this as a supporter of country export development local companies are also forced to export their productions due to strong competition.

FDI also affects the country negatively through the revenue transfer to home country. Therefore foreign investments affect Turkish BOP circumstantially. The following table (Table 18) shows the yearly BOP of Turkey.

Table 18: Balance of Payments-Monthly Analytic Presentation (2008-2009 April)

	ANALYTIC PRESENTATION (*) (Million US Dollars)	2008 Jan. - April	2009 January	2009 February	2009 March	2009 April	2009 Jan. - April
A-	CURRENT ACCOUNT	-17.473	-216	-170	-1.034	-1.239	-2.659
1.	Goods: exports f.o.b.	47.198	8.375	8.933	8.821	8.152	34.281
2.	Goods: imports f.o.b.	-64.380	-8.755	-8.539	-10.031	-9.618	-36.943
	Balance on Goods	-17.182	-380	394	-1.210	-1.466	-2.662
3.	Services: credit	7.281	1.543	1.424	1.828	1.932	6.727
4.	Services: debit	-5.598	-1.377	-1.022	-1.277	-1.205	-4.881
	Balance on Goods and Services	-15.499	-214	796	-659	-739	-816
5.	Income: credit	2.803	772	391	725	540	2.428
6.	Income: debit	-5.376	-1.030	-1.459	-1.238	-1.144	-4.871
	Balance on Goods, Services and Income	-18.072	-472	-272	-1.172	-1.343	-3.259
7.	Current Transfers	599	256	102	138	104	600
B.	CAPITAL ACCOUNT						
C.	FINANCIAL ACCOUNT	16.767	-934	-1.850	-2.308	-1.287	-6.379
8.	Direct Investment abroad	-1.338	-478	165	-43	-112	-468
9.	Direct Investment in Turkey	5.490	1.411	292	548	765	3.016
10.	Portfolio Investment-Assets	-607	-712	-371	-45	307	-821
11.	Portfolio Investment-Liabilities	-2.844	-129	-1.595	-357	568	-1.513
11.1.	Equity Securities	-580	-104	-331	-3	841	403
11.2.	Debt Securities	-2.264	-25	-1.264	-354	-273	-1.916
12.	Other Investment-Assets	46	-247	1.062	-330	-264	221
12.1.	Monetary Authority	1	-51	-226	-124	-145	-546
12.2.	General Government	0	0	0	0	0	0
12.3.	Banks	1.066	-616	1.530	-289	-394	231
12.4.	Other Sectors	-1.021	420	-242	83	275	536
13.	Other Investment-Liabilities	16.020	-779	-1.403	-2.081	-2.551	-6.814
13.1.	Monetary Authority	-434	-102	-64	-64	-64	-294
13.2.	General Government	-647	30	209	-109	-226	-96
13.3.	Banks	5.392	193	-1.096	-834	-1.627	-3.364
13.4.	Other Sectors	11.709	-900	-452	-1.074	-634	-3.060
	Current, Capital and Financial Accounts	-706	-1.150	-2.020	-3.342	-2.526	-9.038
D.	NET ERRORS AND OMISSIONS	443	1.126	2.656	2.228	-145	5.865
	GENERAL BALANCE	-263	-24	636	-1.114	-2.671	-3.173
E.	Reserve Assets	263	24	-636	1.114	2.671	3.173
14.	Official Reserves	826	258	-532	1.456	2.671	3.853
15.	Use of Fund Credit and Loans	-563	-234	-104	-342	0	-680
16.	Exceptional financing						

(*) Provisional
Central Bank of the Republic of Turkey
Statistics Department
Balance of Payments Division

Source: (The Central Bank of the Republic of Turkey, 2009)

According to Table 18, Direct Investment in Turkey reached USD 3.016 million between January and April 2009 by containing company loans received from home countries, purchasing immovable in Turkey. This value decreased by 45.1%, (from USD 5.490 million to USD 3.016 million) from January-April 2008. Turkish FDI outflow decreased from USD 1.338 million (Jan-Apr 2008) to USD 468 (Jan-Apr 2009) million in this period of time. Moreover it can be said that investments showed 2.548 million inflows in the first month of 2009, with a 38.6% decrease.

4.3. Effects on Occupations

Host countries try to attract more FDI inflows as the positive affect of globalization on national economies has been greater than ever. Every country gains different advantages from foreign investments. Employment might be one of these advantages. FDI Literature has various kinds of views on the affect of FDI on host country's employment situation. Some of the authors claimed that although FDI has a positive affect on host economies and trade, it doesn't have a direct positive affect on employment (Chen & Ku, 2000). Additionally, Zhao found out in his study (1998), due to foreign investors, unionized labor wage rate will decrease (Zhao, 1998). Another important study was written by Bailey and Driffeld (2006), which explains the affect of FDI according to skilled and unskilled workers. They claimed that FDI inflows have a positive impact on skilled labors but not on unskilled labors (Bailey & Driffeld, 2006).

After the shifting of the Turkish economy strategy at the beginning of the 1980s in order to gain more from globalization, Turkey couldn't benefit enough from FDI inflows comparing to other competitor economies as a reason of politic instability until the election in 2001 and new FDI regulations by 2003. Though the increasing FDI inflows after 2001 the unemployment rate shows that there is no direct positive relation between increasing FDI inflows and unemployment rate which was expected to decrease. Unemployment rate increased from 8.4% in 2001 to 15.8 % in 2009 March (TurkStat , 2009) whereas FDI inflows increased steadily over the past 8 years and economic growth developed regularly. According to a study by Aktar and Ozturk (2009), unemployment rate is sensible to GDP but not to FDI inflows. They found out that FDI inflows don't create employments (Aktar & Ozturk, 2009). Dumludag claimed in his study (2009) that FDI focuses in capital intensive investments therefore the effect of FDI on creating new jobs is not as large as it is expected (Dumludag, 2009). According to Transnational Corporation Report of UNCTAD, Turkey has a few share of foreign affiliate employment with a rate of 5.6% in a comparison to other countries such as Germany 6.9 % France 25.8 %, Czech Republic 26.9 %, Hungary 46.5 % and Ireland 47 % which shows also the integration of global networks in Europe (Sauvant, April 2003).

