İktisat İşletme ve Uluslararası İlişkiler Dergisi / Journal of Economics, Business and International Relations
e-ISSN: 2822-6003 • Volume 2 (1) • July • Temmuz: 2023

ARAŞTIRMA MAKALESİ • **RESEARCH ARTICLE** • DOI: 10.58654/jebi.1197829

THE EFFECTS OF CULTURAL DISTANCE AND INSTITUTIONS ON FOREIGN DIRECT INVESTMENT CHOICES A RESEARCH OF TURKEY & CHINA

KÜLTÜREL UZAKLIK VE KURUMLAR DEĞİŞKENLERİNİN DOĞRUDAN YABANCI YATIRIM KARARLARI ÜZERİNE ETKİSİ: TÜRKİYE - ÇİN ÖRNEĞİ

Nihal Kartaltepe Behram[1]

Göksel Ataman[2]

Dila Okcu[3]

Abstract

Global changes in social, cultural and economic spheres and advances in technology and communication have made the world a global market where borders no longer exist. The importance of foreign investment has become undeniable with the emergence of the concept of foreign investment for developing economies. Due to its direct impact on the global market and its economy in transition, China is the focus of this research. The research aims to determine the interplay of variable factors influencing foreign direct investors and investment location choices with cultural distance and investment models, and to use the associated evaluation as a guide for investors. In this study, qualitative research methods are used to measure the impact of the variable factors that determine the hypotheses of the study on foreign direct investors and to evaluate the findings. In this study, designed with the technique of phenomenology, in-depth interview is used as the method of data collection and data analysis is done through descriptive analysis. All the research and interviews have revealed that FDI is very responsive to institutions and cultural distance. Moreover, agglomeration is the strongest determining factor for FDI in the Chinese market. The reason these factors encompass the sectoral aggregate are not the strongest factors is that agglomeration is the most important finding. This study is a useful guide for developed and developing countries as well as for the strategic plans of local and national institutions.

Keywords: Cultural Distance, Foreign Direct Investment, Multinational Companies, China

[1] Prof.Dr., T.C. Marmara Üniversitesi, İ.İ.B.F., Yönetim ve Organizasyon Anabilim Dalı, nihalkartaltepe@marmara.edu.tr, 0000-0003-2291-9117
[2] Prof.Dr., T.C. Marmara Üniversitesi, İ.İ.B.F., Yönetim ve Organizasyon Anabilim Dalı, gataman@marmara.edu.tr, 0000-0003-3234-7490
[3] T.C: Marmara Üniversitesi, İ.İ.B.F., Yönetim ve Organizasyon Anabilim Dalı, dilaokcu@gmail.com, 0000-0003-0980-4286
Makale Gönderim Tarihi: 08.04.2023
Makale Kabul Tarihi: 03.07.2023

Özet

Doğrudan yabancı yatırımlar; ülkeler ve kurumlar arasındaki sosyal, kültürel, politik ve ekonomik etkileşimlerin daha gözle görünür hale gelmesine neden olmakla birlikte stratejik yapılanma kararları ve pazara ilişkin hedeflerin de temel belirleyicisi haline gelmişlerdir. Bu bağlamda bu çalışmanın amacı; kültürel uzaklık ve kurumlar değişkenlerinin, doğrudan yabancı yatırımlarda bölge ve yatırım modeli seçimi üzerindeki etkisini analiz etmektir. Özellikle pazara giriş yönteminin belirlenmesi aşamasında, uluslararası işletmelerin, kültür ve kültürel uzaklık kavramlarını dikkate almaları gerekmektedir. İlgili yazında; kültürel uzaklık ve doğrudan yabancı yatırımlar arasında direkt ilişki tespit eden ya da yatırım türünün belirlenmesinde etkili olan kurumlar değişkenlerini veya diğer değişkenleri analiz eden çeşitli araştırmalar mevcuttur. Söz konusu araştırma ve çalışmalar dikkate alındığında, özellikle kültürel uzaklık açısından, doğrudan yatırım modelinin belirlenmesinde en yaygın olarak kullanılan yöntemlerin, tam mülkiyetli teşebbüs ve ortak girişim olduğu görülmektedir. Doğrudan yabancı yatırım kararlarını etkileyen tüm faktörler dikkate alındığında, kültürel uzaklığın yanı sıra; devlet müdahalesi, entelektüel sermaye haklarının korunması, yolsuzluk, sözleşmelerin yaptırım gücü gibi kurumlar değişkenlerinin de oldukça etkili olduğu görülmektedir. Öte yandan yığın etkisinin de yatırım kararları üzerinde yoğun bir etkisinin olduğunu söylemek mümkündür. Dünya ekonomisindeki etkinliği ve ticari ilişki içinde bulunduğu gelişmekte olan ülkelere yaptığı katkılar nedeni ile araştırmada hedef ülke olarak Çin seçilmiştir. Araştırma hipotezlerinde yer alan değişkenlerin, doğrudan yabancı yatırımcıların üzerindeki etkisini ölçmek ve bulguları değerlendirmek için nitel araştırma yöntemleri kullanılmıştır. Araştırmada veri toplama yöntemi olarak derinlemesine mülakat yöntemi kullanılmış; veriler, tanımlayıcı analiz yöntemi ile analiz edilmiştir. Gerçekleştirilen tüm mülakat ve analizler doğrultusunda; doğrudan yabancı yatırımların, kurumlar ve kültürel uzaklık değişkenlerinden etkilendiği sonucuna ulaşılmıştır. Öte yandan Çin pazarında, yığın etkisinin, doğrudan yabancı yatırımlar üzerindeki en belirleyici faktör olduğu tespit edilmiştir. Bu çalışmanın, gelişmiş ve gelişmekte olan ülkelerin yanı sıra yerel ve ulusal kurumların stratejik planları için katkı sağlaması beklenmektedir.

Anahtar Kelimeler: Çin, Kültürel Uzaklık, Doğrudan Yabancı Yatırımlar, Kurumlar.

INTRODUCTION

The cultural, political, social and economic changes from the end of 20th century have influenced countries and created a new order.

After the people and countries changed and evolved with the trends and values through these changes, the world became a single state with a single market. Consistent with the globalization of the world, the communication between countries has developed and the interaction between the economies has increased. This has not only increased international competition, but also the economic growth of countries, and the world has become a single market that is constantly evolving. The integration process between countries' economies has led to a foreign investment concept, which has become an important tool in terms of economic development and growth objectives. Foreign direct investment has become a part of the development and growth process of the countries. With the development of foreign direct investment, the social, cultural, political and economic interactions between countries and institutions have become visible and they have become determinants of strategic structuring and market objectives. Cultural differences, political and economic conditions and institutional data are all important considerations for investors in terms of region selection and investment model choice.

China was chosen as a target country because of its importance to the global economy and its contribution to the developing countries with which it has commercial relationships with. The determining variable factors are assessed in this study and after studying Turkish multinational companies, this research has been developed for Turkish companies wishing to invest in China.

According to the World Bank, in 2014, the EU-28 accounted for 22.6%, the US for 22.3% and China for 13.3% (58.2% in total) of global GDP, measured by market exchange rates. In terms of purchasing power parity, the EU accounted for 17.1% of world GDP in 2014, the US for 15.9% and China for 16.6% (IMF World Economic Outlook, April 2016). According to Eurostat, in 2014 the EU-28 accounted for 15.5% of world imports and exports, the US for 16.6% and China for 13.5%, together accounting for 45.6% of world trade (European Commission, 2016).

The amount of foreign direct investment that flowed into Asia increased by 3.9% in 2018 compared to the previous year, reaching USD511.7 billion. The continent's share of global investment inflows was 39.4%. The number of mergers and acquisitions in developing Asia increased by 5.5% year-on-year, reaching USD 83.8 billion, with these mergers and acquisitions concentrated in the services sector. The countries with the highest FDI in Asia in 2018 were China (USD 139 billion), Hong Kong (USD 115.7 billion), Singapore (USD 77.6 billion), India (USD 42.3 billion) and Indonesia (USD 22 billion) (Turkish Ministry of Trade, 2019).

