

Foreign Direct Investment Operations of International Businesses and Their Impact in Turkey

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ABSTRACT

The Republic of Turkey is located at the crossroads of many trade and investment routes, converging East with the West and North with the South. However, Turkey is not self-sufficient with respect to capital formation. As a result, it wishes to obtain the deficient part of the capital stock from foreign sources, mainly from foreign direct investment (FDI). The purpose of this paper is to examine the FDI inflows to the Turkish Republic and its effect on economic growth by employing the augmented Dickey-Fuller test, Phillips-Perron, Kwiatkowski, Phillips, Schmidt, Shin unit root tests, and least squares method. The results indicate that FDI inflows to Turkey bring about economic growth.

KEYWORDS

Economics, FDI, Growth, International Businesses, Turkey

INTRODUCTION

The Republic of Turkey is located at the threshold of Europe and Asia as well as at the junction of many commercial and investment means. Although Turkey is at such a favorable geographical place, it does not receive a fair share from the global trade and investment. Moreover, the Turkish Republic is not self-sufficient with regards to capital concerns and therefore it has got to supply the deficient part of the capital from foreign sources. Thereby, the aim of this paper is to first define international business and international investment activities, then to review the foreign direct investment (FDI) history of the Turkish Republic in two phases, one before the 2nd millennium and one after the 2nd millennium as well as eventually investigate the FDI inflow and economic growth in Turkey lying on comprehensive statistical and econometric analysis. The importance of this paper is to be the most recent one analyzing FDI inflow and economic growth in Turkey.

AN OVERVIEW OF INTERNATIONAL BUSINESS & INTERNATIONAL INVESTMENT

The international business operations are defined as the economic and commercial activities across the national borders. The international business operations involve the circulation of goods,

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services, capital, ideas and labor ship with the least possible hindrances in the world. These activities and operations affect the countries and regions economically, financially, culturally, socially and politically. International businesses consider a great deal of items when they execute their activities. The issues that international businesses are supposed to consider when they operate could be international competition, international distribution, international economics, politics, societies, culture, commerce, legal subjects, human resources and etc. along with a great deal of opportunities and risks (Çavuşgil et al., 2012).

The deepening of the international business affairs, gaining much more importance and the integration of the world markets on the global scale overlap with globalization. The economic and commercial integration of the local markets on the global scale with the increasing volume of international business activities as well as the increasing interdependence of states and institutions broadly enable the production of goods and services on the global scale (Griffin, Pustay, 1999; Çavuşgil et al., 2012; Daniels et al., 2019; Hill, Hult, 2019).

It is possible to consider the international business activities under two main headings: International trade and international investment. International trade occurs as a result of exportation and/or importation activities of businesses in the world. On the other hand, international investment occurs when a business transfers its tangible and intangible sources from home country to host country in order to constitute a long lasting and physical presence. International investment is not a fast functioning process, yet it develops gradually. International investment can be in different structures and can occur in different forms as investment as a portfolio investment in the equity shares of a corporation, licensing activities, franchising activities, joint ventures, turn-key projects and greenfield investment (Ball, McCulloch, 1990; Harrison et al., 2000; Daniels et al., 2019).

Even though the local business affairs are similar to international business affairs with respect to objectives, goals and scope, the international business operation are conducted in a differentiating environment. The environment of the international business affairs involves the important distinguishing characteristics. These distinguishing characteristics include the differentiating cross-cultural, commercial, political and financial environments of international business (Harrison et al., 2000).

The scope of the international business activities began to expand and broaden especially after the Second World War with the normalization and development of global markets. As a result of the intensifying volume of international businesses, the difference between international businesses and multinational businesses (MNBs) emerged. In this instance, it is important to define the difference between international businesses and MNBs. While, international businesses are the ones contributing to the global businesses volume generally by means of exporting and importing over their national borders, MNBs are entities which operate in numerous parts of the world with their subsidiaries and affiliates as well as benefit from business and commercial opportunities by means of foreign direct investment, mergers, acquisitions, licensing, franchising and greenfield investment. Moreover, when MNBs operate in various locations in the world, they benefit mostly from their considerable amount of managerial, human, capital, financial and technological sources. Furthermore, what contributed to the immense expansion of MNBs on the global scale is the substantial developments in the transportation, information and communication technologies (Wild et al., 2003; Johnson, Turner, 2006; Cullen, Parboteeah, 2010; Çavuşgil et al., 2012; Hill, Hult, 2019).

In today's globalized world, the phenomenon of globalization lead to the convergence of national economies on a global scale and the states began to integrate on a world-wide convergence, thus, this brings about the reality that one event happening in one part of the world can easily affect the other parts of the world. The needs and wants of consumers, production factors, markets and individual interests of business organizations began to globalize in this sequence. When the issue is viewed from the perspective of international businesses and MNBs, the spread of the needs and wants of consumers on the global scale, globalization of factors of production as well as the declining

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