4.4. Effects on Macroeconomics

4.4.1. Politic Environment

After the start of globalisation, economy began to follow a national strategy. Countries accept the risk of war to dominate scarce natural resources such as oil or natural gas. Therefore government force on firms shifted to companies force on governments. The affect of big companies on politics is undeniable and sometimes determines the politic decision of the country. Hence politic situation is a factor, which affects and is affected by FDI in both ways. Political stability, as an important FDI determinant, has already been reported on in this paper. As long as host countries try to attract foreign investors, they have to pay attention to foreign firms' wishes. Important conditions of companies to invest in Turkey are the political stability, development of legal structure, royalties or reducing the level of corruption etc. A fundamental deficiency for Turkish economy not gaining enough FDI in the last 20 years is politic instability. Therefore FDIs with big capitals or labor force, claimed mainly before the election that they would prefer a one party government, or they worry about the democratic future of Turkey. It is easy to read their increasing speeches in newspaper in the pre-election period. Big firms, especially foreign investors try to reduce the risk of politic instability through their speeches, mix them in politic and try to canalize the people to vote the most stable party which offer them the best advantages.

After the start of EU accession negotiation with Turkey at the end of 2004, foreign investors' requirements from Turkey's accession were strongly marked with the aim of reducing the investment risk in Turkish economy. For example, Draft Bill on Turkish Commercial Code was approved in the direction of foreign companies' requirements and their necessity to create an un-risky investment climate in Turkey and domestic firms as well. Through this new draft bill foreign investors are not taxed twice if they carry their revenue to the home country – the term holding company hasn't had a place in Turkish economy for over 40 years and had no definition in Turkish commercial law, takes a new legal tender. Another complexity for foreign investors in Turkey is the financial report system. Turkey had a variously financial

report system than European and American system, which will be reported with the same system of EU after this law. Unfair competition, royalties and copy rights, imitative production have always threaten foreign investors. This handicap could be also prevented with Draft Bill of Commercial Code (Nayir, 2008).

Bureaucracy and corruption are significant barriers for foreign investors. An increase in complaining of foreign investors always forces the government to take precaution against corruption as they took it before (Republic of Turkey Ministry of Foreign Affairs, 2008).

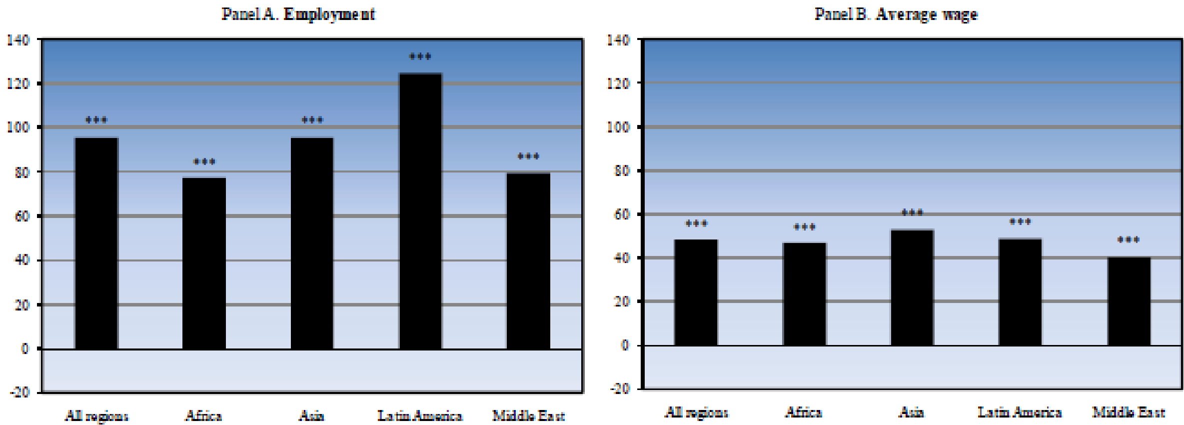
4.4.2. Educational

Education is one of the fundamental factors for economic development in the competitive atmosphere of global economy. Education, as a determinant of FDI, is mainly discussed in the literature as a basic of skilled labor quality. There are very few researches of FDI effect on education in host country. According to study of Zhuang (2006), FDI inflows effect positively the host country's education. Furthermore he claimed that the government has to promote foreign investors to support educational development and foreign investors promote the education to have a better human resource. In his study he found out that if foreign employment increases by 10 %, a 1.37% increase can be observed in local education per capita, but these FDI inflows always need time to affect local education budget and the effect gets lost in about three years (Zhuang, 2006). Foreign companies can contribute education and human capital development due to trainee programs for students and scholarship, granting to education societies, regular employee training in firms or they can build up their own education centre such as Mercedes Benz Turk A.S Aksaray. Mercedes Benz Aksaray factory built its own education centre in its factory and every year after secondary education, certain numbers of students are accepted to visit Mercedes Benz's school, having a practical and theoretical education and at the same time they start to earn their own money. After finishing the school, these students are offered a labor contract in different departments of the firm, if they show a good performance in the school. Some foreign companies support universities, schools or other institutions financially.

4.4.3. Social

The expected benefits from FDI inflows in a host country rose considerably with the increase of FDI stocks in global economy. FDI brings quality jobs and modern management techniques with other advantages to the host county, therefore governments always bring new policies and regulations for FDI inflows. Foreign firms confronted with higher investment costs from making business in different national markets; however they have many competition advantages as a comparison to domestic firms. They turn their know-how, experienced management abilities into competitive advantage. FDI offers high-quality jobs, higher payment and better employee benefits concerning working conditions. Foreign firms may try to encourage their workers through better payments to acquire a qualitative production and they aim to minimise the labor and know-how circulation to other rival companies through the payment over domestic market average (OECD Policy Brief, July 2008). Figure 18 shows whether FDI offers better jobs.

