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FDI INFLOW AND OPERATIONS OF MULTI NATIONAL ENTERPRISES & PRIVATIZATION POLICIES OF TURKEY: THE EFFECT OF THE PROCESS ON THE PERFORMANCE OF THE TURKISH ECONOMY

Aytaç GÖKMEN[*], Dilek TEMİZ[**]

ÖZET

Mal ve sermaye akışı özellikle II. Dünya Savaşı'nın sona ermesi ile hızlanmış, doğrudan yabancı sermaye (DYS) yatırımlarının birikimini ve bununla birlikte dünyanın pek çok yerinde de çokuluslu işletmelerin (ÇUİŞ) uğraşılarının artmasını kolaylaştırmıştır. Ancak, DYS yatırımlarının önemli bir devinim kazanması 1980'ler sonrasında olmuştur. DYS yatırımlarının özellikle gelişmiş ülkelerden gelişen ülkelere akması bilgi, teknik beceri, teknoloji, finansal sermaye ve insan kaynağı aktarımını kolaylaştırmış ve de ülkelerin iktisaden gelişmesine ve kalkınmasına katkıda bulunmuştur. Türkiye açısındansa, DYS yatırımları 1980 öncesi çok önem kazanamamış, 1990'lar sonrası artmaya başlamış ve ancak 2000'ler sonrası özelleştirme uygulamaları ile tepe yapmıştır. Türkiye'de DYS politikaları ve özelleştirme, 2002 yılı sonbaharında Adalet ve Kalkınma Partisi (AKP) Hükümeti'nin iktidara gelmesi ile büyük önem kazanmıştır. Türkiye'de birçok çevre AKP'nin DYS ve özelleştirme politikalarının başarılı olduğunu iddia etmektedir. Ancak, çeşitli makroekonomik değerler göz önüne alındığında AKP'nin özelleştirme politikalarının Türkiye Cumhuriyeti'nin ekonomik gücü ve bağımsızlığı açısından bir başarısızlık olduğu söylenebilir. Dolayısı ile, bu çalışmanın amacı DYS kuramı üzerinde durarak, Türkiye'nin DYS ve özelleştirme politikalarını eleştirel açıdan tenkit etmek ve bu konudaki AKP politikalarının başarısızlığını ortaya koymaktır.

Anahtar Sözcükler: *DYY, özelleştirme, Türkiye, ekonomi, büyüme, ÇUİŞ.*

[*] Çankaya University, Department of International Trade, Ankara, Turkey, E-posta: agokmen@cankaya.edu.tr
[**] Çankaya University, Department of International Trade, Ankara, Turkey, E-posta: dilektemiz@cankaya.edu.tr

ABSTRACT

The flow of capital and commodity have gained acceleration after the World War II and eased the accumulation of foreign direct investment (FDI) and international business operations of multinational enterprises (MNEs) in various parts of the world subsequently. Yet, the flow of FDI reached its significant momentum after 1980s in the world as a major catalyst. The flow of FDI, especially from developed to developing countries, facilitated the exchange of knowledge, know–how, technology, capital and human source at a great extent, as well as contributed the economic growth and development of states. Moreover, the FDI heritage of Turkey did not gain much importance before 1980s, acquired momentum after 1990s and peaked after 2000s coupling with the privatization policies. The privatization and FDI policies of Turkey have changed considerably after the AKP Government (Adalet ve Kalkınma Partisi, Justice and Development Party) came to power in the Fall of 2002. Many authorities in Turkey assert that the FDI and privatization policy of AKP government is a success. Yet, when the macro indicators concerning Turkey are considered, one can comprehend that the FDI and privatization policy of AKP government is failure with respect to enhancing the economic conditions and economic sovereignty of the Republic of Turkey. Therefore, the aim of this paper is to unfold the realities of the FDI and privatization policy of Turkey and that of AKP government, develop a critical approach and illustrate the failure of the policies of governing authorities.

Keywords: *FDI, privatization, Turkey, economy, growth, MNEs*.

INTRODUCTION

The stream of the foreign direct investment (FDI) stock in the world has gained a considerable momentum after 1980s. The flow of FDI gained its importance mainly from developed economies to developing states as to reshape the global production, international income distribution, international capital intensity, trade and welfare. In this process, FDI has always been regarded as an engine of growth and development as to supply the necessary employment opportunities, production, technology, modern know–how, managerial skills and knowledge to the states and companies in need. As to attract the inflow of the world FDI stock, many developing countries made major political,

regulatory and economic modifications. Therefore, the amount of FDI streaming in the world has grown substantially and faster than the amount of GDP and trade. Between the years of 1985 and 1990, the amount of GDP and trade grew at the rates of 2.5% and 5.6% each year, but the amount of FDI grew by 17.7%. In an environment of such a fast growing FDI momentum, the recipient countries adopted policy changes in order to facilitate more FDI inflow as to present better investment environments for international businesses. The states altered their exchange policies, abandoned trade restrictions, lowered state involvement in economies and decreased bureaucratic barriers in order to attract more FDI. Moreover, the infrastructure, human capital, market size and sources in a country as well as the quality of economic, political and institutional frameworks emerged as considerable variables in order to make FDI decisions (Sekkat, Veganzones–Varoudakis, 2007; Berkoz, Turk, 2009; Guerin, Manzocchi, 2009; Agosin, Machado, 2007).

The Republic of Turkey was also affected by the growing FDI stream in the world after 1980s when the liberal economic policies were adopted. With the application of new liberal economic and regulatory policies, the inflow FDI in Turkey began to increase and reached a great momentum after 2000s with the new privatization policies followed. However, even though most of the critics claim that the privatization and FDI policies of Turkey are accomplished, the macroeconomic indicators reveal the reverse case. Thus, the aim of this paper is to make comments on the multi-national enterprises MNEs and FDI theory and entry determinants, the FDI and privatization policies of Turkey, especially after 2000s with the AKP government, and finalize the paper with concluding remarks and suggestions on the critical basis.

MULTI NATIONAL ENTERPRISES AND THEIR IMPORTANCE FOR INTERNATIONAL BUSINESS

MNEs are the key determinants of international business. They, especially by means of FDI operations (including merger and acquisitions), produce most of the goods manufactured and services rendered in the world. MNEs such as Schell, Exxon, ABB, Citibank, HSBC, Nike, Nestle, Microsoft, GM, Samsung, Gillette are all well-known actors of their fields and direct the way business is done. MNEs have such a great impact on the world economy that some MNEs are holders of abundant human resource, know-how, intellectual and financial capital

far beyond the assets of some countries. They also affect the countries where they invest sociologically, culturally, politically and legally (Harrison et al., 2000: 28-29; Taoka, Beeman, 1991: 15-24).

