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An Evaluation on the Attractiveness of Turkish Economy in Terms of Foreign Direct Investments

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Abstract

Today, foreign direct investment is one of the most important tools that allow countries to make progress in the economic development processes and to integrate with the world economy. Countries that can correctly construe the advantages offered by the globalization process are looking for a way to make their national markets attractive for foreign investors. Turkey is also one of the countries that make efforts in this regard. The fact that Turkey was declared to be a candidate country to the EU in 2005 encouraged foreign direct investments to tend towards Turkey. However, the fact that Turkey has been exposed to internal and external political developments in the last decade negatively affected the amount of financial resources coming to Turkey through foreign direct investment.

Key words

Foreign Direct Investment, Place of InvestmentPreference, Turkish Economy,Developing Countries

1. INTRODUCTION

Today, the benefits offered by the foreign direct investments including providing financial resources constitute a quite wide range. While multinational companies get a significant opportunity to get into the target market through foreign direct investments, the country where market is located is also transferring technology and improving its human capital. The accelerating effect of foreign direct investments on the economic development process increases if countries make their economic, legal, social and cultural structures closer to international norms.The foreign direct investments that find the said properties in further industrialized countries have also tend towards the developing regions of the world since the 1990s.

Turkey began to follow an outward-oriented economy model since 1980 but was able to make the institutional arrangements which were attractive to foreign investments by the end of the 1990s. Foreign direct investments have come to the forefront after 2000 among the external resources coming to Turkey. The fact that Turkey was declared to be a candidate country to the EU in 2005 was considered as an important step in the process of Turkey's economy's articulation with one of the world's most stable markets by foreign investors, and the amount of foreign direct investments that turned to Turkey was highly increased after this date. However, the foreign investments coming to Turkey have also been affected by the problems experienced in the regional and global economy within the last 10-year period. There have been fluctuations in source entry to Turkey in the form of foreign direct investments due to internal and external political and economic instabilities particularly due to the slowdown of EU membership process.

This study aims to reveal under the influence of which factors the foreign direct investments coming to Turkey are made during 2004-2014 period and to examine the factors that make the national market attractive from the current perspective.

2. THE CONCEPT OF FOREIGN DIRECT INVESTMENT, ITS DEVELOPMENT IN THE WORLD AND TURKEY

Foreign direct investments began in the period after the Second World War in the World. Foreign direct investments began to gain importance along with the increasing liberalization in the post-war period. After the 1950s, Multinational Corporations emerged and played an active role in the world economy. Foreign Direct Investments, Multinational Companies and other forms of international production began to gain importance along with the gradual change of the international economy since the 1960s [1].Towards the end of the 1970s, the number of MNC increased rapidly and international production gradually began to grow further [2].

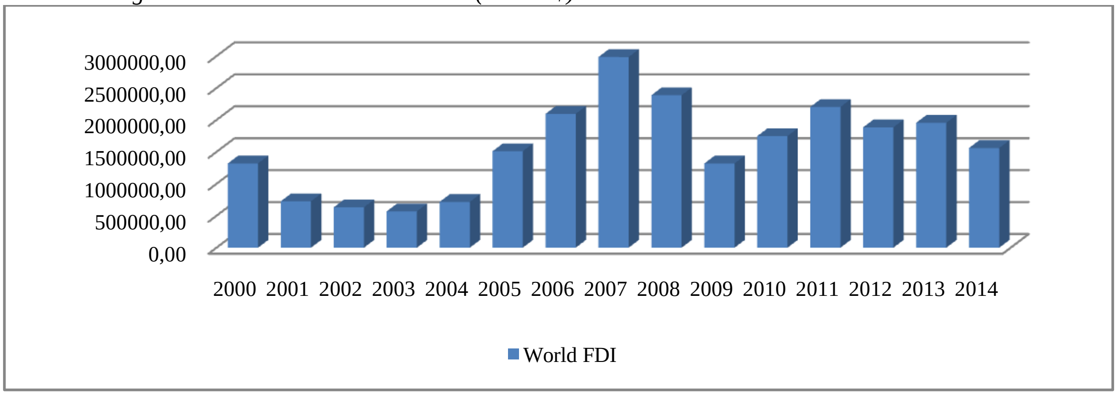
2.1.Conceptual Framework of Foreign Direct Investments