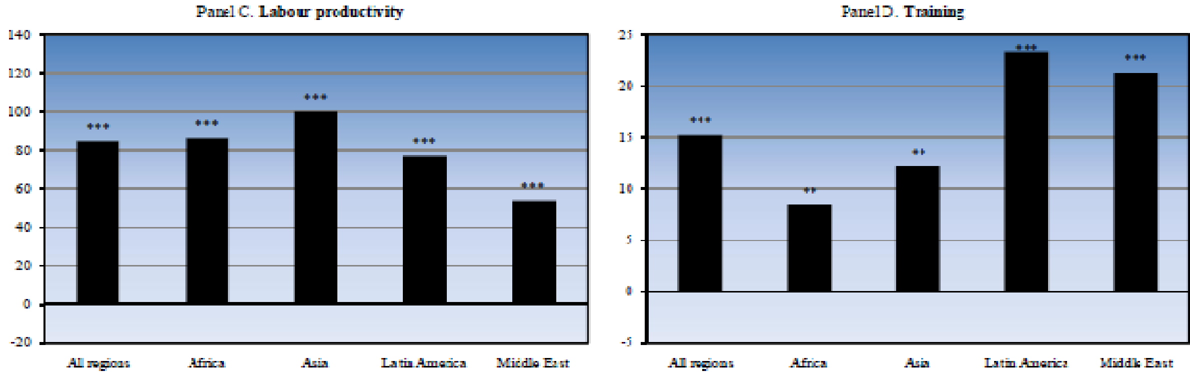
Figure 18: Do MNEs offer better jobs?



Source: OECD's calculations based on the World Bank Enterprise Survey (WBES)
Source: (OECD-ILO Conference, 2008)

According to Panel A, MNEs offer more labor than domestic companies' average. The MNEs' average of payments is also 50% more than in local firms. The wage differences are higher in Asia and Latin America as a reason of higher gaps between foreign and domestic firms' technology and productivity in those continents.

Figure 19: Do MNEs offer better jobs?



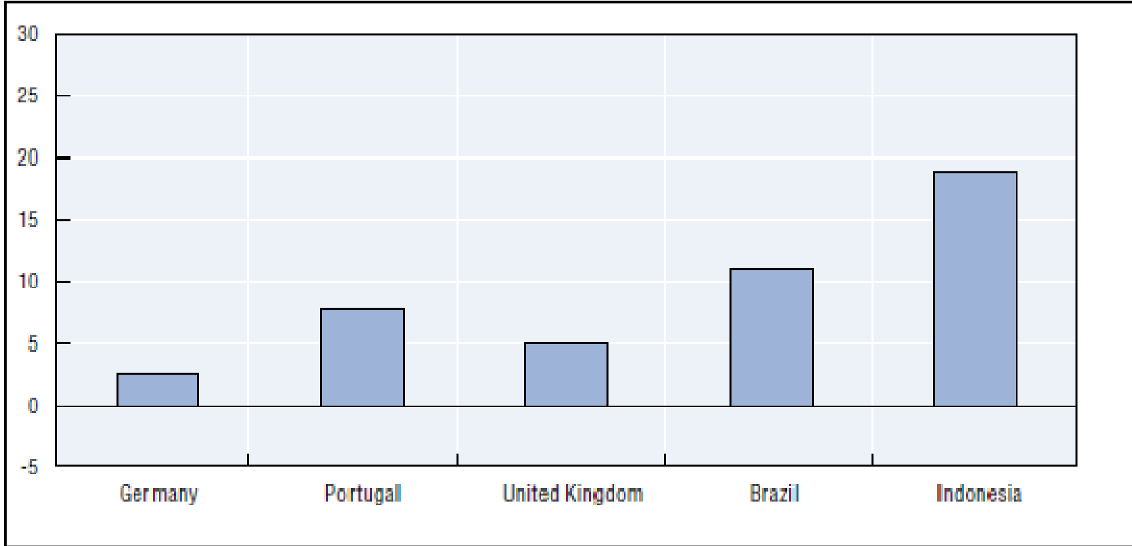
Source: OECD's calculations based on the World Bank Enterprise Survey (WBES)
Source: (OECD-ILO Conference, 2008)

The productivity gap between foreign firms and domestic firms is observed higher than wage gap in all religions. Foreign investors prefer to support their labor by training to have a better production efficiency which is shown as a reason of higher wages in foreign companies (OECD-ILO Conference, 2008).

FDI can also affect other domestic firms' employee and their knowledge if there is a know-how and labor traffic or co-operation between foreign and domestic firms. Domestic firms can also benefit from labor mobility if they employ experienced workers from foreign firms. This co-operation and competition imposes domestic firms to develop their production and management efficiency to offer their workers better wage and employee benefits. Unfortunately there is not always positive effect of FDI on domestic markets; sometimes the stringent competition forces domestic companies out of the market. The improvement of working conditions, trainings, working shifts depends on FDI inflows' origin and direction. According to extensive view, FDI from developed countries to developing countries develops social situation, wage and work conditions. It has also been observed that there is no big difference in FDI between countries on the same level of development, when there is a foreign investment or takeover in the host country. Therefore if there is a takeover or an investment to developing countries from developed countries, a higher increase in wage is expected in comparison to investment from developed countries to developed countries, figure 20 shows those developing countries' wage increases in

a takeover situation if it is taken by a higher development level country's firm. (OECD Policy Brief, July 2008)

Figure 20: Foreign Takeovers Effect on Average Wages in Countries with Different Development Level (The short term effects of foreign takeovers[8])



OECD Employment Outlook 2008, Paris

Source: (OECD Policy Brief, July 2008)

4.4.3.1. Effects on Payments

The advantage of labor resources in Turkey has been attracting foreign investors for a long time. After the start of globalisation companies carried their production centre to other countries, where the labor costs were lower. Therefore, Turkey achieved to attract a number of important companies such as Mercedes Benz. Turkey has always offered lower employment costs than the European companies with an average of 500 $ per worker. Additionally over 70 million people and almost 27 % of this population is between 15-30 years old, in conclusion a young and dynamic labor potential which offers foreign investor a brilliant potential of human resources. 23 million of the total population has already found a position in business life comparing to other Central and East Europe countries, which have an average of 5-6 million. Another important determinant of making investment decision is the availability of skilled employers. Turkey has a higher ratio of skilled employers than Eastern Europe countries and even a higher one than Ireland, which is an attractive country for foreign investors. Turkey takes a better place in the ranking of senior

[8] Average effects over the first three years after the takeover

managers leaving behind the countries Hungary or Czech Republic (YASED & TUSIAD, 2004).