The spread of the power and influence of the MNEs gradually had begun after the World War II and to become a prevailing issue of international business. MNEs, having access to both host markets, production facilities and almost all related inputs, became the dominant actors of border crossing business operations and expanded to various markets by means of FDI, merger & acquisitions (M&A), licensing, franchising, turnkey projects and management contracting. While, the focal point of the business operations of MNEs were based on solely production and trade of commercial commodities decades ago, but afterwards the focal point began to comprise not only real commodities but also the fields of finance, insurance, energy, transportation, information and communication technologies, automobile, aviation, navigation, defense, mining, garments, tourism, consultancy and international contracting activities. Moreover, the dissolution of the USSR and decline of the power of the Russian Federation as well as the rise of China, India and Brazil intensified the international business operations of MNEs too (Harrison et al., 2000: 28; Taoka, Beeman, 1991: 24-28).

MNEs make their investments and do international business operations various countries, enjoy a wide range of resources such as work power, know-how, intellectual property, developed technology and financial sources as well as maintain their operation in a diversified point of view to offset the risks that could arise in a host market or more. MNEs are so influential international mechanisms that they could impact on the social, political, legal, economic, cultural and environmental components of a host country considerably. MNEs make most of their investments in host markets other than their home markets, ownership profile is volatile, change its investment location (if possible) whenever consider risks as well as focus on markets where the consumer income and/or demand is high and resources are accessible. MNEs could focus on a core competence such as Royal Dutch Shell in the energy industry or disseminate their business operations in various fields such as Samsung in communication, household appliances and earth moving equipment. Furthermore, MNEs could have a headquarters, but generally possess divergent managerial centers in every host market or region depending on the executive policy such as ethnocentric, polycentric or geocentric (Rugman, Hodgetts, 1995: 34; Wild et al., 2003: 21-22; Feinberg, Gupta, 2009; Harrison et al., 2000: 29-30). As stated

previously, MNEs enjoy wide sources to make investments and do international business operations. Sometimes, some MNEs possess financial sources wider than the GDP of some countries. Henceforth, holding such substantial amount of resources bring about positive and negative impacts on host countries. Positive impacts of MNEs on host countries could be as (Rugman, Hodgetts, 1995: 40-43; Harrison et al., 2000: 47-48; Grosse, Kujawa, 1988: 32-38):

- MNEs could supply the necessary capital, technology and know-how to the host market, thus facilitate country-wide development,
- A possible transfer of technology and knowledge could enhance labor capacity,
- MNEs, by M&A and greenfield investments, expand production and employment facilities,
- By improving production volume, the trade volume and GNP of a host country might rise,
- Improving trade volume facilitates to cover current account deficit, internal and external debt.

Some possible negative impacts of MNEs on host countries could be as (Harrison et al., 2000: 48-49; Johnson, Turner, 2006: 108-112):

- In some instances, excessive resourceful strength of MNEs facilitate them to negatively influence the host countries economically, financially and legally,
- MNEs could supply old dated technology to host markets,
- MNEs might crowd out national investments by means of their abundant resources,
- MNEs may exploit host market sources in favor of itself and over consume,
- Importation of old-dated technology from abroad might lead to a foreign sources of production dependant national economy,
- MNEs, by utilizing advanced technology oriented production facilities, may not contribute employment opportunities at the desired level.

MNEs are the substantial and driving factors of international business. They mostly penetrate a host market by means of M&A and especially foreign direct investment. Next section is focused on the FDI theory to specify the subject.

THE FDI THEORY AND THE IMPACT OF FDI ON HOST COUNTRIES

There are various definitions to explain what FDI is. One definition adopted by the Organization for Economic Cooperation and Development (OECD, 1999) indicates that FDI is "the objective of obtaining a lasting interest by a resident entity in one country (direct investor) in an entity resident in an economy other than that of the investor (direct investment enterprise)". According to the same OECD report (1999) the lasting interest stands for "the existence of a long - term relationship between the direct investor and the enterprise and a significant degree of influence on the management of an enterprise. Direct investment includes both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated" (OECD Benchmark Definition of FDI, 1999: 7 – 8).

As stated before, the stream of FDI has accelerated after 1980s. In accordance with this, the literature on FDI and the impact of FDI in host and home countries also gained importance. For instance, the inflow of FDI could be advantageous for recipient countries with regards to capital formation, technology transfer, physical capital development, economic enhancement, know–how transfer and much more. Therefore, the impact of FDI on recipient countries would be positive with respect to both economic growth and development. Therefore, this means that the short–term positive effect of FDI could be expected on employment, production and growth opportunities, yet the long – term positive effects could be expected on the infrastructure, political, regulatory and investment climate of a state. Furthermore, these effects called the spillover effects[1] of FDI. Spillover effects are considerable to enhance economic growth and development, but the absorption capacity of a country matters too (Busse, Groizard, 2008; Günaydın, Tatoğlu, 2005).

The impact and advantage of FDI inflow to countries vary. However, the very first expected advantage of FDI in a country is its positive impact on economy. For years, FDI has been regarded as an engine and main catalyst of economic improvement, poverty–reducing tool and globally integrative means. In the previous years, the exchange of FDI was mostly between the developed countries, but today, according to UNCTAD World Investment Report 2012, the exchange of

[1] Spillover effect is the external impacts of economic activities or processes upon those who are not directly involved (www.enwikipedia.org).

FDI stock in the world is almost even between the developed and developing countries. So, this means that the developing countries bear the same conditions to benefit from the advantages of FDI flow. Moreover, at this point, there is two–way causality between FDI entry and economic growth. The first one is economic growth to FDI and the second one is FDI to economic growth. Within the first case, the FDI is oriented to locations where there is economic, political, infrastructural, financial and institutional stability and development. In other words, the foreign investment chooses developed and stable countries. In the second case, there are market, resource and efficiency opportunities in a location and these advantages attract FDI inflow (Günaydın, Tatoğlu, 2005; Onwuka, Zoral, 2009). Furthermore, with respect to the FDI absorption capacity of a country, as stated previously, human capital, infrastructure, political stability, technology etc. is significant. However, the openness of an economy to global affairs matters considerably as well, since liberal market economies welcome the developments far better than the relatively closed economies (Mastromarco, 2008).