After 2005, it has been identified that the commercial activities with China have a significant impact on the economic data of developing countries. The most important factor in enabling developing countries to move from the development phase to the maturity phase is undoubtedly the two-way investment relationship with China. According to the data of Secretariat of Foreign Trade for the years between 2005 and 2010, the five countries among the G20 countries with the highest growth rate in bilateral trade with China are Brazil (33.4%), South Africa (28.7%), India (27%), Australia (26.3%) and Mexico (26%). It is no coincidence that this period has been a time of transition from the development phase to the maturity phase for developing countries.The fact that China's economy has reached the level of a transition economy as a developed country shows that the reciprocal trade and investments made with China have significant importance for the countries' position in the global economy.

Turkey is aware of this fact and has accelerated in commercial relationships with China, but it has not yet reached sufficient levels in terms of direct investment. In 2019, the volume of trade with China reached USD 21 billion, and the target for 2050 is USD 100 billion. In line with these goals, eight agreements have been signed between China and Turkey and joint working groups have been established, such as Economic Cooperation, Silk Road Development and Contractor Ship Services. Joint steps such as the agreement on food safety, civil aviation cooperation, the export of Turkish tobacco to China and the facilitation of visa procedures have accelerated economic cooperation between the two countries during this period. A reciprocal Memorandum of Understanding has been signed in April 2011 for the joint working groups. Subsequently, two suitable locations in the Xinjiang-Uyghur Autonomous Region were identified and the region and sectors were introduced to investors. A currency swap agreement between the Central Banks of the two countries was signed in February 2012 and renewed in May 2019.

1. CULTURAL DISTANCE AND FOREIGN DIRECT INVESTMENTS

A. Cultural Distance

Culture, in its simplest form, is the information and accumulation system that enables perception, understanding, belief and practice. According to Hofstede (2001), culture is "the collective programming of the mind that separates the members of a society from other societies. People of different cultures represent the characteristics of their culture. Since corporate culture is affected by the culture of the society of the country in which the investment was made, the success of companies operating internationally depends on their ability to preserve the main characteristics of their own culture, as well as their ability to comply with cultural norms in external markets (Fatehi, 1996).

The cultural distance is defined as the degree of affinity between two countries (Liu et al., 2020) and the differences between the two countries in terms of values and means of communication (Wang et al., 2020). The concept of cultural distance is generally considered to be the differences between the cultures of countries and the extent of differences between the culture of the investor's country and the culture of the country being invested in. In addition to the concept of culture, the concept of cultural distance is of great importance to international companies when determining their investments in new countries and strategies. The cultural differences affect the companies in level of decision-making and leadership complexity (Singh et al., 2019). In addition, cultural distance causes significant challenges for companies in acquiring and applying knowledge in new countries (Vaara et al., 2012).

As people of different cultures express their own culture through their different attitudes, behaviors, thoughts, values and manners, cultural differences arise between societies in terms of their values. Hofstede's (2001) has tackled the issue of culture in four different formats and has proved that countries differ within these formats. It is found that cultures dealt with in groups such as individualism-collectivism, power distance, uncertainty avoidance and masculinity-femininity, long-term and short-term orientation, indulgence-restraint, differ depending on the country. Hofstede's national cultural framework indicates the cultural distance of countries (Hofstede Insights, 2020). Hofstede's analysis elicits admiration from many scholars, however since the world is changing, information about cultural differences is increasing evenly (Minkov, 2018).

Kogut and Singh (1998) and Barmeka and Vermeulen (1997) have calculated the Cultural Distance Index. According to this index, countries with a low index are considered to have low cultural differences. Turkey and China are calculated as 2.15 in the Kogut and Singh Index and 3.59 in the Barmeka and Vermeulen Index. This value shows the large cultural distance between Turkey and China.

B. Institutions

Institutions generally describes contract enforcement in a location and the efficiency of problem solving by the courts, government intervention in commercial activities, protection of movable and immovable property and intellectual property rights, and the level of corruption in the bureaucracy and agglomeration. Locations with weak and inadequate institutions are areas that pose a risk to foreign direct investors.

Contract enforcement is one of the important elements that enable the long-term expansion of a country's economy (He, 2008). It is an important factor for companies to increase their investments, take risks and make long-term plans. High contract enforcement and problem resolution are among the important factors that influence the investment decisions of foreign direct investors.

Government intervention is the invocation of the government by private sector investors over their labor disputes. In the economy, government intervention plays a crucial role in protecting private property rights. It is a secondary factor in weak and slow judicial and legal processes. In outdated legal procedures, government intervention is more of a secondary option.

Intellectual property rights are defined as intangible, information- and people-driven, experience-based, value-adding assets. The intellectual property rights of the companies are the real core competitiveness (Duan et al., 2020). This concept is an entity that creates corporate awareness and competitiveness.

Corruption is generally defined as the abuse of public power and private interests or profits (Ackerman, 1999). The impact of corruption on foreign investment could be related to indeterminacy due to corruption and prior knowledge. In addition, higher levels of corruption are observed in emerging economies and opportunism becomes correspondingly higher (Judge et al., 2011).

Agglomeration refers to a concentration of firms clustering. In this case, it is an advantage for investors. When companies continue their operations in one location, they lead to sectoral expansion with savings and benefits in their respective locations.

C. Foreign Direct Investment (FDI)

The concept of direct investment can be defined in many ways. Foreign direct investment as investment that brings with it the investor's technology, know-how, management knowledge, workforce, and control authority of investor with itself through purchasing an establishment, provide founding capital for a new establishment and/or participating in the capital of an existing establishment. In accordance with the OECD (Organization for Economic Co-Operation and Development) norms, foreign capital investment is defined as; '*the purpose of a person or an institution established in a country, to gain permanent economic benefit in another country'*.

According to international business research, companies' foreign investments are one of the most important decisions in their globalisation process (Dikova et al., 2017). Foreign direct investments are classified into different groups depending on their nature. These are divided into four groups according to the ownership status of the investment, the position of the investment in the production chain, the purpose of the investment and some other variables.

The types of investment by ownership status are Joint Venture, Full-Ownership Enterprises, Mergers and Strategic Alliances. In joint ventures, one or more foreign investors go to other countries and set up a joint establishment with one or more local investors. In full ownership companies, one or more foreign investors go to another country and set up their own subsidiary there. The difference between the two forms is that in full ownership companies, no company from the country where the investment is made is involved in the investment of the branch. Mergers are referred to as company marriages and occur when two or more independent entities terminate their corporate existence and combine their knowledge, facilities, assets and capital under an independent structure to form a new company Strategic alliances are two or more independent establishments merging their activities for reciprocal benefit and advantage competition, to share R&D activities, adapt to market conditions through proper timing, and gain advantages through the joint execution of production, supply, marketing and service activities. The most significant difference between strategic alliances and joint ventures is that the activities are continued without the need to establish a new subsidiary.

Investments aiming for the setting of new subsidiary are classified as Greenfield Investments, Brownfield Investments and Acquisitions. According to UNCTAD World Investment Report 1995 (UNCTAD, 2020), Greenfield investments are the type of investments where the subsidiaries set a new production facility instead of purchasing a production facility in the country that the investment is made in. In other words, it enables the investment to create a new establishment in the host country. Brownfield investments are a hybrid form of investment between Greenfield investments and acquisitions. In brownfield investments, the foreign capital comes in the form of purchases to make an early entrance to the market and benefit from the market shares of the local market. If the organisation of the local company is not sufficient for the foreign capital, they merge their own sources with the assets of the purchased company and establish a new establishment. Acquisitions are the type of structure where an appropriate establishment is bought in the market where the investment is made. Considered the easiest way to enter a new market, these methods are often used in FDI for reasons including: the technological infrastructure to be created and the fact that no time needs to be spent on R&D activities.