Foreign direct investment is a quite comprehensive concept that should be addressed with multiple dimensions. Foreign direct investment "is the fact that a company establishes a production facility or purchases the production facilities in countries outside its headquarter in order to spread its production beyond the borders of the country where it is established" [3]. According to Karluk, foreign direct investment, which is an important tool for the articulation of national economies into the global economy from this aspect, is "the fact that the foreign investor brings along the management information and technology in addition to the purchase of a company or increase of an existing company's capital" [4].According to the International Monetary Fund, foreign direct investment is "a form of investment across national borders in which a business in a country seizes the control of a business in another country or has a significant effect in the control of that company" [5]. According to this definition, foreign direct investment is realized in four different ways including the establishment of a business in a foreign country or the purchase of at least 10% of the shares of a business which is already established, the investment with the profits of a business in a foreign country in that country and increase in the parent company's shares in the business where it has a share in the foreign country [6]. The foreign direct investment is defined as "the international investment made by the resident investor in an economywith an organization resident in another country in order to establish a permanent benefit relationship" in the sources of Organization for Economic Cooperation and Development [7].
According to new 'Foreign Investment Law' No. 4875 that came into force in 2003, foreign direct investment is defined as "the profits used in reinvestments within the country, rights associated with the extraction and use of natural resources, new companies and branches established, company partnerships that accord the right to vote 10% in addition to cash capital, marketable securities, machinery and equipment, property rights brought from abroad by foreign investors" [8]. In addition, the fact that the foreign investor makes an investment using the internal resources of the country is not an obstacle for the said investment to be considered as a foreign investment [9].
Portfolio investments are the investments outside of the foreign direct investments made on financial instruments such as stock shares and bonds in a foreign country[1]. Portfolio investments are different from foreign direct investments because they are the investments made on attractive areas without intending to intervene in business management. Countries can benefit from portfolio investments to the extent that they can liberalize their economies and make their internal market attractive for foreign investors. However, applications have shown that extreme liberal policies and strict protectionist policies did not give the expected results. The adequacy of the economic infrastructure and the suitability of the social and legal environments are determinants in the preferences of portfolio investments.

2.2. Development of Foreign Direct Investments in the World

Although a rapid increase was observed in the global foreign direct investments in 1979-81 period, foreign investments increasingly began to enter into developing countries since the 1990s [10]. 94.2% of the regulations regarding the investment climate in developing countries were in favor of foreign direct investments in the 1990s. It increased rapidly since the mid-1990s and reached 202 billion dollars [11].

Table 1.Foreign Direct Investments in the World (Billion $)



Source: World Bank WDI, 2016 [12].

[1]On the other hand, "foreign direct capital investments are the most persistent foreign resource coming to thecountry. The foreign sources coming through borrowing and portfolio investment leave the country at a small increased risk and are interested in the country's economy or politics unless they negatively affect the investment. However, foreign direct capital investors are closely interested in the progress of the country and become defenders of the country because a problem that would arise will negatively affect their long-term profits http://www.radikal.com.tr/haber.php?haberno=207721). Access: 10.04.2016.

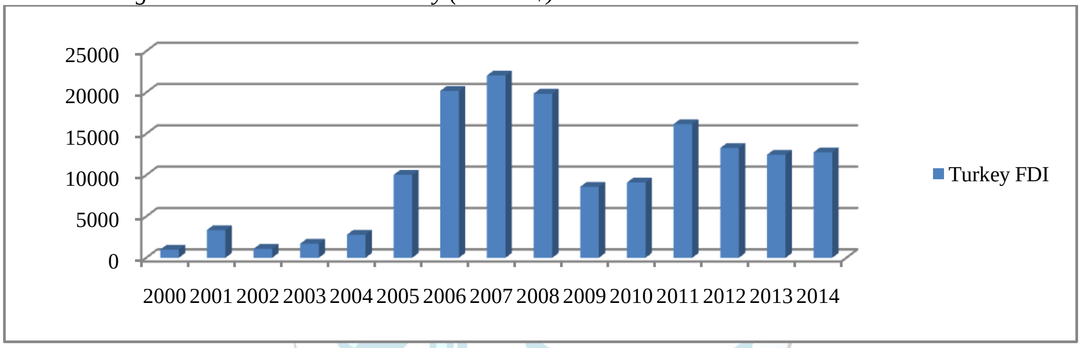
The development of net capital movements net capital movement from the 2000s until today is presented in Table 1. The amount of foreign direct investment, which was 1,319 billion dollars in 2000, remained in lower amounts until 2004 and increased to 716,659 billion dollars in 2004. Following the increasing trend in the period after 2004, it decreased by 15% compared to the previous year along with the effect of the global crisis in 2008. The reduction in capacity to make an investment due to the constraints in access to financial resources, decrease in investment trends due to the negative expectations for growth and the declines in merger and procurement transactions due to the liquidity squeeze in the financial markets are among the factors causing this decrease [13].