The positive outcome of FDI inflow is expected to have on economic issues more and the effects of FDI on economic growth varies. FDI has been considered as a vehicle to improve the economic growth of a country via capital accumulation, physical investment opportunities, employment occasions, knowledge transfer, foreign trade facilitation and other various spillover advantages. To this extent, FDI has two impacts. First one is to enhance the existing capital stock by means of merger and acquisitions (M&A), as to acquire the operating entities and second impact is to make additional investments to the existing entities by means of asset transfer and greenfield investments (Günaydın, Tatoğlu, 2005; Türkcan, Çalışkan, 2010; Kosack, Tobin, 2006).

Additionally, FDI is also expected to improve the labor force capacity of a country by knowledge accumulation. Knowledge and human capital are two invaluable assets of businesses as well as developing and obtaining knowledge is sometimes quite costly. Therefore, attracting more FDI inflow is a quick means to attain updated knowledge and experience in order to enhance labor force of the host country through training, introduction of new management practices and new organizational capacities[2]. Henceforth, enhanced organizational

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[2] However, this may not be the same effect in ach case since the reverse effects is always possible too.

structures via well–trained labor force, updated managerial skills and new production methods would lead to efficiency and quality output in enterprises. Yet, making quality products and efficiency would facilitate the competition ability of host country firms. These improvements can also have positive reflections of the foreign trade of host country since increasing competitive power would bring new investment and trade opportunities abroad as well as raising the foreign trade volume of the host country too. In addition to this, by means of efficiency effect, FDI inflow, knowledge accumulation and better production facilities would also bring about a better utilization of raw materials as well as the distribution and the establishment of better transportation means and networks (Günaydın, Tatoğlu, 2005; Onwuka, Zoral, 2009; Türkcan, Çalışkan, 2010; Lenger, Taymaz, 2006).

The extensive impact of FDI inflow in economic, infrastructural and institutional development is enjoyed via technology transfer that leads to comprehensive efficiency in organizational frameworks. The spillover efficiency emerges when updated technologies and organizational capacities internalized when FDI is transferred to host country enterprises by MNEs. Since, producing new technologies is a long lasting and costly process, the transfer of updated technology from developed countries by FDI inflow is an easy means to reach new opportunities (reverse case, transfer of old dated technology, is also possible). The development of technological capabilities of host country enterprises would ease the efficiency enhancement and the backward and forward linkages among host country enterprises and MNEs. Besides, the investment of a MNE in a domestic market would intensify competition in the market. The intensification of competition might make domestic enterprises to reconsider their organizational structures, production methods, labor capability and technological capacities in order to improve efficiency and compete with the MNEs. But, the adoption of new technologies does not mean direct efficiency results. The quality of the labor force, the conformity of domestic enterprises structures and absorption capability of host country are considerable issues. Therefore, one can assert that technological spillover effect is unfolded when only sufficient adoption capability exists (Günaydın, Tatoğlu, 2005; Türkcan, Çalışkan, 2010; Onwuka, Zoral, 2009; Busse, Groizard, 2008; Lenger, Taymaz, 2006).

FDI entry in a host country may also cause the growth of market demand in accordance with production increase and economic growth. The accumulation of capital, new employment opportunities and

productivity improvements would enhance market and economic growth at the same time. Subsequently, the growth of market and demand by domestic consumer can attract more MNEs seeking new markets to invest. New MNE entries can lead to the establishment of new industries, more production, acquirement of new knowledge, know–how, technology, employment and economic growth in turn. In accordance with the economic growth and the increasing demand for more FDI inflow can bring about the adoption of contemporary codes and regulations, restructure of government institutions, facilitation of investment processes and integration with global economy respectively (Günaydın, Tatoğlu, 2005; Türkcan, Çalışkan, 2010; Onwuka, Zoral, 2009; Kosack, Tobin, 2006; Lenger, Taymaz, 2006).

Therefore, one can conclude that the utilization of spillover effects is considerable in the utilization of the FDI stock acquired. Henceforth, the spillover effects can be classified as (Lenger, Taymaz, 2006; Türkcan, Çalışkan, 2010),

- *Horizontal spillovers*; arise between companies operating in the same industry or region. Horizontal spillovers emerge as a result of imitation of competitive impulses of foreign enterprises. However, in order to facilitate and obtain horizontal spillovers geographical proximity is essential.
- *Vertical spillovers*; arise as a result of technology transfer, knowledge exchange or imitation among vertically linked enterprises. Instances are supplier–user linkages, process changes or know–how exchange.
- *Labor spillovers*; emerge when technology and knowledge is transmitted from one company to another by means of employment relationship. When labors move from one company to another, they also transfer a part of the mechanism as well, especially when the technology is tacit.

The entry decisions of MNEs to host countries are manifold. Since making a fixed investment is a costly and sometimes irreversible decision, the recipient countries have to accommodate necessary entry conditions. These could be as (Sekkat, Veganzones–Varoudakis, 2007; Berköz, Türk, 2009):

- *Basic economic conditions*: Economic stability matters considerably when making a direct investment in a country. The rate of inflation, labor quality, employment opportunities, depth of

financial markets and the expected return on investment are considerable factors.

- *Political stability and sound state institutions*: Assessing the political stability and the institutional quality of state organizations matter with respect to avoid bureaucratic hindrances, paperwork, political risks and corruption.
- *Market potential*: This issue can be evaluated with two points of view. Internal market conditions which could be as consumer potential, population growth, market growth rate, purchasing power of consumer and etc. Yet, the second option is the possibility of enlarging to adjacent markets.
- *Agglomeration*: The incubation of similar economic activities and industries in order to facilitate positive externalities. The engagement of familiar sectors and industries would lead to efficiency increase, decrease in costs and enhancement of core competences.
- *Infrastructure:* Location advantages, transportation networks, telecommunication facilities, degree of urbanization and other related issues are significant when a MNE invests in a state.
- *Labor:* The cost of labor, quality of the labor force, influence of labor unions and the degree of the enforcement of labor law affects the cost of investment and considerable factor in labor intensive investments.
- Eventually, *the degree of taxes* (corporate, income and value added) is important in order to attract foreign investment.

As one can assert, the FDI inflow is very important for a country in order to acquire new technology, updated knowledge, know – how, managerial qualifications, capital formation, employment opportunities and much more. Until this point, the FDI theory and foreign investment entry conditions were explained thoroughly in order to support the next sections of the study.