It is clear that Turkey can attract foreign investors through its big labor potential with low costs, but the question is how FDI effected labor payments in this period of time after the FDI started to flow into Turkey. According to Karagöz (2007), the effect of FDI on salaries and payments shows diversity. A higher employment situation is expected from FDIs which originate from developing countries, invest in low technologic high manpower sectors than FDIs from developed countries. Another difference is that FDIs from developed countries are preferable because of employee benefits, working conditions and payments. FDIs from developing countries pay attention to wages of skilled and top level workers. By payments of unskilled labor, the difference of payments of developed country's FDI and developing country's FDI becomes unclear (Karagöz, 2007). The level of labor union is another important factors to determinate the payments. Although the number of labor is increasing steadily but the rate of labor union member is decreasing (Ar, 2007) which means that foreign investors can attract labor through a better payment but as a reason of non-membership in a labor union, labor can be exploited easily. But it is common in Turkish economy that FDI companies pay their labor better than domestic companies by the help of financial power, competitive capability and the support of head office.
Another effect of FDI is wage inequality, which was studied by Görg and Figini (2006). According to their experiments, they found out that FDI affects the wage inequality dependant with development level. In developing countries there is a non lineal relation between FDI inflows and wage inequality, but more FDI inflows in the host country reduce this wage inequality in developing countries. In developed countries the relation between wage inequality and FDI inflows is linear which means that FDI inflow stocks reduce the wage inequality (Figini & Görg, 2006).

4.4.4. Technology & spillover effects

Foreign investments are different in two ways from their domestic rivals when they invest in abroad. First, they transport their technologic advantage and know-how as a competition advantage against their local counters, who keeps already domestic markets, customer knowledge under control. Secondly, foreign firms unbalance

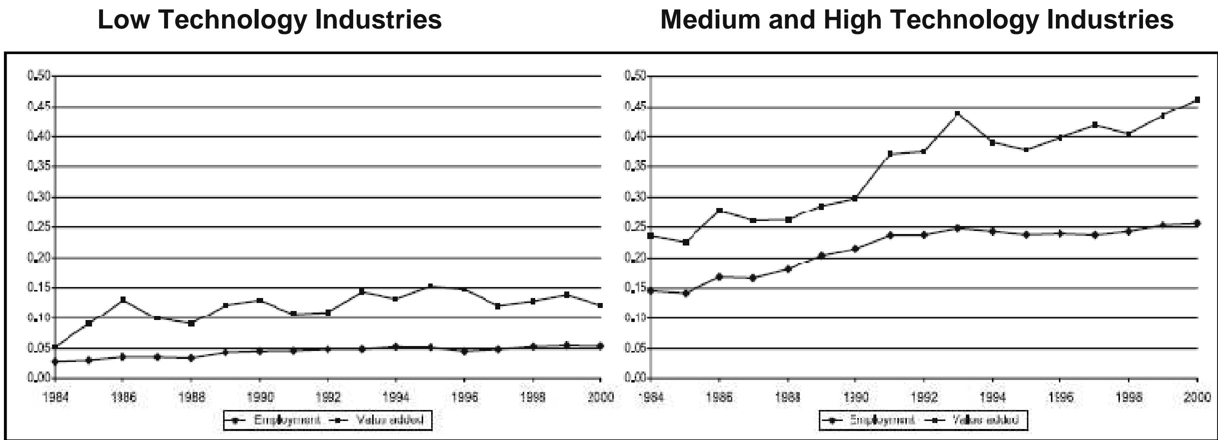
domestic firms in host country and they force domestic firms to hedge to protect their operation in the local market. These external forces on local companies, which are called "spillover", lead domestic companies to develop their efficiency in production and management. FDI causes spillover effects as a result of high competition and worker traffic. Spillover effects can not only be seen in FDI's sector but also in other sectors through the supply chain, labor transfers or customers. According to the level of Blomström and Sjöhölm (1999), the level of this effect, definiteness of success depends on the extent of the host country, on charachteristic properties of sectors, regulations, juridical and political environment. For this reason, the result of spillover effects can vary from country to host country, because each country has its own properties. As an example it might be mentioned that spillovers affect the same industries in different host countries with different technology development level in various ways. Foreign investors can join the new market with a local partner as a juridical obligation or to reduce new market risks. Government seeks spillover effects from this cooperation in order to benefit from multinational company's knowledge. New technologies in an affiliate mean always new spillovers with a wider area (Blomström & Sjöhölm, 1999).

Taymaz and Lenger (2006) identified spillover effects in their study in three groups.

- Horizontal spillovers: From foreign company to a company operating in the same branch, this originates in imitation or competition.
- Vertical spillovers: From foreign company to related industries in the host country
- Labor spillovers: Labor turnover, employment by a local company after working in a foreign company for a while.

The effect of technological spillovers also depends on the technology level of the industry. Foreign companies invest in medium and a high technology sector, which means low technology sectors are not as successful as high technology sectors in attracting foreign investors in Turkey (see Figure 21). In high technology industries, innovative firms have a higher share than in low technology industries. Foreseen, companies are smaller in high technology sectors than in low technology sectors but their budget for Research and Development is higher than low technology companies.