Investments are classified as horizontal and vertical depending on their place in the production chain. According to Hanson (2001), horizontal investment is used when there are problems that prevent trade, such as excessive transfer costs in international trade. Despite globalisation and liberal trade, as well as developments in technology, communications and transport, there are differences in producer prices and equipment among countries. Under such conditions, vertical investments are made, and the production system is divided into stages. Each stage is valued separately according to different producer prices and then relocated to countries where prices are lower. Costs are minimised by moving the capital-intensive stage to places with cheap capital and the labour-intensive stage to places with cheap labour.

Investment by purpose is discussed in four sections and variation is used as an investment motivation concept. The reasons for countries that make investments and attracting investment in line with purposes are summarized as being aimed at the market, efficiency, source and asset, as studies show (Loewendahl, 2001). Other studies (IMF-OECD, 2003) also define different methods such as reinvested earnings and transfer pricing. Reinvested earnings are the conversion into investment of the part of profits generated by foreign direct investment that is not distributed as dividends. Transfer pricing allows companies that have investments and establishments in more than one country to buy and sell products, semi-finished goods, services, information and technology between their establishments to increase their profits and determine prices in these transactions.

D. Cultural Distance & Foreign Direct Investment (FDI)

The effects of differences on the management of culturally diverse companies making international investments are examined and the negative and positive aspects are presented. In the studies conducted with groups from different cultures, it was assumed that cultural differences have a positive impact on performance, and it was concluded that cultural differences have a positive impact on management. In the study (Wang et al., 2020), it was found that multicultural companies have different beliefs, preferences, and worldviews and that these cultural differences understandably affect cross-border replications. It has been shown that groups with people from different cultures are more successful in developing a new point of view, new ideas and alternative solutions when evaluating problems than groups with people from similar cultures. Moreover, cultural distance is defined as one of the most important factors for the success and survival of cross-border investments (Decker, 2019).

The fact that cultural differences, which have a positive impact on executive performance, also have a positive impact on international joint ventures is an important issue that is emphasized. In international partnerships, the quality and extent of cultural differences are important for the success of the subsidiaries. According to the assessments (Barkema et al., 1997), a high level of cultural differences has a negative impact on the performance of the partnership. For instance, greater cultural distance leads to more resources (time, money) in researching consumer preferences in different countries (Wang et al., 2020) and the dissolution of the agreements occurs after the first decade due to the difficulties of cultural differences (Tower et al., 2019).

There are determining and effective factors for the emergence of cultural differences. These factors can have positive or negative effects. Although these effects represent risks for international companies, they can also be turned into opportunities if managed properly. If the cultural differences in the establishments are taken into consideration, the company strategies are built by pursuing these differences and examined in order to be turned into an advantage, the differences transform into competitive strength. Studies shows that cultural distance effects companies’ creative innovation (López-Duarte et al., 2016). Creativity, solution orientedness, and cultural differences, which are proved to increase the problem-solving skills, can be considered as opportunities for companies. Cultural factors which come across as risks and opportunities are classified as: Economic life and class differences, differences in language and religion, conflict of conscious and value systems, education and cultural level differences, compatibility and gender differences.

In addition to the different cultures of countries, economic conditions and welfare levels also vary. Moreover, individuals in same country can also have different economic levels and they might lead to cultural diversification. Differences in economic life cause individuals to develop different pleasure and consumption habits, and as a result, create a cultural difference factor. Economic and class differences which are sociocultural factors are significantly important for international establishments when determining the marketing strategies.

In order to understand cultural familiarity, two types of measures of cultural distance are used in the literature: language and religion (Liu et al., 2020) Language, which is one of these cultural factors, is in a constant interaction with culture. Habits, expressions, joys, angers, and value judgment of a society are expressed through language and the cultural characteristics of a society are defined with the language used. The cultural life, understanding of life, worldview and point of view of a society is expressed through their language and important parts of their cultures such as art and literature vary due to the differences in their languages. Due to this reason, it is important for the investment to be made, to gain the confidence of the management within both the market and the company. Religion, which is an important phenomenon in the development of common beliefs of people, directly affects human life, and therefore social life. Belief is an accumulation of perception and knowledge belonging to a certain part of the life of an individual. As the similarities between the beliefs of individuals increase, the cultural beliefs of a society strengthen accordingly. Therefore, it is inevitable for the religious principles to affect general rules of life and society, consequently the investments and strategies of a company. When the investment plans are being made, a society's beliefs, lives, customs and traditions, laws and regulations affected by religion should be taken into consideration and strategies for entering that market should be established accordingly.

Conscious and value systems are accumulations of behaviors which include different behaviors, rules and measurements that separate individuals and societies from each other. It creates the criteria for good and bad for societies. It determines the demands and preferences of individuals and societies. Besides, values can cause different understandings and interpretations in different societies. A behavior, which is acceptable in a society, might be an undesirable and judged behavior in another society. Companies should research the value systems of the countries in which they intend to invest, and they must define and develop their products in line with the values of these societies.

Factors of education and cultural level are the deepest and most important factor among all of the cultural factors. Education, which is in an interaction with all other factors, is a primary value that enables the others to be formed and mature. The effects of education and culture on markets are examined in time (Witkowski, 1998) and certain findings have been reached. It was found that older consumers pay more attention to the country where the product is manufactured when shopping; well-educated and high-income consumers pay less attention to information on cultural origin; consumers who have visited foreign countries or speak a foreign language pay less attention to cultural elements; and people living in border regions, who see foreign products as a threat to their own country's investments, pay more attention to cultural elements when shopping. The individuals who reach certain levels with concepts such as ethnocentrism and patriotism are affected more by the image of country of origin, when purchasing. Accordingly, the establishments should evaluate this risk factor and set strategies to create opportunities.

The adaptation periods of societies to establishments and their services vary due to cultural differences. Consistent, determined and ambitious societies tend to adopt institutions for the long term, whereas societies that are detached from the past and the future, hungry for glory and focused only on the day are in an adoption cycle of shorter duration. Establishments should take the adoption differences in the countries that they plan to make investments in, in terms of both the intercompany' work strategy and the market management. They also need to set long term strategies and make their plans by taking these differences into consideration Another element that varies with cultural differences is the integrity of values and functions that are determined according to the genders in the societies. If organisations do not take sexual differences into account, discriminate between the sexes or consider one of the sexes to be inferior, they may be subject to legal or social pressure, which can lead to very risky situations. On the other hand, establishments that make accurate analysis on the prevailing cultures of societies and the roles that they have assigned on genders and set successful strategies as a result, can turn possible risks into opportunities.

Kogut and Singh (1998) define cultural distance as *'the level of cultural difference between the country that the companies are related to and the target countries*. Studies (Morosini, Shane & Singh, 1998) show that this distance has an impact on the construction of the corporate model in the country where the investment is made, the development of new products, managerial activities and approaches, the said differences such as procedures of managing subordinates, R&D and competitive environment analysis procedures generally depend on the intrinsic corporate and cultural environment of companies. For international establishments, the concept of culture, as well as the concept of cultural distance, is taken specifically into consideration, especially in the selection of methods for entering the market. In the study (Decker, 2019) shows that, when the cultural distance is high, the companies tented to choose a lower control entry model by Western Europe into Eastern Asia. Study of (Doherty, 1999) shows that, cultural distances have effects such as highlighting export and decreasing the production tendency in foreign markets. It was seen that, when there are less cultural distances, establishments prefer to engage in manufacturing in countries other than their own country. In the study of (Chang & Rosenweig, 2001), a reverse directional connection between cultural distance and control levels were determined and it was seen that, when cultural distance increases, fully controlled methods for entering the market decreases and methods depending on cooperation are preferred, joint ventures and new investment are opted for instead of purchasing methods, and in cases of high sociocultural distance, joint ventures are preferred over purchases.