THE FDI POLICES AND IMPACTS IN TURKEY: A CRITICAL REVIEW OF 1980 – 2000

After the end of the World War II, almost every country in the world was experiencing economic turmoil and Turkey was not immune. The industry of Turkey was mainly dependent on agriculture in 1950s and it did not possess the necessary capital to foster its industries. Therefore, facilitating the inflow of FDI to Turkey was essential in order

to cover the capital gap. The policy to facilitate and increase the FDI stock in Turkey had also been in the agenda of the ruling political authority of that time, the Demokrat Party. Henceforth, in order to give impetus to FDI inflow in Turkey, Demokrat Party enacted Foreign Investment Incentive Act, number 5821 in 1951. With the enforcement of Foreign Investment Incentive Act of 1951, agricultural, commercial, energy, mining and tourism sectors were opened for foreign investors. According to this act, the foreign investors were to keep their currency assets in Turkey at least for three years and were also able to repatriate the profit equal to 10% of their capital. However, the Act of 1951 was not good enough to attract the desired level of FDI. So, the government made another regulation and enacted the Foreign Investment Act of 1954, number 6224 (which drew the framework of the forthcoming acts). Even though, the Act of 1954 was bearing liberal economic features, it was also enjoying ambiguities such as the 1st article stating that "foreign investments shall be beneficial for the development of Turkey". If one considers that MNEs first and foremost consider their interest, it was obvious that it was not possible to attract enough FDI with this act. As a matter of fact, the Foreign Investment Act of 1954 fell short of expectations and failed to form a favorable investment atmosphere owing to weak practices and bureaucratic hindrances. Eventually, the desired degree of FDI failed to be attracted and between the 1950 – 1980 period only 229 million USD of FDI inflow realized. It is obvious that this amount was not good enough to develop national industries which were lack short sufficient capital (Lenger and Taymaz, 2006; Taymaz and Özler, 2007; Ay, 2005: 531–532; Erten, 2005: 49–50; Karluk, 2007: 582; Şahinöz, 2001: 328).

In addition to these facts in the period of 1950 – 1980, the foreign investment implementations of the ruling government was criticized by the opposition party as to give extensive privileges to foreign originated firms with respect to abusing the resources of Turkey. Moreover, as stated before within the period of 1950 – 1980, Turkey facilitated only 229 million USD of FDI inflow. However, in the same period, the public debt amounted to 1.880 million USD in order to cover the fiscal gaps. Additionally, the inflationist policies (expansionary monetary and fiscal policies) followed in accordance with the import substitution policies as well as the foreign currency deficiency and inadequate domestic demand lead economy to unfavorable conditions. Therefore, it is definite that the FDI inflow and policies were not

satisfactory to restore the macroeconomic balances in the said period (Ay, 2005: 532–533; Şahinöz, 2001: 329–330).

Having experienced the negative reflections of import substitution industrialization process and unfavorable economic conditions, Turkey relinquished the import substitution growth strategy. Eventually, after experiencing unfavorable economic conditions in 1960s and 1970s, Turkey had a considerable balance of payment crisis in the very end of 1970s. On January 24, 1980 the government of Süleyman Demirel proclaimed the new stabilization program that became an absolute necessity at that period. With the new program, the import substitution industrialization strategy was abandoned and an outward oriented export–led economic growth strategy was adopted. Foreign trade, product and gradually the capital markets were liberalized as well as the restrictions on the repatriation of earnings removed slowly. However, the government was removed with a military intervention in September of 1980, but the stability program continued as envisaged under the supervision of Turgut Özal. Later, Turgut Özal government came in to power in 1983 and carried on the application of the stability program as planned previously (Lenger and Taymaz, 2006; Taymaz and Özler, 2007; Hadjit, Moxon Browne, 2005).

The stability program of January 24, 1980 was mostly outward oriented, export focused and FDI promoting. For, the stability program of January 24 was mainly focused on integrating the closed Turkish economy with that of the world, increase its international commercial volume, foster the FDI stock and galvanize development in the long run. In basic sense, the program envisaged to accommodate Turkey with the liberal economic policies rested on export led growth and as much FDI as possible. This target was attempted to be achieved in two ways. First one is to liberalize and promote the foreign trade and currency operations as much as possible. Yet, the second one was to attract as much FDI inflow as possible in order to attain updated knowledge, new technologies, managerial methods, know–how, capital and physical investments. As stated before, MNEs seek economic, financial, political stability as well as quality labor force, sufficient resources, domestic demand, infrastructure and institutional capabilities to ease the FDI inflow. Therefore, the stability program of January 24, 1980 was aiming to accomplish all these conditions. In order to reach this goal, the Foreign Investment Act of 1954, number 6224 was amended to facilitate the increase of FDI inflow. The same act was amended in 1984, 1986 and 1995 in order to facilitate the FDI inflow (on the condition that MNEs not become monopolies) and

integrate the Turkish economy with the world in the real sense as well as encourage the Turkish private sector to expand to international markets (Yavan, 2006: 37; Yavan, Kara, 2003; Batmaz, Tekeli, 2009: 125 -126; Karagöz, 2001: 330 – 331; Arslan, 2008: 427).

A crucial part of the stability program of January 24, 1980 which aimed at the liberalization of the economy and its integration with the world was mainly about the regulation of the FDI operations and the facilitation of the cooperation of the Turkish enterprises with the foreign ones. In this sense, the basics of the FDI policies were determined in the Foreign Investment Incentive Act as (Erten, 2005: 55; Şahinöz, 2001: 332 – 33.):

- Any sort of FDI operation in Turkey is unrestricted as long as it is beneficial for the country and not leading to any sort of monopolies,
- The foreign investors (whether legal or natural persons) bear the equal rights with the domestic investors,
- The restrictions on the share of foreign holders were abolished,
- The restriction on the employment of the foreign labor force in Turkey was abandoned,
- Repatriation of the revenue acquired in Turkey was set free,
- The confirmation of the licenses, investment agreements and other intellectual rights was relinquished, but only registration was required,
- The ratification of the usage of foreign originated credits in Turkey was abolished,
- Foreign investors were permitted to keep the foreign currency in their foreign currency accounts without exchanging it with the domestic currency,
- The investment applications of foreign investors were to be processed immediately.

However, the stability program of January 24, 1980 was not a unique one. This program of stability was new for Turkey, but it was a reflection of IMF policies that were previously implemented in the countries of Latin America. However, this program envisaged a long term implementation vision in order to tackle the balance of payments deficits and develop the economy. Therefore, the main target of the January 24, 1980 stability program was to overcome high inflation, budget deficit, balance of payment concerns, public debts, improvement of the reel

sector, increase domestic demand and attract as much investment as possible (Şahin, 2009: 189 – 190).