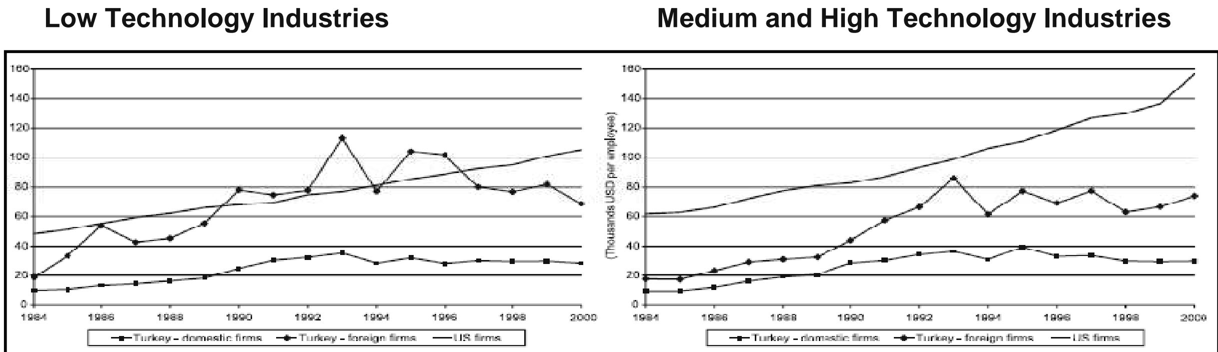
Figure 21: Share of foreign firms in manufacturing employment and value added in Turkey



Source: (Taymaz & Lenger, 2006)

In a productivity comparison it is clear to distinguish that foreign companies are more productive than local companies in low technology sectors. In high technology sectors, foreign companies are also in advance to local counterparts. Additionally in low technology sectors, foreign firms in Turkey and the U.S. have almost the same productivity, but in high technological industries Turkey's foreign companies fell behind the U.S. firms. Figure 22 shows more detailed the comparison of Turkish domestic firms, foreign firms and U.S. firms.

Figure 22: Labor productivity, domestic and foreign firms in Turkey and US firms, manufacturing industries



Source: (Taymaz & Lenger, 2006)

Technology can create a significant difference if foreign companies keep an advanced technology and innovation under control in order to get a competitive advantage against local companies.

Foreign companies have a high share in the Turkish market. It helps definitively to employ a worker, which has already worked in a foreign company in high technology industries. It means, higher market share of high technology firms and their labor turnover create a spillover effect, which supports technologic development of local firms in Turkey. Taymaz and Lenger (2006) found out in their study that foreign companies' labor spillovers affect local firms and innovative development of manufacturing companies in Turkey considerably. Unfortunately labor turnovers in Turkey cannot transfer technology from out of Turkey. According to their findings about horizontal spillovers, foreign companies and R&D workings in the sector cannot help to arise of spillover effect in transferring technology or innovation surprisingly in contrast to the expectations, except in low technology industries, which has also a small effect as a result of R&D and its low technology level. Vertical spillover effects are more considerable for innovativeness in high technology companies. High technology firms, which supply their goods to foreign firms, are expected to be more innovative. Companies, which are supplied by foreign firms, tend to be less innovative in the Turkish market (Taymaz & Lenger, 2006).

4.4.5. Effect on Regional Development

Turkey, with 7 regions, is one of the biggest trade partners of the EU. Unfortunately, these 7 regions have a disorganized development, which is a significant determinant for foreign investors' decisions. Though its dynamic emerging economy, Turkey couldn't gain enough from FDI in the last decades. For foreign investors, location of investment plays a key role, distinctly from other determinants; the choice of FDI has a fundamental effect on regional economies. Obviously, economy of western, south and north of the country developed better than east and south-east.

Turkey with 7 regions is one of the biggest trade partners of the EU. Unfortunately, these 7 regions have a disorganized development, which is a significant determinant for foreign investors' decisions. Though its dynamic emerging economy, Turkey couldn't gain enough FDI in the last decades. For foreign investors, location of investment plays a key role, distinctly from other determinants; the choice of FDI has a fundamental effect on regional economies. Obviously, economy of western, south and north of the country developed better than east and south-east.

According to Deichmann et al. (2003), GDP per capita is used to calculate the market size and benefit of multinational cooperation. Under the high lights of this information they claimed that the development degree and high income opportunity in a Turkish region is important to attract foreign investors in this region. Another way to define is that the high level of development, which is calculated by GDP per capita, is fundamental in attracting more FDI in this region. In their study they found out, if there is a 1 % GDP increase in a region, it will attract 1.1% new foreign investors. Another development mark is the infrastructure which is also an indicator for development with regional income level. In their studies they analyzed that if there is a 10 % increase in completed roads, the region can be able to attract 0.3 % more FDI. It means that a region can attract more foreign investors, if they may develop infrastructure of the region.