The study by Kim, Gaur & Mukherjee (2020) shows that cultural distance has a negative impact on the ownership decision, especially for inexperienced firms. In addition, studies (Morosini, 1998; Brouthers, 2001) show that, cooperating with local establishments in countries where the investments are made with joint ventures, accelerates the process for learning the market and cultural structure, and increase the market knowledge in a short period by decreasing uncertainties. This way, an investor who enters a foreign market would gain flexibility and decrease its potential losses related to the case of withdrawal from investment due to political and social reasons. When an establishment, which makes investments in a country with cultural distance, enters the market with a full ownership investment, it has to make transfers in order to set a management with a market experience, its information costs increase, structural erosions occur due to the inapplicability of company skills and information and these establishments become unsuccessful. On the other hand, sometimes, the purchasing method can also be preferred, in cases of high levels of cultural distance. It was also seen that there are positively resulted relations between cultural differences and purchasing performances in foreign markets. Significant benefits of purchasing a model establishment in a target market are, the easy access to a valuable market knowledge in a culturally distant country, learning, specialization, inter-establishment integration and increasing the performance of the new structure.

The management of cultural distance is an issue that should be given significant consideration by organisations. In the case of international investments, where cultural distances are an issue, the consideration of the communication factor is essential for the efficient performance of the group and the smooth and long-term sustainability of partnerships. Similarly, it is well known that one of the main communication problems in international organisations is cultural distance. Becoming an efficient factor and international establishments to reach long-term success, concepts of cultural distance should be evaluated in time and accurately and should be turned into opportunities with the right strategies. Integration, which is seen as an issue with different aspects, is one of the most important steps of gaining success in international partnerships. It was also stated in the studies (Li, 1999) that, the cultural distances negatively affect the integration of senior management. Establishments become unsuccessful as a result of integration problems due to cultural distances and international mergers are coming to an end, to a large extent. During mergers, the priority is given to financial valuations and cultural distance factors are ignored. However, in order for the international mergers to become successful, cultural distances should be taken into consideration, integrated into the corporate culture and made a part of the organization. The conflicts between individuals and groups are inevitable in establishments with cultural distance. Examining and understanding the causes and processes of the conflict is very important in order to determine the dynamics at the individual and institutional level, and to enhance the personal development of employees by using managers in a more effective way. If these assessments are not made and the dynamics are not accurately managed, these factors resulting from cultural distances might not be turned into an advantage.

Regarding to relation between the cultural distance and foreign direct investment, the interaction relation and hypothesis of this research are;

- H_1: Cultural distance of the investee country has an effect on the FDI.
- H_{1a}: Cultural distance of the investee country has an effect on FDI location choices.
- H_{1b}: Cultural distance of the investee country has an effect on investment model choices.

E. Institutions & Foreign Direct Investment (FDI)

Foreign direct investments whose main goal is to increase the profit first have to increase the revenues and decrease raw material and labor costs. Due to this reason, the investors need to make changes in their methods according to the type and purpose of their investments, in line with the variables. When making their investments, they would like to invest in the countries that are suitable to their conditions and strategies. When assessing the suitability of foreign direct investments to a country, some factors should also be analyzed. In the research where the empirical studies that affect foreign direct investments are addressed (Kokko & Blomström, 1997) effective variable factors are mainly classified under the following: The size of the market and growth rate, economic and political stability, openness to foreign trade, cost and tax rates, foreign exchange rate, infrastructure and cultural proximity and customer preferences.

In the research and empirical study conducted (Julan, Lu & Zhigang, 2009), a direct relationship between cultural distance and foreign direct investments is set and institutions and effective variable factors are examined at the level of defining the investment types. When the detailed calculation strategy and empirical research (Fung, Iizaka & Parker, 2002) and study (Duranton & Diego, 2004) are being considered, the most common methods for determining the direct investment model, considering the cultural distances, are full-ownership enterprises and joint ventures. Moreover, when all factors affecting the investments are considered, it is seen that the effect of institutions such as Government Intervention, Intellectual Property Rights, Corruption and Contract Enforcements, Agglomeration are more intense and effective on the investment, compared to other factors.

Contract Enforcement issues in studies on the effects of foreign investment dealt with many dimensions and obtained different results. The low contract enforcement (Dixit & Pyndick, 1994) causes the uncertainty. It also increases the cost and slows down investments in the entering process until uncertainty disappears and at the end market share decreases and investors withdraw from market. Besides, low contract enforcement (Monge & Naranjo, 2009) is effective on investor diversity and investment extent. Contract enforcement affects foreign investors differently from country to country and from sector to sector, so an approach can be made by considering the reactions to contract enforcement of investments and the countries to be invested (Aboal, Noya & Rius, 2014).

Regarding the relation between the contract enforcement and foreign direct investment, the interaction relation and hypothesis of this research are;

- H_2: Contract enforcement of the investee country has an effect on the FDI.
- H_{2a}: Contract enforcement of the investee country has an effect on FDI location choices.
- H_{2b}: Contract enforcement of the investee country has an effect on investment model choices.

The protection of intellectual property rights is the basic preoccupation of developed countries' investors. (Julan, Lu & Zhigang, 2009). For instance, the multinational companies of USA and EU have lots of unique production methods and organization charts that are in high technology, experience, and know-how investment as well. Therefore, the protection of these technologies and patents in the investing countries are so valuable for these companies.

Regarding to relation between the intellectual property rights and foreign direct investment, the interaction relation and hypothesis of this research are:

- H_3: The protection of intellectual property rights on the investee country has an effect on the FDI.

• H_{3a}: The intellectual property rights protection of the investee country has an effect on FDI location choices.

• H_{3b}: The protection of intellectual property rights has an effect on investment model choices.

Government intervention is another factor of institutions that affects the foreign direct investors by different ways. The cultural distance of investors also affects their reactions on government intervention that is accepted for the interaction between cultural distance and foreign direct investments.

Regarding the relation between the government intervention and foreign direct investment, the interaction relation and hypothesis of this research are;

• H_4: Government intervention of the investee country has an effect on the FDI.

• H_{4a}: Government intervention of the investee country has an effect on FDI location choices.

• H_{4b}: Government intervention of the investee country has an effect on investment model choices.

Corruption is the factor of institution. Referring to research (Wei, 2000), the countries, have high corruption ratio, get less foreign direct investments. And also identified in research (Aizermann & Spiegel, 2002; Smarzynska & Wei, 2000), corruption affects the capital inflow, foreign direct investments and investment model choices.

Regarding to relation between the corruption and foreign direct investment, the interaction relation and hypothesis of this research are;

• H_5: Corruption of the investee country has an effect on the FDI.

• H_{5a}: Corruption of the investee country has an effect on FDI location choices.

• H_{5b}: Corruption of the investee country has an effect on investment model choices.

Agglomeration is the most effective factor on foreign direct investment and development of local trade on investing countries. Referring to research about agglomeration on different ways (Smith & Florida, 1994; Head et al., 1999), it is identified and proven that agglomeration affects the foreign direct investors positively on different ways, such as minimizing the risk factor of high cultural distance, sharing of know-how, technology, and labors between to investors, etc. Additionally, agglomeration has positive effects on foreign direct investment and investment model choices according to the research (Propris et al., 2005; He, 2002, 2003; Guimaraes et al., 2000).

Regarding the relation between the agglomeration and foreign direct investment, the interaction relation and hypothesis of this research are;

- H_6: The agglomeration effect of the investee country has an effect on the FDI.
- H_{6a}: There is a relation between FDI location choice in foreign direct investment and agglomeration in investee country.
- H_{6b}: There is a relation between agglomeration of multinational companies in investee country and investment model choices.