Here, the question is, how much the stability program of January 24, 1980 succeeded to attract FDI? Even though, a new regulation came into practice in order to improve the FDI inflow, the amount of FDI inflow committed by the MNEs between 1980 – 1990 was 4.5 billion USD, but the actual inflow realized as 1.8 billion USD. The amount of FDI inflow committed between 1990 – 2001 was 26.7 billion USD, but the actual inflow realized as 13.1 billion USD. When the whole 1980 – 2001 period is considered, the amount of the realized FDI inflow was about 48% of what was committed by the MNEs. Despite the fact that the inflow of FDI increased with comparison to pre–1980 period, a 52% difference between what was committed and what was realized is an indicator that the FDI policies in the said period were not as effective as targeted. In spite of the attempts to liberalize the economy and increase the investments, a substantial difference such as 52% indicates that the foreign investors did not consider a favorable investment environment in the same period. Besides, this considerable difference of inflow also hindered the expected transfer of knowledge, technology, capital, physical capital formation and employment opportunities. Another reason for this deficit was the economic downturns and ambiguities experienced during 1990s as well as the Asian Economic Crisis of 1997 and 1999 Russian Economic crisis. These negative developments promoted MNEs to reconsider their investment decisions, too (Yavan, 2006: 37; Yavan, Kara, 2003; Şahinöz, 2001: 335; Ay, 2007: 537 – 539). Moreover, despite of the regulations made in order to attract more FDI, at the beginning of 1990s Turkey was holding the 20th rank in the order of most FDI attracting countries, but at the very end of 1990s the rank of Turkey declined to 55th as well as again despite of the opportunities presented to foreign investors, the amount of the FDI in the real physical investments remained as only 3% of the total. The reason for this is that the foreign investment inflow to Turkey in the same period realized as merger and acquisition of the current enterprises, renovation and assembly operations. That's why, the amount of FDI received between 1980–2000 did not provide the advantages foreseen (Şahinöz, 2001: 337–338; Arslan, 2008: 431).

Table 1: Main Economic Indicators1988 – 1999 (billion USD & %)

Years	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP	90.1	108.7	152.4	152.3	160.7	182	131.1	172	184.7	194.4	206	187.7
GDP per capita	1694	1979	2712	2657	2752	3056	2159	2784	2936	3032	3159	2827
GDP growth rate	1.5	1.6	9.4	0.3	6.4	8.1	-6.1	8	7.1	8.3	3.9	-6.1
FDI inflow	354	663	684	907	911	746	636	934	914	852	953	813
CPI %	70.8	64	52.3	59.2	62.1	58.4	120.7	86	75.9	81.8	71.8	53.1
Export	11.6	11.7	12.9	13.5	14.7	15.3	18.1	21.6	23.2	26.2	26.9	26.5
Import (-)	14.3	15.7	22.3	21.4	22.8	29.4	23.2	35.7	43.6	48.5	45.9	40.6
Foreign Trade Deficit (-)	2.7	4	-9.4	-7.9	-8.2	-14.1	-5.2	-14.1	-20.1	-22.3	-19	-14.1
Export / Import	81.4	73.6	58.1	64.6	64.3	52.1	77.8	60.6	53.2	54.1	58.7	65.4
Current Account Deficit	1.59	0.93	-2.62	0.25	-0.97	-0.64	2.63	-2.33	-2.43	-2.63	1.98	-1.34
Budget Deficit (-)	------	7.7	11.9	33.5	47.4	133.7	152.1	316.1	1237.9	2240.7	3803.4	9284.4

Reference: DPT, TUİK and İTO web pages.

The main reasons for the setback in attracting FDI between the period of 1990 – 2000 were the high inflation rate and defects in the other macroeconomic indicators. In the said period, while the rate of inflation was at most 5% in the developed countries, the rate of inflation was between 50 – 80% in Turkey. In addition to not decreasing inflation rate, rising budget deficits, internal and external debts, current account deficit and foreign trade deficit drew Turkey to structural problems and economic concerns, as well as the FDI inflow and its expected side effects failed far short of closing the macroeconomic gaps (Tecer, 2005: 92 – 96, Şahinöz, 2001: 338). This reasoning can be observed in Table 1.

Another considerable issue is the profit repatriations of MNEs in Turkey. Since, after 1980s the profit repatriations were set free, a significant portion of profits transferred abroad. This issue is quite

significant with respect to transforming the domestic sources into production, employment opportunities and foreign trade opportunities again in Turkey. When one assesses the situation concerning Turkey, the MNEs repatriated 50.7% of their profits between 1984 and 1990, 30.6% of their profit between 1991–1995 and 44.8% of their profit between 1996–2000 (Arslan, 2008: 433). It is evident that the foreign investors repatriated a considerable part of their income to source countries. In other words, a MNE gains revenue in Turkey from the domestic market, but at the end of the process, the revenue earned in Turkey is invested abroad which could be meant as an economic loss for Turkey. This also means a financial loss that can be reinvested in Turkey and to spend the hardly earned currency in favor of another country.

As a result of the stability program of 1980, it was aimed to pursue an outward oriented economic policy. But the outcome of this policy did not realize as positive economic outcomes and desired level FDI inflow. The amount of production did not increase at a sufficient rate and the gap was covered with imports. There has always been a negative trade balance and this deficit also had negative reflections on the current account too. As to cover these deficits, the government took action and public debt continued to increase. If the amount and efficiency of FDI inflow had been sufficient to accommodate economic concerns, the outcome might have been different (Şahin, 2009: 212–214). In other words, one of the expected outcomes of the liberal economic policies was to positively develop the production, export and foreign trade volume. However, as it is depicted in Table 1, the volume of imports had always been more than the exports. The reason for this was the obligation of importation in order to produce domestically and export later. Therefore, the import volume was exceeding the exports in order to make production, employment was decreasing, and production was not increasing. In other words, foreign owned enterprises did not choose to reinforce domestic industries and produce in Turkey, on the contrary, they were more inclined to import intermediate and capital goods, make the production and export. Therefore, apart from following an export-led economic growth, Turkey was following an import–led export growth strategy, since the domestic industries were not competitive enough. However, if the foreign owned companies had reinforced the basics of domestic industries and covered the gaps, the result would have been different (Arslan, 2008:439).