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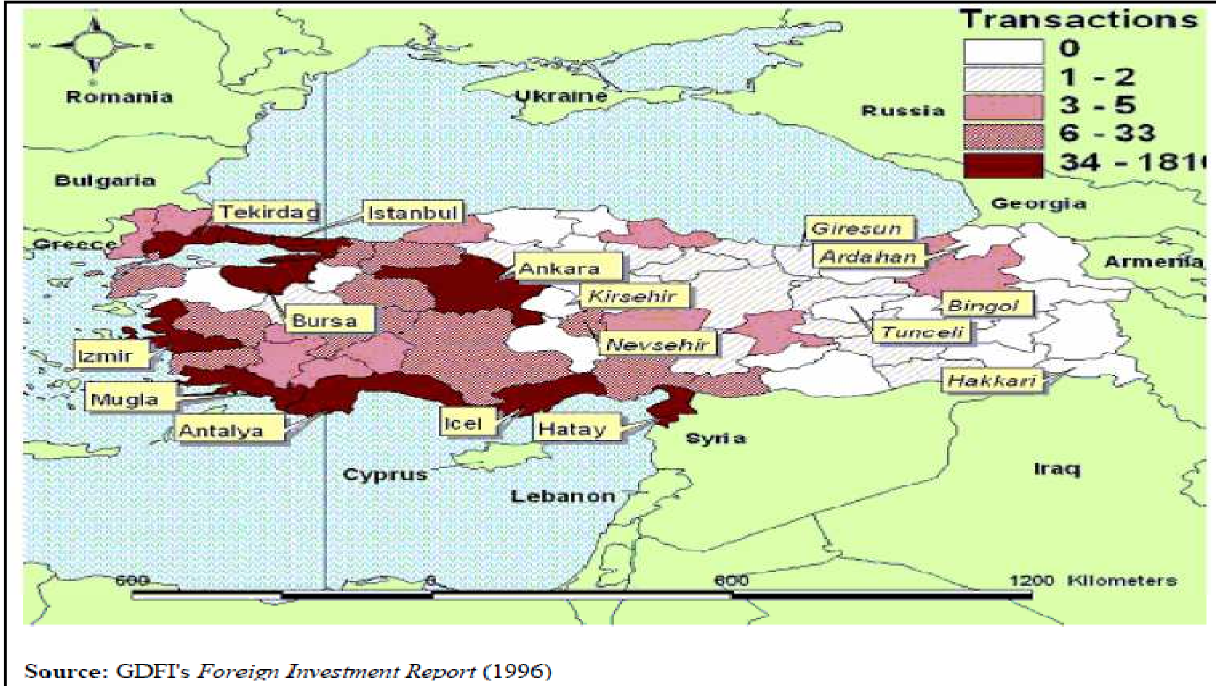
In Turkey regions with more industry attract more FDI than those large in agriculture (see Figure 23). In other words, agrarian regions can’t attract foreign investors as a reason of other services and industries which an investment requires to make business in this region (Deichmann, Karidis, & Sayek, 2003).

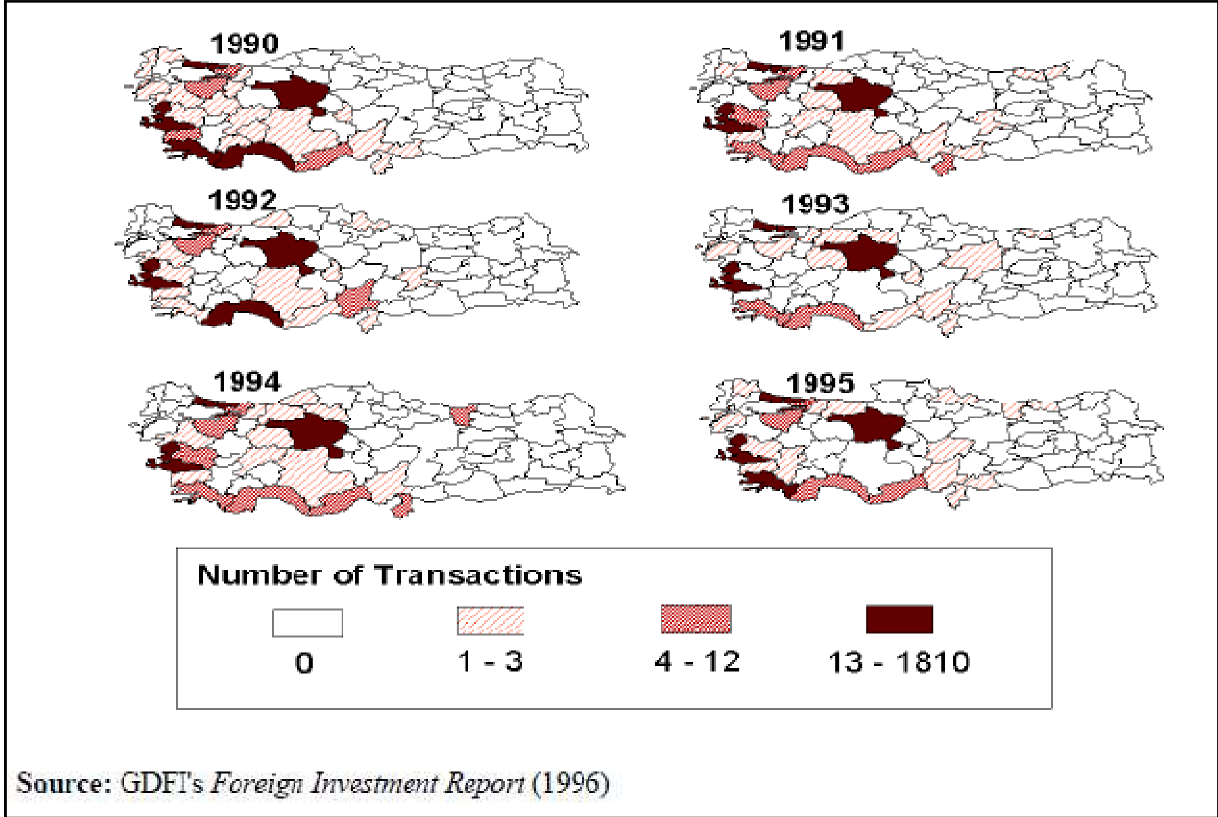
Figure 23: The Distribution of Cumulative Investment of FDI in Turkey through 1995



Source: (Deichmann, Karidis, & Sayek, 2003)

To attract more foreign investors to regions and provinces, local governments have to emphasis on the determinants of FDI and develop them, such as the level of income, education or infrastructure. The deficiency of these determinants in a region might be the cause of FDI unattractiveness. Therefore, although the FDI inflows in a region can't solve the regional development differences between regions in Turkey, the probability and presence of foreign investment can accelerate the pace of development of east and south-eastern Turkey (Deichmann, Karidis, & Sayek, 2003).

Figure 24: Distribution of FDI in Turkey by Year, 1990-1995



Source: (Deichmann, Karidis, & Sayek, 2003)

FDI effects on the average regional development of Turkey are actually smaller than it is expected because even the Marmara region, highest advanced location, couldn't success to attract enough foreign investors. Therefore the development of Eastern and South-eastern has failed. But for these two regions, Turkey's GAP (Güneydogu Anadolu Projesi which means South-eastern Anatolia Project) project became a hope in last decade, which can achieve to catalyze private investments and

entrepreneurship. GAP is the widest local project to remove the regional disequilibrium in social and economic environment between east and west. The GAP was planned as a watering and hydropower project but it soon turned out to be a socioeconomic regional development program for instance in agriculture and manufacturing sectors, infrastructure of these provinzes, communication, education etc. In the investors' view, GAP could not bring enough entrance of entrepreneurs as a result of terror attacks since 1980. Investments such as manufacturing and energy, which are encumbered to the state, couldn't attract other private capital to the region. Other incentives to attract foreign investors in this region, were not effective as well.