F. Multinational Companies, Turkey & China Research

Global foreign direct investors have become an important element of economic growth and increased employment rate for investor countries. It is clearly seen from the country data; the foreign direct investments have created a balance in foreign trade of countries by increasing their export volumes and decrease their current deficits. In addition, since its positive effect on employment has a voice in international markets and promotion of the country, its effects and requirements have become indisputable. Even USA, which is the top country in the export of foreign direct investments, tries to develop new strategies and regulations to attract foreign investors in the country. In order to get a bigger share from the international investments and for the foreign establishments to increase their investments, the companies have determined strategic practices to attract investors and especially after 2000s, they have managed to attract foreign investors to their countries. During these periods, the investments made in developing countries exceeded 50% and positive economic and sociocultural changes and advances in macroeconomic level in these countries were clearly observed.

According to OECD data for 2019 year-end, total foreign direct investment in the world has almost reached USD 1.1 million. The foreign direct investments as a result of international expansion policy of China have caused an increase in production in China and this situation significantly increased China's exports. The export income of China was USD 6.8 billion in 1978 when the expansion process to foreign countries had not started yet, this ratio increased by 350 times to USD 2 trillion in 2016. Countries with the highest FDI in Asia in 2018 were China (USD 139 billion), Hong Kong (USD 115.7 billion), Singapore (USD 77.6 billion), India (USD 42.3 billion) and Indonesia (USD 22 billion) (TC. Ticaret Bakanlığı, 2019).

Countries that make and receive investment, go through certain stages during their development and evolution. Their successes in each stage carries them up to a higher level and they start to design technology, invest in markets, receive investments, and lead the market. These stages are *Crawling, Maturity and Playmaking* (DEIK, 2013). *Playmaker* countries are innovative; they design technology, attract, and receive investment, are net exporters, financially deep, central in services and can be followed. *Maturity level*, is where the country can make foreign investments, is a leader in global markets and own international companies. China is in the limit of maturity and playmaker period. *Standing-up period* is where the foreign investment is attracted, the service sector is developed and exports are made, which Turkey is in. *Crawling period* is where the countries are agriculture based, has a low industry power and are not economically strong enough.

With the Turkish economy exceeding USD 1 billion in 2005, multinational Turkish companies have rapidly accelerated their investments and the total foreign investments of the country has exceeded USD 38.4 billion in 2018. The export amount realized from Turkey is USD 6 billion and the imports amount realized as USD 4.6 billion from these foreign direct investments in 2018. The 10.48% of these investments have been in Asian countries. In particular, the privatisation policy of the 2000s has increased domestic FDI and led to competition in the internal market, and companies have turned to foreign investment to make more profits, and thus a global vision has begun to emerge. With the foreign investments of multinational Turkish companies, an economic integration with the world has been established, and the government has made a set of corporate reforms to increase the investment and efficiency, taken certain measures and made regulations and stimulation programs. In addition, the foreign investments of Turkish companies have grown more steadily and rapidly, compared to the foreign direct investments made in Turkey.

For Turkey to reach the level of transition economy, Chinese market, and the model of investments in China are very important. Due to the scarcity of the current and updated guidance sources regarding this issue, the need to set source models for investors is inevitable. In order to establish a source model as a guide for investors, research on China has been reviewed and a literature review can be made.

THE METHODOLOGY OF RESEARCH

Within the scope of research, the determination of the interaction of the variable factors that affect foreign direct investors and the choice of location for the investments with the cultural distance and investment models, and the related assessment to be guiding the investors is aimed.

Qualitative research methods are used for this study conducted, to measure the effects of determinative variable factors in the hypotheses of study, to evaluate the findings on the direct foreign investors. In this study, which is designed with phenomenology technique, in-depth interview is used as a data collection method and the data analysis is made through descriptive analysis.

Since the individual and the society have a variable nature, it was thought that when examining related phenomena or events, understanding is more important than generalizing. In addition, the fact that qualitative approaches apprehend phenomena and ideas in depth is taken into consideration. Besides interviews with people, which may set examples for hypotheses, are made in depth, and the connections of constant and variable determinative factors in the search model are examined. Due to the scarcity of companies investing in China and insufficiency regarding the Chinese market, not all of the interviews are included in the research. Interviews made with companies/people who do or do not make investments in China but have knowledge of Chinese market and investments where in-depth comments are shared, are prioritized in data analysis section. Due to the insufficiency in the literature about the issue, extra importance is given to the in-depth perception of the opinions of people in the interviews.

Research data is collected through in-depth interviews and documented using the review method; interviews are transcribed and summarised and shared with those interviewed. The hypothesis of the research is evaluated by the descriptive analysis method. The issue is tackled by examining other documents and data and the research results are formed consequently.

2. ANALYSIS AND EVIDENCES

The findings arising from the evaluations and analysis of hypothesis within the framework of the research, which was developed with the purpose of providing guidance to the investors by identifying and assessing the interactions of cultural distance and investment models, and variable factors that have an impact on foreign direct investments and selection of region of investment are as follows:

EVİDENCES AS REGARDS OF INTERACTİON WİTH INVESTMENTS WHİCH ARE AFFECTED BY FDI

A. Cultural Distance (H_1)

Cultural distance is identified as another important factor in this research. It has been identified that cultural distance has a direct impact on foreign direct investment. At the same time, the location choice and investment model of foreign direct investments are affected by cultural distance.

Even the fact that the agglomeration effect is the most powerful agent for FDI and cultural distance still has an undeniable direct influence on FDI choices. Investors who have large cultural distance are more apprehensive than investors who have less cultural distance. Investors having large cultural distance prefer risk-free and dependable investments. These kinds of investors are more likely to choose locations that have less cultural distance. Besides these facts, culturally distant FDI choose Joint Ventures because of solving problems in bureaucracy and the efficiency of the labor force. At the same time these kinds of investors prefer to invest into locations where multinational investors are more available. The locations where the same nationals are dominant are preferable.

Moreover, during the interviews with the investors, cultural distance and its' effects on the investments was investigated. As the basis of the research is China, the cultural distance to China was observed. In order to understand the cultural distance affect, Hofstede's cultural dimensions were used. During the interviews, power distance and collectivism were the two main dimensions, which were affecting the resemblance of the investee and investor country. In both cultures (investee and investor), the hierarchical structure plays an important role, and the occupants of the hierarchy are respected according to the level gained in the hierarchic steps. Because of materially and psychological society differences and the hierarchical structure; there is crack down in the society and interestingly it is accepted as ordinary. It is determined that the major cultural resemblance between the two societies is the power distance. In addition, power distance dimension is the main cause of this hierarchical structure. Another resemblance is the collectivism which is more powerful than individualism for these two societies. Even though this situation is not so obvious in Turkey as in China, still these two societies show familiarities. Even though these two societies show resemblance in hierarchy, the main difference can be observed in the psychology of the labor force. The Chinese labor respects more to the community will and if a swap in the working definition of the labor is necessary for the goodwill of the community, the worker will swap as necessary. However, as for Turkish labor, the decision of the swap is determined by the small groups consisted of labors.

These two societies show resemblance in this dimension. However, there are important differences between these two societies in other dimensions, especially in uncertainty avoidance. The investors mentioned that, Turkish labor would like to hear clear answers to their questions and get clear information they require to execute their jobs. On the other hand, for Chinese labor there is always flexibility and uncertainty. Chinese labor has no expectation for the future. Because of this reason, Chinese investors will insistently ask questions about the same subject until they receive an accurate answer. It has been observed that a decision is made within a week time in Turkish companies where for the same subject Chinese companies can take the same decision in a month time. This is the main difference in cultural dimension.

Another difference was observed in Long-Short Term Orientation dimension. Chinese society is more long term oriented, submissive, tolerant, and thrifty. Even though some individuals in Turkey have the same characteristics, the community of China is more patient with respect to Turkish community.

Cultural distance was determined in Indulgence and Restraint dimension. It was clearly mentioned that Chinese society is a more restricted community. This restriction is considered normal as the normative situation is accepted by the community. The rules in a company are accepted as a must in Chinese community and right of initiative is accepted as a wrong behavior.