As discussed in this section of the study and also illustrated in Table 1, Turkey did not receive the expected benefits of its liberal

economic policies followed between 1980 – 2000 period. Also, the amount of FDI was not adequate enough to have access to sufficient capital, technology, know–how, managerial skills and updated knowledge in order to develop its domestic industries, increase employment as well as decrease the budget, foreign trade and current account deficits and to cover the debts. Therefore, the FDI policies of the governments of Turkey between 1980 and 2000 were not accomplished.

AN APPRAISAL OF THE FDI AND PRIVATIZATION POLICIES OF TURKEY BETWEEN 2000 AND 2012

As stated before, Turkey did not have a promising FDI and related economic development process before the second millennium. Main reason was the political instability, weak coalition governments and unfavorable economic conditions. However, after the 2000s the FDI inflow in Turkey gained impetus. Especially, the privatization process gained immense momentum but at what expense? And the most important issue is how the new FDI policy affected the economic situations?

One can state that the MNEs change their investment decisions depending on the changing political conditions in the target country, for, the political situation and stability are very significant to make investment decisions, especially in the long term ones. The role of changing governments and approaches to foreign investment varies. In a country one government may choose to reinforce the domestic enterprises and industries, yet another authority may tend to pursue extreme liberal and outward oriented policies. This means that, when parties with different political tendencies alternate in power, foreign investors respond the changing situations differently. Some foreign investors might choose to complement the national policies and increase investments and some foreign investors could tend to avoid making more investments owing to political and economic conditions. Moreover, it is obvious that the positive tendency of political authorities for MNEs would foster the inflow of foreign investments. New investment opportunities and developments in favor of the MNEs would ease the FDI inflow. Providing the most favorable and profitable investment atmosphere for the MNEs is the basics to enhance FDI inflow (Pinto and Pinto, 2008).

Furthermore, in order to promote more FDI inflow, the initial conditions such as the political, economic and market growth are

considerable. Host country labor skills, natural resources, population, expansion to other markets, infrastructure and the tendency to foreign investors matter substantially. However, if the initial conditions are not favorable for foreign entry, as the instable government applications, unfavorable political conditions, economic downturns, bureaucratic obstacles and so on, the foreign investment inflow would also be negatively affected (Brada et al., 2006). Therefore, the investment environment and the efforts of the public governance to promote more FDI inflow matter at this point and emerge as key determinants. The efforts of the public authority to shape the investment environment, give investment incentives, reduce taxes, bureaucratic and customs barriers are fundamental to attract more foreign investment. As the public authority creates a better investment climate and make regulations for international investors, the foreign investment would increase as well as there could be a better access to new technologies, know – how, physical and financial capital and managerial abilities (Desbordes and Vauday, 2007). What happened in Turkey after 2000s was to accommodate the foreign investors with a better investment climate. But, the outcome is still a question.

The FDI is a unique sort of investment with respect to its characteristic as being long term and not easily be removed whenever desired. Resulting from its inherent characteristics such as providing updated technology, know–how, capital and knowledge, a favorable investment, political, financial and economic environments are necessary. However, despite the fact that it had been attempted to attract an increasing volume of FDI before 2000s, the governments failed to do so, even though liberal polices applied. On the contrary to the liberal policies, the pre–2000 period could be best defined with high regulations, restricted interest rates, intensive bureaucratic structure, red tape, restricted foreign exchange operations, monitored foreign asset holding, lack of competition, obstacles before foreign entry thanks to bureaucracy, chronic inflation, unstable governments and their implementations as we all as budget, foreign trade and current account deficits. These factors indicate an unfavorable investment climate which drives the foreign investors away (Gökmen and Hamşıoğlu, 2009).

However, after 2000s, the government authorities did their best to promote more and more FDI inflow and to enhance investment climate. The FDI inflow began to rise with the one party rule of the AKP government (Adalet & Kalkınma Partisi, Justice & Development Party) that came to power in the fall of 2002 under the leadership of Prime

Minister Recep Tayyip Erdoğan (RTE). The FDI inflow increased parallel to privatization. The privatization process gained immense momentum comprising the key industries such as telecommunication, transportation, ports, mining, energy and finance sectors. The inflow of FDI in Turkey gained momentum after 2000s and exceeded 1 billion USDs per year. The political stability which was brought by one party rule contributed to this reality considerably. Because, the AKP government did not have any opponent to criticize its privatization policies and to sell the public enterprises at any cost and pay the public debts (this issue will be discussed in detail later). The FDI entry in Turkey is presented in Table 2.

Table 2: FDI Inflow, 2000 – 2012 (million USD)

	Net FDI Volume	Inflow	Outflow (-)	Real Estate Purchases
2000	982	1.707	725	-------
2001	3.352	3.374	22	-------
2002	1.137	622	5	--------
2003	1.752	613	8	998
2004	2.837	1.041	100	1.343
2005	10.300	8.535	400	1.841
2006	20.185	17.639	657	2.922
2007	22.047	19.137	743	2.926
2008	18.269	14.733	35	2.937
2009	7.869	6.013	82	1.782
2010	8.900	7.185	10	1.725
2011	15.874	15.857	1.991	2.013
2012[3]	9.587	7.712	152	1.563

Reference: web pages of CBRT and the Ministry of Economics

In Table 2, the breakthrough in the FDI inflow realized beginning in the year of 2004. 2004 is also the year when the privatization of the most valuable government enterprises was begun to be sold by the government. Yet, the process of privatization has a very turbulent history

[3] Figures as of November 2012.

in the economic history of Turkey. The concept of privatization was first critically put in the agenda of the government within the stability program of January 24, 1980. First law regarding to this issue was enacted on February 29, 1984 and law number was 2983. Later, the act, numbered 2983 was amended various times in 1986, 1987, 1990, 1991 and 1994 (act number 4046). It is obvious that amending such a considerable act would complicate the situation and intensify bureaucracy, thereby slowing down the inflow of FDI (Ay, 2007: 495–496; Şahinöz, 2001: 425–426; Çetinkaya, 2001: 203–207).

Privatization is a process that was initiated in mid-1980s but gained momentum with the inaction of the Law 4046 and attained its peak after 2000s. Before 2000s, thanks to many amendments made in the privatization law, uncertainty was prevailing in the issue of privatization. Turkey acquired a great deal of financial sources by way of privatization. However, the utilization of the financial source acquired is considerable since a public facility is sold. From a neutral point of view, the best way to benefit from the privatization revenues could be to transform it into new investments in order to reinforce the economic development. But, instead of making new investments, increasing production and exportation and creating employment, the privatization revenues were transferred to Treasury and used in debt payment. In other words, the financial sources created by way FDI inflow was utilized to pay loans. If one considers that, after 2000s the most valuable public facilities were privatized and these facilities were acquired by foreign investors, this process both lead to the utilization of privatization revenues in inefficient government applications (loan payment) and the valuable government facilities and their revenues were acquired by foreign investors which means the loss of revenues related to forthcoming periods[4]. The privatization transactions and the revenues earned are presented in Table 3 below.