According to the report published by UNCTAD in 2014, foreign direct investment flows that increased by 4.6% in 2013 around the world decreased by 16.4% and fell to 1,561 billion dollars due to the macroeconomic vulnerability and policy uncertainties and geopolitical risks in 2014. Developing countries leave behinddeveloped countries in terms of the place where investment is made and continue to expand the investments they realize in the rest of the world year by year in terms of the investors [14].

2.3. Development of Foreign Direct Investments in Turkey

Turkish economy failed to make a significant progress until the early 1980s. The macro-economic environment related to investments and the protectionist trade regime which was followed until the end of the 1970s in Turkey have a big role as well as around the world. Thebeginning of 1980 was a historic milestone in terms of foreign capital investments. As 24th January 1980 Decisions, the reform program that passed into the historyof Turkish economy aimed at outward growth and transition to industrialization strategy[15]. Along with the January 24th Decisions, efforts made to overcome the economic crisis, ensuring stability in domestic politics and stable attitude regarding the continuation of economic reforms increased the confidence of foreign investors in Turkey's economy [16]. The foreign direct investments which were negatively affected by the economic crisis that emerged in the mid-1990s have shown rises and falls by the years[17].

Table 2.Foreign Direct Investments in Turkey (Million $)



Source: World Bank WDI, 2016 [18].

The fact that a significant change occurred in 2001 is seen in Table 2 when the development of foreign direct investments in Turkey in the 2000s is examined. The sharp increase in foreign capital investment inflows is a remarkable result although Turkey experienced economic crisis in 2001. The foreign direct investments exhibiting a remarkable increase by increasing from 982 million dollars in 2000 to 3,352 million dollars in 2001 decreased significantly due to the financial crisis seen towards the end of 2001. It is seen that the year of 2004 constitutes a significant threshold in terms of hot money coming to Turkey to make speculative portfolio investments. The international direct investments for Turkey entered into increase trend especially since 2005 and reached its highest level, 22,047 million dollars in 2007, but Turkey was also affected by the global direct investment flows decreasing due to the economic crisis which affected the whole world since 2008. The international direct investments that began to increase as of 2010 reached a high value by 16,176 million dollars in 2011 but remained below this figure and at the levels close to each other in 2012, 2013 and 2014.

Table 3.Direct Investment Components in the 1996–2014 Period (Million dollars)

	1996-2005(Cumulative)	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Direct Investment	23,184	20,185	22,047	19,851	8,585	9,099	16,176	13,282	12,457	12,765
Capital (Net)	18,064	16,982	18,394	14,713	6,184	6,221	14,146	10,126	9,298	8,454
Entry (Investment)	19,605	17,639	19,137	14,748	6,266	6,256	16,137	10,759	9,866	8,708
Output	1,541	657	743	35	82	35	1,991	633	568	254
Other Capital *	938	281	727	2,201	619	384	17	520	110	-236
Real Estate (Net)	4,182	2,922	2,926	2,937	1,782	2,494	2,013	2,636	3,049	4,321

*The credit received by international capital companies from their foreign partners

Source: T. C. Ministry of Economy [19].

The foreign direct investment components in Turkey are presented in Table 3. Accordingly, regarding the international direct investment that realized in the amount of a total of 12,765 billion dollars in Turkey in 2014, 8.5 billion dollars of which consisted of capital component and 4,321 billion dollars of which consisted of the purchase of real estates by foreigners.

3. PLACE OF PREFERENCE OF THE FOREIGN DIRECT INVESTMENTS AND COUNTRY ATTRACTIVENESS

Foreign direct investments are the part of the international economy and the locomotive of economic development especially in developing countries. Due to foreign direct investments, technology is transferred to the country attracting investment, country's competitiveness is increased, domestic production become acquainted with new management techniques and human capital is developed. Experiences have demonstrated that the benefits of investments to the countries are much more although inconveniences that may arise in terms of the countries attracting investment were seen in some instances [20].

3.1. Foreign Direct Investments and Country Attractiveness

The nonhomogeneous distribution of foreign direct investments in the world indicates that some regions and countries are more attractive than the others in terms of the firms making investments. This situation indicates that the investments tend depending on the features of the places of investments.

3.1.1. Place of Investment and Attractiveness

The place of investment primarily refers to an area specified by the boundaries. In the most general sense, the area is a socialized place with boundaries and administrative structure on which a nation or community takes shelter [21]. In this context, area also refers to a social structure that represents the communities living in it and reflects the economic, ideological and political features [22]. It is possible to talk about a few key features of the area based on the definitions made to express it as a term [23].