There are also differences in the dimension of Masculinity and Femininity dimension. Chinese community is a patriarchal community and for the sake of the family, a Chinese labor can travel distantly and live apart from their hometown and family. It can be clearly seen when the internal labor structure of the companies observed. Most of the labors are traveling from other provinces. These labors live the accommodation spaces that the company provides for the labors, and their only life is to work, eat and sleep. Their lifetime target is to work and save money for their families and for their future. Most of the investors highlighted the fact that people are mechanized in China, where all the work is dependent on the hand craftsmanship.

H_1 hypothesis, which states that cultural distance affects the type of investment and location choice of FDI, is supported.

The expressions are following as:

"…there is a high cultural difference and at the beginning we have difficulties during the adaptation."

"…we have difficulties to understand their business process, for this reason we preferred the locations which have more multinational companies."

"…The needs and expectations of the Chinese market are very different. They are culturally different from us. We partnered with a national investor to understand the domestic market and cultural differences."

B. Contract Enforcement (H_2)

As a result of the research, even though contract enforcement has variable effects on investment, it does not have any influence on investments and choice of location.

While contract enforcement has positive effect on foreign direct investment when the cultural distance is greater, it has negative effect on foreign direct investment when the cultural distance is closer. The research about investment in China has shown that, when the cultural distance is closer, investors gain advantage from negative effect from lack of contracts and investors own market conditions are created.

The clearest example regarding this case is the investments culturally close in Hong Kong that established for quality controls and contract follow-up. There are corporations and buffer zones have been established by culturally where not closed to the Chinese local firms for ensuring the contract enforcement. These corporations have responsibility of control between sellers and receivers. In addition, another duty of these corporations is prosecution and approval of trade constitutions as regards of contract. The circumstances have negative effects on the investments when cultural distance is larger, there is a positive effect on the investments when cultural distance is not larger.

There is a similar effect on full ownership enterprises and joint ventures. Mostly, contract enforcement is a required factor for the full ownership enterprises; joint ventures are not affected by this variable. Even though, because of the research shows that contract enforcement has variable effects on cultural distance and investment models, this is a determinative factor for the location choice in investments. In these conditions, hypothesis H_4 is not mostly supported.

The following expressions that do not support the hypothesis as:

"..While choosing the investment model, to complying with the contracts was not important for us."

"..Not to choose the aforementioned a location just because the enforcements are not true for us."

"…We think it is more appropriate for us to invest in states where contracts are considered more seriously. However, it is not right to choose that state only for this reason, it should be evaluated together with many other factors."

C. Intellectual Property (H_3)

As a result of the research, there is a positive relation between location choice of foreign direct investments and protection of intellectual property rights. Industries in the region with strict royalty regimes and better protection of intellectual property rights tend to attract more foreign investment. Also, full ownership enterprises have the same tendency. Solely, investors have different tendency regarding the evaluation criteria is cultural distance. Protection of intellectual property right has a positive determiner effect on foreign investment when the cultural distance is larger. Being that there is an oppositely effect on foreign investment when the cultural is not larger.

After examinations, Chinese approach for royalty legislation is more place emphasis on regulations of domestic market conditions than protection of international royalty rights. The foreign investors are obligated to obtain new royalty rights in accordance with Chinese legislation; by the reason of global royalty right is not recognized. Moreover, the firms have right to minor changes for the product that are royalty obtained in several developing industries. As a result of this situation has been seen that investors are culturally close usually use Chinese market for transferring intellectual property to their corporate and they have a function as a bridge to the investors culturally not close to Chinese market. The condition causes to reduce sensitivity for intellectual property and even rising of negative effect to industrial investment.

In the second part of hypothesis, while the protection of intellectual property has positive effect for the investors culturally distant, it has negative effect for the investors culturally close. Moreover, protection of intellectual property rights has positive minor effect for full ownership enterprises but considered not visible. Even though, variable of intellectual property is significant element for investors, still it is not the critical function for determining of investment model. In case, can be seen that hypothesis H_2 is considerably supported.

Accordingly, hypotheses are supported by the following expressions:

"...we made our investments Shanghai, Guangzhou where the rights protected."

"...there is a potential customer in China; we are trying not to effect from imitators with changing our projects."

"...intellectual capital rights has been more significant to prioritize and plan our investments region choice"

D. Government Intervention (H_4)

In accordance with the interviews, it has been determined that government intervention has a negative effect on the foreign direct investment choice that are culturally distant. As a contradiction of hypothesis, although government intervention is not a determining factor for the interviewed multinational Turkish investor companies but has a slightly negative effect.

Again, as a contradiction of hypothesis, which had been observed in conclusion, the government intervention in China does not have a positive effect on the culturally close investors. Accordingly, government intervention is not an important factor for the determination of foreign investment models basis on full ownership enterprises or joint ventures.

Government intervention, which is the first part of the hypothesis, has an effect on the foreign direct investors whether culturally distant or close, but it has been seen that this effect is not a determining factor for the investors. Even though there is an impact of cultural distance for determining of foreign investment models basis on full ownership enterprises or joint ventures, it is not a dominant factor. In this sense, it is possible to say that; hypothesis H_1 is considerably supported.

Supportive expressions are following as:

"...we are affected of government quotas and pricing, for this reason we withdrew from investments."

"...we made a joint venture with a Chinese company in a low government effect location."

"...although government interventions have an impact on investment and regional choices, not the key element in investment model choosing. Fully owned enterprises and joint ventures reactions against government intervention are formed in line with their cultural distances, those which are culturally distant are more hesitates."

D. Corruption (H_5)

Another interesting result of the examination is corruption factor. Contrary to expectation, corruption has positive effect on foreign investment instead of negative. As a result of examination, corruption level is extremely high and apparently, foreign investments ensure the benefit rather than negative effects. Whereas full ownership or joint ventures are negatively affected without taking consideration of cultural distance.

As a result of hypothesis related to corruption, while the foreign investment has benefit by disturbance of corruption in Chinese market, the trade linkages with joint ventures or internal business activities are affected negatively by corruptions.

Even though interesting result of examination observed regarding corruption, it is not the main factor for investments and location choice. The hypothesis has variable effects on investments. Being that it is not the only factor on investment models and location choice. It has been determined that hypothesis H_3 mostly is not being supported.

With the following expressions of the hypothesis are not accepted:

"…Corruption is an ordinary situation for us."

"… Either corruption exists or not, we decide to invest to the market."

"… Doing joint business and operating in the domestic market in regions with high levels of corruption is very risky."

E. Agglomeration (H_6)

In this research, agglomeration effect is mostly seen as considerably determinative variable. Culturally close or not, it has been identified that, agglomeration is one of the first determinative variable on investments.

Chinese market that developed with agglomeration which is caused by sectorial aggregation takes choice of location as the defining factor with the highest priority by culturally far or close all investors' point of view. The investment model of directly foreign investors, their sectors in choice of location and the state assignation of the agglomeration that belongs to their sectors is observed to have significant effect and a positive view. A positive interaction has been observed with the agglomeration of the multi-national companies of the country that is invested in and the "full ownership enterprises" of the foreign multi-national companies. On the other hand, while the agglomeration and the multinational entrepreneurships' have a negative interaction, they are not as condensed as the full ownership enterprises and do not occur as a determining variable. Also, for the directly foreign investors, forward agglomeration has a bigger effect than the backward agglomeration.

Examination and research show that agglomeration is generally one of the most common factors on foreign direct investments that have different cultural behaviors for determining of locations in Chinese market. Especially, industrial, and regional aggregations, which are created in China, are one of the first determinative effects for determination of location in investments.

Furthermore, examination shows that, even there are many advantages; no investors choose a location in China market without agglomeration occurred.