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[4] These interpretations is based on the data available in the web page of the Turkish Prime Ministry Privatization Administration _ www.oib.gov.tr.

Table 3: Privatization Operations and Revenues, 1985 – 2012 (million USD)

Method	1985–2010	2011	2012[5]	Total
Block Sale	20.257	0	170	20.427
Asset Sale	12.429	1.351	56	13.837
Public Offer	7.053	0	0	7.053
Sale on the ISE[6]	1.261	0	0	1.261
Uncompleted Asset Sale	4.3	0	0	4.3
Transfers	713	6.457	1.7	720
Total	41.719	1.358	226	43.304

Reference: www.oib.gov.tr

Most of the revenue from the privatization operations was acquired in the period of 2004–2011. Within this period the most profitable public enterprises, in the telecommunication, transportation, energy, mining and finance sectors, were privatized and handed over to the foreign originated enterprises. This also means that the future profits of these valuable enterprises became the profit of foreign investors and the revenues can be transferred abroad in favor of foreigners. The important public enterprises privatized between 2004–2010 are SEKA, EBUAŞ, PETKİM, KBİ , Sümer Holding, POAŞ, TÜPRAŞ, TEKEL, Maritime Enterprises, Turkish Agricultural Organization, Turkish Engine Industry Inc., TDİ, THY (Turkish Airlines), TürkTelekom (Turkish Telecommunication Company), TEDAŞ, ERDEMİR, Başak Insurrance, Steel Mills (İSDEMİR, KARDEMİR, ERDEMİR), Sugar Factories, Cement Factories, ETİ Holding Company, Sümerbank, Denizbank, Anadolubank and all the related entities to these facilities[7].

Within period of 2004–2010, the most profitable public entities were acquired by foreign investors. Among these the most remarkable are the privatization of ERDEMİR[8] (2.7 billion USD), TÜPRAŞ (gas terminal, 4.140 billion USD) and the Turkish telecommunication company TURKTELEKOM (6.5 billion USD). The Turkish telecommunication

[5] Figures as of May 2012.
[6] ISE stands for Istanbul Stock Exchange.
[7] www.oib.gov.tr
[8] When ERDEMİR was privatized it was the 5th largest steel mill in Europe and 13th in the world.

company Türktelekom was sold to almost 8.7 billion USD including the tax and this value was directly transferred to the Treasury without considering within the framework of privatization in order to cover the public gaps. In addition to this, the bankrupt financial institutions of 2001 Financial Crisis that were transferred to the Saving Deposits Insurance Fund (SDIF), were sold to foreign investors (such as Demirbank and Anadolubank) and the revenue was transferred to the Treasury again for the purpose of covering public deficits. Therefore, the most profitable Turkish enterprises were handed over to the foreign investors just to cover the public debts and at any cost. Moreover, the future revenues of these enterprises become the revenues of foreign investors, not the financial sources to be reinvested in Turkey in the favor of the Turkish enterprises (Ay, 2007: 50–510; Karluk, 2007: 318–320; www.oib.gov.tr).

Table 4: Privatization, Sources & Utilization, 1986 – 2012 (million USD)

Sources	**1986 - 2010**	**2011**	**2012[9]**	**Total**	**%**
Privatization Revenues	30.875	1.517	33.2	32.426	68
Dividend Income	4.238	161	0	4.399	9.1
Loan	9.362	0	0	9.362	19.9
Other Revenues	942	339	64.7	1.346	2
Total	45.419	2.018	97.9	47.535	100
Expenditures	**1986 - 2010**	**2011**	**2012**	**Total**	**%**
Transfers to State Institutions	11.378	914	175.4	12.467	26.6
Privatization Expenses	317	4.5	1.2	323.5	0.06
Loan Payments	10.887	38.4	0	10.926	21.7
Transfer to Treasury	20.981	1.341	142.2	22.465	48.1
Other Payments	341	37.3	3.8	383.1	0.07
Total	43.906	2.336	322.7	46.565	100

Reference: www.oib.gov.tr

[9] Figures as of May 2011.

The main objective of privatization is to sell the inefficient and cost center public entities for the interest of the national economy and people. Over the years, the public enterprises in Turkey were abused by politicians in order to provide employment opportunities for electors, thus became cost centers and inefficient entities. However, the notable point here is that the process of privatization shall be done for the interest of Turkey. When a considerable number of public enterprises were privatized, on the one hand the government obtained a great deal of revenue (to cover the gaps) but on the other hand many labors became redundant and unemployed which led to social turmoil and unrest.

Table 5: Macroeconomic Indicators, 2002 – 2012 (billion USD)

Years	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
GDP	90,1	109	152	152	161	182	131	172	184,7	194,4	206	187,7
GDP per capita	1694	1979	2712	2657	2752	3056	2159	2784	2936	3032	3159	2827
GDP growth rate	1,5	1,6	9,4	0,3	6,4	8,1	-6,1	8	7,1	8,3	3,9	-6,1
FDI inflow	354	663	684	907	911	746	636	934	914	852	953	813
CPI %	70,8	64	52,3	59,2	62,1	58,4	121	86	75,9	81,8	71,8	53,1
Export	11,6	11,7	12,9	13,5	14,7	15,3	18,1	21,6	23,2	26,2	26,9	26,5
Import (-)	14,3	15,7	22,3	21,4	22,8	29,4	23,2	35,7	43,6	48,5	45,9	40,6
Foreign Trade Deficit (-)	2,7	4	-9,4	-7,9	-8,2	- 14,1	-5,2	- 14,1	-20,1	-22,3	-19	-14,1
Export / Import	81,4	73,6	58,1	64,6	64,3	52,1	77,8	60,6	53,2	54,1	58,7	65,4
Current Account Deficit	1,59	0,93	- 2,62	0,25	- 0,97	- 0,64	2,63	- 2,33	-2,43	-2,63	1,98	-1,34
Budget Deficit (-)	------	7,7	11,9	33,5	47,4	134	152	316	1238	2241	3803	9284

Reference: web pages of TUİK, DPT, Treasury, Ministry of Economy and CBRT.