Generally spoken the main problem of this region is the quick increase of population growth (especially higher than country average) and income are inversely proportional, which triggered the increase of unemployment in the region and a dependant economy on state without a deficient production. In the future when the region becomes safer, the region would be more liveable with the positive effect of GAP and great foreign investors in agriculture sectors. There is a serious increasing investment interest on the region from Turkey's developed regions and abroad if the investment climate would become safer and suitable (Ögütcü, 2002).

4.4.6. FDI in Crisis

Foreign investments are often claimed as more resilient in economic crises in the literature and multinational affiliates are foreseen more compatible in the recovery phase. In his study Lipsey argued that direct investments are more permanent than other inflows because the capital flow is not easily reversible (Lipsey R. E., 2001). FDI is defined as long term capital flow on long term profit (Caves, 1996). Therefore it is not as responsive as other investments which are interested on short term economic situation in host economy. Financial crisis creates not only negative effects on foreign investments. There are also positive effects on foreign affiliates in economic crises countries. If there is a currency collapse, it might affect FDI positively in these ways;

- Decrease of exchange rate, which reduces local asset value and production costs that make the production more valuable.
- Decrease of asset prices, that the investment becomes more profitable.
- Crisis management can create new chances for mergers and acquisitions.

Crisis affects FDI certainly in negative ways. Crisis can curb the demand in local market, it affects local market oriented FDI's and decelerates the economic growth and occurs output collapsing of foreign company (Athukorala, 2003). The common view about FDI is that it is an important stabilizing factor during the crisis in comparison to portfolio and other capital inflows (see Table 19). Furthermore, multinational affiliates can be encouraged and supported by their parent firm to borrow more in local capital market, depending on their necessity and on local banks' requisition to finance the local market during crisis period.

Table 19 : Pockets of Stability in Turbulent Times

In a seven-year window around a crisis episode, the year-on-year variation in FDI flows is typically much lower than that of other investment flows.

	Coefficient of variation	
	Direct investment	Portfolio and other investments
Argentina	0.60	11.50
Brazil	0.50	2.50
Indonesia	3.13	11.96
Korea	8.02	1.24
Mexico	0.38	1.86
Philippines	0.48	1.03
Russia	0.81	0.76
Thailand	0.74	61.33
Turkey	0.90	1.47
Ukraine	0.30	2.72
Uruguay	0.42	8.33

Source: IMF staff estimates.

Note: The coefficient of variation is a widely used measure of the stability of capital flows. For each type of capital flow, it is calculated as the standard deviation of the flow divided by its mean.

Source: (Brukoff & Rother, 2007)

According to table 19 it is clear to see that direct investments are more stable than portfolio and other investment inflows. Brukoff and Rother found out in their research, FDI in Argentina, Brazil, Indonesia and Thailand, was the only capital inflow in economic crisis situation as the portfolio and other investments left the country (Brukoff & Rother, 2007). As a result, foreign direct investors hesitate or postpone investing in a country due to instability, which has a crisis condition, but they would not break out easily from host country if they invested once they may decelerate and

reduce the production as a precaution. After the crisis period, they can benefit from new opportunities, which are developed in crisis static period, foreign investors benefited after the 2001 crisis in Turkish economy USD 8.774 billion from 2003 to the end of 2008 (Gazeteport, 2009). This development in FDI inflows in Turkey was interrupted by global crisis in 2009. Obviously, using the opportunities from crisis is not enough to catch the same FDI inflows. Governments, which control the global economy, have to give an end to economic anxiety and to prevent from protectionism which keeps the global demand and capital in borders (Ercan, 2009).

5 Conclusion

Foreign direct investment has always been a hope for developing countries like Turkey. The investment climate and incentives help the host country to attract more FDI inflows. Therefore Turkish economy is in competition with other developed and developing countries in attracting new foreign investors to the country. The purpose of this study is to find out about the development and the present situation of FDI investments in Turkey.

Turkey was not successful to create a good investment climate for foreign investors in the last years. In fact the increase of FDI inflows after the new FDI Law 2003 is being misconstrued since there was a total increase in investments in these years all over the world. Therefore the determinants in order to attract foreign investors have to be improved.

Attracting foreign investors in Turkey is not only important for capital inflows, but also significant for new technology, employment, improvement of labor quality and professional management methods, which provides the company, depending on the company, local and regional growth, which is possible due to spillover effects. In fact there is no concrete confirmation that FDI supplies direct economic development to a host country. Therefore, for further studies spillover effects must be handled as the main profit whether they affect the host country in positive ways and under which circumstances.

The influence of Turkish government on trade and markets can be observed since the 1980s. After the liberalization of financial markets, the orientation of the country became export oriented. Additionally the effect of governments is significant as a result of political stability, which is also essential for investors to see the future. Political crisis and fluctuation have always discouraged foreign investors. Finally, political stability is as worthy as EU adjustment regulations for investment climate with the purpose of attracting investors to the country. Another important subject is controlling informal mechanism such as unfair competition and royalties which prevent foreign investors.

FDI inflows after 2003 increased rapidly, until the global crisis in 2008. Turkey has to continue with the implementation of regulation to be little damaged from this crisis and for continuity of economic growth and foreign capital inflow. Furthermore, although Turkish economy has changed its orientation from import to export orientation at the beginning of 1980s, the import number is still higher than export, which creates fiscal deficits; domestic production and its efficiency should be strongly supported and provided to improve. As FDI can affect Turkish manufacturing and service sector but it can't be a rescuer in crisis situations alone and unfortunately in the short run, it could be hard to catch FDI rates in 2006 and 2007 again. Turkey has to struggle on both sides of economy; attracting foreign investors should not be an excuse to neglect domestic production. The only chance for economic growth and moving further is prevailing in both facades against other competitor economies.