For instance, Sinxan-Uygur self-government territory, which depends on strategic plans between Turkish and Chinese governments, does not well liked enough by multinational Turkish companies as a consequence of lack of agglomeration. Even though this region has many advantages for Turkish investors for long-term duration, short-term market strategies are being done and they assume that it is advantageous to invest developed districts instead of letting the district start being developed. It is going to be mentioned about these negotiations related to an important details and related suggestions in upcoming chapters. It has been determined that hypothesis H_5mostly is being supported strongly.

Some of the expressions that identified related with hypothesis acceptation:

"..we choose Shanghai, because other companies which are the same sector with us invested this city mostly."

"..during choosing the location process, the most effective factor is to be closed power engine materials."

"…Our investment was established in Hangzhou (Zhejiang Province). There was an export zone here for exporting companies. This was the most important factor in the selection of this place."

CONCLUSION AND SUGGESTIONS

With the propensities of economic and commercial liberalization as a result of globalization, the level of free movement of capital and trade volumes increased on all over world economy. This effect has created competition among countries, and mainly identified the contribution of foreign direct investments on economies. Finance and technological inadequacies create negative effects on local investors in developing countries, whereas the flexible regulations and conditions, low labor cost and raw material supply conditions have turned into an advantage for the investors of developed countries that are competent on finance and technology.

The significant fact and importance of multinational direct investments of developed countries that have an important role on developed and transition economies are clearly observed with the advancement on technologies and the entry of managerial 'know-how' information inputs. In addition, developing countries keep away from foreign borrowing and short-term investments and tend to foreign direct investments in order to provide the capital for their developments. This case is also a valid situation for China that switches to open market policy and economy from centrally planned economy.

In this study, the interaction of institutions and cultural distance with foreign direct investments, their effects on investments, have been discussed. This research focused on location choice in foreign direct investments, determined an investment model, and became a helpful guideline for investors. FDIs are so reactive to institutions and cultural distance is identified by all research and interviews. This research is an innovative study in point of the importance for institutions' developing process in developing and transition economies.

This research is focused on China's direct investors, searched institutions, and cultural distance effect because of the impact on Chinese Market place in world market and the financial interaction on developing countries' economies. The importance and impact of the institutions are determined especially for Turkish investors of multinational corporations who invest in Chinese different regions. In this study, Chinese Market information and interactions are presented for foreign investors. This study became a beneficial guideline for developed and developing countries and local and international institutions' strategic plans.

From the research, it has been clarified that, Asian investors are successful in solving the issues with the Chinese institutions by the help of their proximity of cultural distance, which leads the Asian investors to obtain a larger portion from the Chinese Market than their competitors such as USA and EU colleagues. It is an indisputable fact that, with the rapidly growing Chinese economy and the new coming investors, East Asian economies will be using the advantage of being culturally closer. The foreign direct investors, who are aware of this fact, are willing to enter Chinese market in JV form, and interestingly not only with the local Chinese companies but also with the East Asian investors.

As a result, agglomeration is the strongest indicator on foreign direct investors in Chinese Market. The reason of this factors, which comprise the sectorial aggregate, are not the strongest factors as agglomeration. In consequence of this research, the main differentiating indicator between these two approaches is explained as investors evaluation of Chinese Market still as a risk.

The reasons why multinational companies or relatively smaller foreign investors prefer lower risk, completed sectorial aggregation, less profit regions by comparison with other regions are identified in this research. This fact provides the development for some Chinese Region but also it causes some regions to have almost any development. In addition, this led to a labor flow from less developed regions to developed regions and this made a fiscal cliff between people's welfare.

Additionally, none of the economic institutions has the significant impact of agglomeration effect on the location choice for foreign direct investment. However, other economic institutions also affect the direct foreign investments that are culturally different. During the determination process of the investment model for foreign direct investments, impacts of all the economic institutions must be observed. With the purposes of strategy construction, risk assessments and location choice, foreign direct investors will be helpful in observing these economic institutions.

Culturally distant investors are more sensitive to intellectual property rights protection and contract enforcement institutions. It can be easily clarified that these two institutions are less effecting factor for the culturally closer investors, which makes the trust issue less, but risk becomes proportionally high for the culturally distant investors. Especially Asian countries have an advantage of the contract enforcement by the cultural approximation.

Although corruption and government intervention seem to be the least determining factor due to the cultural distance factor, it leads to revert conclusions. Again, as for the culturally remote FDI trust and risk assessment are limited. Culturally remote FDI are tentatively approaching to government intervention and they resolve their issues by corruption, whereas culturally close investors are approaching the government intervention as the 'protecting hand'.

It can be clearly understood from all these factors that, culturally remote FDI approaches to Chinese market as a risky and unreliable market. The investors do not prefer to invest in long term and in short term, investors have propensity to make short term investments and are constantly observing economic situation of the market.

References

Aboal D., Noya N. & Rius A. (2014) 'Contract Enforcement and Investment: A Systematic Review of the Evidence, Department for International Development', V.64, pp.322-338.

Ackerman, S. R. (1999) 'Corruption and Government: Causes, Consequences and Reform, Cambridge University Press, Cambridge, UK, pp.91.

Aizenman, J. & Spiegel, M. M. (2002) 'Institutional Efficiency, Monitoring Costs and the Investment Share of FDI', NBER Working Paper, 9324.

Barkema, Harry G., Shenkar, O., Vermeulen, F. & Bell, J. H. J. (1997) 'Working abroad, Working with Others: How firms learn to operate international joint ventures', Academy of Management Journal, V40(2), pp.426-442..

Brouthers, K. D. & Lance, E. (2001) 'Explaining the National Cultural Distance Paradox (Impact of National Culture on Corporations' International Entry Mode Selection)', Journal of International Business Studies, V.23.

Chang, J. & Rosenzweig, P. M. (2001) 'The Choice of Entry Mode in Sequential Foreign Direct Investment', Strategic Management Journal V.22.

Decker, J. C. (2019) 'Relationship Between Cultural Distance and Entry Mode by Western European Multinational Enterprises into Eastern Asia'. Doctorate Thesis, Arizona: Grand Canyon University.

Deichmann, J., Karidis, S. & Sayek, S. (2003) 'Foreign Direct Investment in Turkey: Regional Determinants', Applied Economics.

DEIK – Strateji ve İş Geliştirme Müşavirliği (2013) 'Dünya'da ve Türkiye'de Yurtdışı Doğrudan Yatırımlar, Yurtdışı Yatırımlar İş Konseyi', İstanbul. www.deik.org.tr, (08.11.2020).

DEIK, Vale Columbia Center on Sustainable International Investment, Kadir Has University (2014) 'Değerlenen Amerikan Dolarına Rağmen Türk Şirketlerinin Yurtdışı Yatırımları Artmaya Devam Ediyor', İstanbul. www.deik.org.tr, (11.11.2020).

Dikova, D., Witteloostuijn, A.V. & Parker, S., (2017) 'Capability, environment and internationalization fit, and financial and marketing performance of MNEs' foreign subsidiaries', Cross Cultural & Strategic Management V.24(3), pp. 405-435.

Dixit, A. K. & Pyndick, R. (1994) 'Investment Under Uncertainty', Princeton University Press, USA.

Doherty, A. M. (1999) 'Explaining International Retailers' Market Entry Mode Strategy: Internalization Theory, Agency Theory and The Importance of Information Asymmetry', The International Review of Retail, Distribution and Consumer Research, V.9.

Du, J., Lu, Y. & Zhigang, T. (2009) 'Institutions, Culture Distance, and FDI Location Choice: Evidence from China', Working Paper Series, Chinese University of Hong Kong, National University of Singapore.

Duan, Y., Huang L., Cheng H., Yang, L. & Ren, T., (2020) 'The moderating effect of cultural distance on the cross-border knowledge management and innovation quality of multinational corporations', Journal of Knowledge Management, V.15, pp.1-33.

Duranton, G. & Diego, P. (2004) 'Micro-foundations of Urban Agglomeration Economies', Handbook of Regional and Urban Economies.