According to the data available on the web page of the Turkish Prime Ministry Privatization Administration, Turkey obtained about 47 billion USD of revenue from the privatization operations and FDI inflow in the period of 1986–2011. 68% of this revenue was provided from privatization sales and 19.9% was provided from the collection of loans. 48.1% of this revenue was transferred to the Treasury for any purpose,

21.7% was officially used to cover the public gaps and 26.6% of it was utilized to make payments to restructure the enterprises (transfer to companies) that would be privatized in the future. Some of the public expenses were covered with 48.3% of privatization revenues (loan payments + transfer to companies to restructure). The 51.7% portion transferred to the treasury could have been used for any purpose, basically to cover the gaps. When the second part of Table 4 is analyzed, it is obvious that almost all of the privatization revenues were used for different expenditures. But, the question here is, how rational the motives of these policies? It is considerable to cover the public gaps but tackling the deficiencies by selling the profitable public enterprises and also losing the future profits of these enterprises is quite a wrong policy.

Eventually, when the Tables 2 and 4 are analyzed, it is obvious that the FDI inflow in Turkey gained enormous momentum by the year of 2004 and at the same time the privatization process gained considerable impetus as well. However, the revenue acquired from the privatization of profitable public enterprises was used in public expenditures too (see Table 4). Besides, again when Table 2 is analyzed, it is evident that the FDI entry peaked in 2007 and declined substantially and then increased again in 2011, so as the privatization. The RTE government privatized most of the valuable public enterprises and towards 2013, new sources are needed to cover the rest of the gaps (www.oib.gov.tr). And these new sources for privatization will be such as highways, bridges on the Bosphorus, energy transmission lines and rest of the valuable public facilities and sources in disposal. Therefore, new privatization operations will be realized as to cover the public gaps, at any cost, but not in favor of the Turkish people. The effect of the FDI inflow and privatization policies is analyzed in Table 5.

Turkey is a developing country and is one of the largest economies in the world. In order to sustain its economic development, it needs a substantial amount of sources. Facilitating the FDI inflow is a quick means to reach sources such as capital, physical capital, know – how and technology. After the year of 2000, the FDI inflow accelerated and peaked within the period of the RTE government. However, the FDI inflow was eased by the privatization of profitable public enterprises and RTE government utilized the revenues to cover the public gaps. Even though, a considerable amount of privatization revenue was acquire, parallel to the FDI inflow, yet the macroeconomic indicators are still alarming. Turkey has a large labor population, but unemployment is still high. Inflation rates are still high with comparison to Western states. The

production in Turkey depends on the importation of intermediary and capital goods, so the volume of imports has always been higher than exports, bringing about foreign trade deficit. The foreign trade deficit in Turkey has become continuous, thereby causing the hardly earned foreign exchange spent in foreign sources of production and current account deficit as well. Moreover, despite the fact that the RTE government used the privatization revenues in public debt payments, the total public debt increased more than three fold since 2002. Besides, there has always been a budget deficit too. Eventually, it is evident that Turkey has not been doing well enough under the monitor of RTE government and it is not possible to cover the gaps with the FDI inflow realized and domestic sources (see Table 5 for details).

CONCLUSION

The concept of FDI has become a prevailing issue for years especially parallel to the raising power of globalization. A country, whether developed or developing, always need sources to enhance its economic power. At this point, FDI is quite significant to provide capital, technology, know-how, physical capital, managerial ability and updated knowledge. Therefore, one could expect that the more FDI inflow, the better economic performance is. However, if the FDI inflow realizes as merger and acquisitions over operational facilities, it may not provide the desired advantages.

Turkey has a large population and market volume. However, it failed to attract enough amount of FDI inflow before 2000s owing to political, bureaucratic, financial and economic unfavorable conditions. After 2000s, especially beginning from 2002, the FDI inflow in Turkey gained momentum under the control of RTE government (the Justice & Welfare Party leader). However, the FDI inflow did not increase as a result of favorable investment climate, but the real reason was the accelerated privatization processes. The RTE government acquired a considerable amount of privatization revenue, but this amount was utilized to cover the public debts and gaps. As a result, the inflation rate, unemployment, foreign trade deficit, current account deficit and total public debt remained in substantial values.

Turkey is desperately in need of financial sources to reinforce its economy. FDI inflow and privatization are two remedies to solve the problem, but only when used in favor of the Turkish people. From a

neutral of view, there could be three alternatives to use the privatization revenues. First one is to use the amount to pay the public debts, second one is to both pay the public debts and make investment and the third alternative is to use the financial sources to make investments in order to create employment and production opportunities. However, the RTE government chose solely to pay public debts and expenditures in the short run. What will happen in the long run is a significant question mark and currently, the financial necessity is tackled by attracting hot money on the stock exchange which is a very risky remedy. If the foreigners leave the Istanbul Stock Exchange suddenly, the result could be an absolute chaos.

Besides, the most profitable and valuable public enterprises in the finance, telecommunication, transportation, real, mining and energy sectors were privatized and sold to foreigners at any cost. Now, the profits of these enterprises belong to foreign investors forever and they can also repatriate the income without reinvesting in Turkey. In addition to this fact, Turkey privatized its key industries, which means that national economic sovereignty in these sectors is lost now. Turkey is bound to the decisions of foreigners and foreign factors of production. And the RTE government has got no concern to hand over its key industries and most valuable enterprises to foreign investors from the point of view of national economic sovereignty.

Almost every country in the world is affected by globalization at an extent and markets keep integrating. Turkey is not out of this process. FDI inflow and privatization are quite natural and effective processes parallel to globalization. But, privatization shall be acceptable on the condition that it is advantageous for home country. Turkey gained a great deal of privatization revenue, but used it in a completely inefficient way to pay the debts, thanks to RTE government which weakened our country in the real sense. If there would be a process of privatization, it shall be done by restoring a golden share for public intervention to protect the national economic interests.

As to conclude this study, one can assert that Turkey has a FDI history of failure. In the pre – 2000 period, owing to unfavorable investment climate stemming from political, bureaucratic, financial and economic conditions, Turkey did not receive a remarkable amount of FDI inflow. Even though, after 2000s the FDI inflow increased parallel to privatization operations, the privatization revenue was used in an inefficient solution and Turkey lost its key industries to foreign investors, thereby threatening its economic sovereignty as well. Eventually, the FDI

policies of governing bodies in the pre – 2000 period was a failure. However, the FDI and privatization policies of RTE government after 2000s are a total failure and disillusion, too.

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