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Abstract in German

Der internationale Handel erschien praktisch mit dem Beginn des Handels. Unternehmer wollten nicht nur national sondern auch international tätig sein. Es gab schon damals immer neue Visionen bezüglich der Ausdehnung des Handels. Daher herrschte immer eine Überlegung auf den ausländischen Märkten Fuß zu fassen. Besonders nach dem zweiten Weltkrieg blühte der weltweite Handel unerwartet. Im Laufe der Zeit wurden verschiedene Arten der Globalisierung entdeckt.

Ausländische Direktinvestition ist eine der wichtigsten Form der Investitionsformen, die sich während der 90er-Jahre mit der Integration von Technologie Fortschritte gemacht hat. Somit wurde Multinationalität immer wichtiger für Unternehmungen um am Markt langfristig zu überleben. Deswegen hat diese Anlageform in den letzten Jahrzehnten immer mehr und mehr an Bedeutung gewonnen.

Die Kennzeichen der Direktinvestition ist laut offiziellen Angaben eine Beteiligung von mindestens 10% am Unternehmen im Ausland, wobei diese in Form von entweder Greenfield-Analyse oder Browfield-Analyse stattfinden kann.

Obwohl die Türkei früher bezüglich der Direktinvestition nicht attraktiv war, besitzt das Land derzeit ein dynamisches Arbeit und Wachstumspotential und gehört zu den Ländern, das sich zu einem brillanten Markt entwickelt hat. Seit dem Beginn der 80er-Jahre tendiert der internationale Handel in der Türkei in Richtung mehr zum Export. Vermutlich reichte der ausländische Kapitalzufluss dem Land nicht, erschien das Land nach den neuen Regelungen der Direktinvestition im weltweiten Ranking. Die neuen Regelungen, die im Jahr 2003 in Kraft traten, boten den ausländischen Investoren die gleichen Rechte wie die einheimischen Unternehmer.

Das Ziel dieser Diplomarbeit ist den Investitionsvorgang, die Attraktivität des Investitionsklimas und die Auswirkungen der ausländischen Direktinvestition aus der Sicht der Türkei in den Vordergrund zu bringen.

Diese Studie besteht aus drei Abschnitten. Im ersten Abschnitt (Kapitel 2), wurden die Definitionen der ausländischen Direktinvestition und der Beginn der Globalisierung kurz erörtert. Darüber hinaus wurde die historische Entwicklung der ausländischen Direktinvestition erarbeitet. Weiters sind auch die Bedeutung, Vor- und Nachteile und Arten der ausländischen Direktinvestition auch in diesem Abschnitt zu finden.

Hingegen das dritte Kapitel enthält die demografischen und wirtschaftlichen Daten über die Türkei. Der Verlauf des Wirtschaftswachstums und diesbezügliche Analysen von verschiedenen Sektoren sind in diesem Kapitel inkludiert.

Im vierten Kapitel wurden die Auswirkungen der ausländischen Investitionen aus der Sicht der Türkei diskutiert. Eine allgemeine Analyse über die Politik, Bildung, Technologie ist auch in diesem Kapitel zu finden.

Das fünfte und letzte Kapitel besteht aus einer kurzen Zusammenfassung dieser Arbeit.

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PROFESSIONAL OBJECTIVE

Being a successful member of business life as well as extending my perspective gradually and being the superior manager of a big company in five years time. I also would like to achieve all my ambitions by putting them into effect hand in hand with a diligent and creative personality.

PROFESSIONAL CHRONOLOGY

AVEA Customer Services September 2004 – March 2005

I managed a high-volume workload within a deadline-driven environment. I resolved an average of 400 calls in any given week and an increasing performance benchmarks in all areas (volume, quality, speed). Beside this, I was back-up of team leader, I was preparing reports and coordinating group in necessary situations. I have learned stress management, better communication and negotiation skills, corporate culture, being team participant.

INTERNSHIPS

MERCEDES- BENZ Aksaray Factory / Raw Material – Spare Parts Supply June - September 2003

- Support for inside logistics transactions
- Support for supply of parts from abroad
- Declaration of damaged parts to suppliers
- Internal correspondence
- Follow up reclamation and control reports
- Follow up cycle of Stock list and Material list
- Following transactions of rejected parts

MERCEDES- BENZ Aksaray Factory / Logistics August - September 2002

- Support for inside logistics transactions
- Follow up export transactions
- Support for supply of parts from abroad
- Follow up damaged parts
- Performance evaluation of supplier

TURKISH HALK BANK Nevşehir Central Branch / Customer Relations June - August 2001

- Customer Relations
- Daily Account Transactions
- Account Book Checks
- Invoice Transactions
- Password check in abroad transactions

EDUCATION

Vienna University	Master – International Management	(2006 – 2009)
Istanbul University	Business Administration	(2000 – 2004)
Nevsehir Hüseyin Avni İncekara Science School	Science – Mathematics	(1997 – 2000)
Nevsehir Anatolian High School		(1993 – 1997)

PROFESSIONAL TRAININGS & SEMINARS

- Kaizen Improvement Certification — Mercedes-Benz
- Frontpage2000 — Bilge Adam
- IBM e-business — Dream & Act
- Stock Exchange Seminar — RİVA Securities
- E-business — Bilge Adam
- German Course — Goethe Institute

PROJECTS

- Planning process in business management
- Human Resources Development
- Marketing research about consumer buying behavior of frozen goods
- Technology and innovation management: CRM
- Entrepreneurship : Franchising
- Social Aspects of Minimum Wage

PERSONAL INFORMATION

- Born 02.09.1982, Nevsehir
- Single
- B Class

LANGUAGES

- Advanced German
- Advanced English

COMPUTER SKILLS

- Advanced MS Office
- Lotus
- DVS

HOBBIES

- Cinema
- Swimming
- Basketball