Europe Commission. (2016) 'Joint Communication To The European Parliament And The Council, Elements For A New Eu Strategy On China', High Representative Of The Union For Foreign Affairs And Security Policy, pp.1-19.

Fatehi, K. (1996) 'International Management: A Cross-Cultural and Functional Perspective', NJ: Prentice Hall, USA.

Fung, Kwok-Chiu, Iizaka, H. & Parker, S. (2002) 'Determinants of US and Japanese Direct Investment in China', Journal of Comparative Economics.

Gao, T. (2005) 'Labor Quality and the Location of Foreign Direct Investment: Evidence from China', China Economic Review, V.16, pp.274-292.

Guimaraes, P., Figueiredo, O. & Woodward, D. (2000) 'Agglomeration and the Location of Foreign Direct Investment in Portugal', Journal of Urban Economics, V.47, pp.115-135.

Hanson, G. (2001) 'Should Countries Promote Foreign Direct Investment?, United Nations Conference on Trade and Development', Center for International Development Harvard University, G-24 Discussion Paper Series No.9. http://unctad.org, (10.11.2020).

Head, C. K., Ries, J. C. & Swenson, D. L. (1999) 'Attracting Foreign Manufacturing: Investment Promotion and Agglomeration', Regional Science and Urban Economics, V.29, pp.197-218.

He, C. (2003) 'Entry Mode and Location of Foreign Manufacturing Enterprises in China', Eurasian Geography and Economics, V.44, pp.443-461.

He, C. (2002) 'Information Costs, Agglomeration Economies and the Location of Foreign Direct Investment in China', Regional Studies, V.36, pp.1029-1036.

He, C. (2003) 'Location of Foreign Manufacturers in China: Agglomeration Economies and Country of Origin Effects', Papers Regional Science, V.82, pp.351-372.

He, X. (2008) 'Formal Contract Enforcement and Economic Development in Urban and Rural China', Paper prepared for NYU Conference on Law, Commerce and Development, NYU Law School, New York, pp.2.

Hofstede, G. (2001) 'Culture's Consequences: Comparing Values, Behaviors, Institutions and Organizations Across Nations', Sage, Thousand Oaks, CA.

Hofstede, Insights (2020) 'The 6 Dimensions of National Culture', https://www.hofstede-insights.com/models/national-culture/, (12.11.2020)

IMF – OECD (2003) 'Foreign Direct Investment Statistics, How Countries Measure FDI 2001', International Monetary Fund Publication Services, Washington D.C. USA. http://www.imf.org, (11.11.2020).

Judge, W. Q., McNatt, D. B. & Xu, W. (2011) 'The antecedents and effects of national corruption: a meta-analysis', Journal of World Business, V.46(1), pp.93-103.

Kim, H. G., Gaur, A. S. & Mukherjee, D. (2020) 'Added cultural distance and ownership in crossborder acquisitions'. Cross Cultural & Strategic Management V.27(3), pp.487-510.

Kogut, B. & Singh, H. (1998) 'The Effect of National Culture on the Choice of Entry Mode', Journal of International Business Studies, V.19(3).

Kokko, A. & Blomström, M. (1997) 'Regional Integration and Foreign Direct Investment', NBER Working Paper Series, Cambridge.

Laulajainen, R. & Stafford, H. A. (1995) ‘Corporate Geography: Business Location Principles and Cases’, Kluwer Academic, Dordrecht.

Li, J. (1999) ‘Leading Effective International Joint Venture Leadership Teams in China’, Journal of World Business, V.34.

Liu, A., Lu, C. & Wang, Z. (2020) ‘The roles of cultural and institutional distance in international trade: Evidence from China's trade with the Belt and Road countries’, China Economic Review V.61, pp.1-17.

Loewendahl, H. & Loewendahl, E. E. (2001), Turkey’s Performance in Attracting Foreign Direct Investment Implications of EU Enlargement, European Network of Economic Policy Research Institutions, Working Paper No.8.

López-Duarte, C., González-Loureiro, M., Vidal-Suárez, M. M., & González-Díaz, B. (2016), ‘International strategic alliances and national culture: Mapping the field and developing a research agenda’, Journal of World Business, V.51(4), pp.511–524.

Minkov, M. (2018). ‘A revision of Hofstede’s model of national culture: old evidence and new data from 56 countries’, Cross Cultural & Strategic Management V.25(2), pp.231-256

Monge-Naranjo, A. (2009) ‘Entrepreneurship and Firm Heterogeneity with Limited Enforcement’, Annals of Finance, V.5(3), pp.465-494.

Morosini, P., Shane, S. & Singh, H. (1998) ‘National Cultural Distance and Cross-border Acquisition Performance’, Journal of International Business Studies, V.29, pp.1.

Pelegrin, A. (2003) ‘Regional Distribution of Foreign Manufacturing Investment in Spain. Do Agglomeration Economies Matter?’, Institut d’Economia de Barcelona, Spain.

Propris, L. D., Driffield, N. & Menghinello, S. (2003) ‘Local Industrial Systems and the Location of FDI in Italy’, International Journal of the Economics of Business, V.12, pp.105-121.

Singh, D., Pattnaik, C., Lee, J.Y. and Gaur, A.S. (2019), ‘Subsidiary staffing, cultural friction, and subsidiary performance: evidence from Korean subsidiaries in 63 countries’, Human Resource Management, Vol. 58 No. 2, pp. 219-234.

Smarzynska, B. & Kande Wei, S. J. (2000) ‘Corruption and Composition of Foreign Direct Investment’, NBER Working Paper 7969.

Smith, D. F. & Florida, R. (1994) ‘Agglomeration and Industrial Location: An Econometric Analysis of Japanese-affiliated Manufacturing Establisment in Automative-related Industries’, Journal of Urban Economics, V.36, pp.23-41.

T.C. Ticaret Bakanlığı. (2019) ‘Türkiye’nin Yurtdışı Yatırımları’ Yurtdışı Yatırım Raporu, pp.1-43.

Tower, A.P., Heweet, K., Fenik, A.P. (2019) ‘The Role of Cultural Distance Across Quantiles of International Joint Venture Longevity’, Journal of International Marketing, V.27(4), pp.3-21

TUIK. (2020). ‘Türkiye-Çin Halk Cumhuriyeti Ekonomik İlişkileri’. http://www.mfa.gov.tr/turkiye-cin-halk-cumhuriyeti-ekonomik-iliskileri.tr.mfa (9.11.2020).

UNCTAD, http://unctadstat.unctad.org, (12.11.2020).

Vaara, E., Sarala, R., Stahl, G. K. & Björkman, I. (2012) ‘The impact of organizational and national cultural differences on social conflict and knowledge transfer in international acquisitions’, Journal of Management Studies, V.49(1), pp.1-27.

Wang, Y., Zheng, B., Kamal, M. A. & Ulah, A. (2020) ‘The influence of cultural and institutional distance on China’s OFDI efficiency: fresh evidence from stochastic frontier gravity model’, International Journal of Emerging Markets’, V.15, pp.1-22.

Wang, Y., Yang, A. & Yasar, M. (2020) ‘A Multilevel investigation into the effect of cultural distance on bilateral trade: The roles of product type and uncertainty avoidance’, Canadian Journal of Administrative Science, V.10, pp.1-18.

Wang, Z., Zhou, B. & Horsburgh, S. (2020) ‘Cultural Distance and Cross-Border Replication of China Multinational Corporations’. Forum for Social Economics, pp.1-23

Wei, C. S. J. (2000) ‘Composition of Capital Flows and Currency Crises’, The World Bank Research Working Paper Series, 2429.

Witkowski, T. H. (1998) ‘Consumer Ethnocentrism in Two Emerging Market: Determinants and Predictive Validity’, Advances in Consumer Research.

Yavan, N. (2006) ‘Türkiye’de Doğrudan Yabancı Yatırımların Lokasyon Seçimi’, Doctorate Thesis, Istanbul: Ankara University SBE Iktisadi Arastirmalar Vakfi.