- A localized, technological and external system.
- Social and economic relations system.
- A local management system.

Along with the elimination of the boundaries in the globalization process, the areas on which nations or communities take shelter have become the center of attraction of the appreciation of other nations or firms. Economic integration efforts are examples of the attempts to increase the attractiveness on a regional basis. Like in the example of EU, when it comes to economic and monetary union, the purpose is to become the center of attraction of economic activities rather than increasing the foreign trade volume and competitiveness of the member states [24].

Area attractiveness can be defined as the capacity of a place to attract foreign investments. This can be understood as the fact that a foreign business succeeds in being in the first place in investment preferences and also as the fact that a readily available foreign investment make reinvestments by profits or ensure that they would not leave there.

Therefore, today, the place of investment is among the study subjects of many disciplines including sociological, anthropological and historical as well as geographical features. In terms of economics, the place of investment refers to many values such as geostrategic importance, underground and aboveground resources as well as geographical coordinates.

3.1.2. Factors Ensuring the Attractiveness of a Place in terms of Investments

The fact that the investments are not evenly distributed in the world brings attractive aspects of some regions or countries into the forefront compared to others. Many EU member countries are perceived as a center of attraction for foreign investors because they are included in the common market. The factors affecting the attractiveness of France located both in the EU and European regions are defined as follows in the reports prepared about the subject:

- Area, people and quality of life,
- Research-development and vocational training activities,
- Taxation, social and legal environment [25].

While geographical location, human capital and quality of life increase the attractiveness of France in terms of investments, its taxation and social security system decrease the attractiveness of the country. When it comes to Turkey, the fact that Turkey gained the EU candidate status has increased the attractiveness of the country in terms of foreign investors since 2005[2].

Different methods are used to measure the attractiveness of the countries in terms of foreign investments. In addition to the questionnaire studies performed on the actors of the sector each year, econometric analyses are also performed by using macro-economic indicators. Besides, indicators established by international organizations are also the referenced sources. In this sense, United Nations Conference on Trade and Development (CNUCED) specified the following 12 indicators from among numerous criteria used.

- GDP per capita
- Growth rate of GDP per capita in the last 10 years
- The share of export within GDP
- The number of fixed-line and mobile phone used in the country
- Energy consumption per person in the private sector
- The share of research and development expenditures of public and private sectors in the country within GDP
- The share of import within GDP
- The share of the country among the foreign investments entered on a global scale
- Country Risk
- The share of graduate and doctoral students within the total population

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[2] The analyses performed have indicated that the fact that Turkey was declared as the candidate country in the EU membership process is a motivating factor for foreign investors. See for one of the studies on this issue: İlhanGüllü and NazifeÖzgeKılıç et al. "A researchtodeterminethe role of process of Turkey'sentrytoEuropeanUnion on theforeigndirectinvestment" Procedia 2013.

- The share of country's market within global services export
- The share of country's market within the import of automobile spare parts and electronic products on a global scale

However, foreign investments' reason of preferring a country to the others is not completely based on the attractiveness of the country. Investor businesses develop strategies depending on the market size, the costs of the production factors, the number of businesses that exist in the area, policies to attract foreign investors implemented by the local authorities [26].

In this context, based on these criteria, under the influence of which factors the foreign direct investments coming to Turkey are realized and how the factors that make the national market attractive have remained since Turkey's European Union membership process were analyzed in the last section of the study.

4. DEVELOPMENT OF TURKISH ECONOMY IN TERMS OF THE ATTRACTIVENESS OF THE PLACE OF INVESTMENT

Turkish economy is among the group of middle income countries between developing countries along with its some unique features. In addition to income status of the countries, it is obvious that other features are taken into consideration by foreign investors. Therefore, it is possible to reveal how the attractiveness of Turkish economy has developed in terms of foreign investors in the last decade by addressing certain criteria set by (CNUCED).

4.1.GDP per capita

Although GDP per capita was accepted as a significant indicator in determining the place of a country in the economic development process once upon a time, it makes sense in conjunction with other criteria in our day. However, today, the size of GDP per capita is the indicative of the size of the volume of potential customers in terms of foreign direct investors who want to produce new goods and services. GDP of Turkey and the development of GDP per capita in the ten-year period are presented in Table 4.

Table 4.GDP in 2004-2014 Period (at current prices) and per capita Income (Dollars)

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (%)										
6.8	6.9	4.7	0.7	-4.8	9.2	8.8	2.1	4.2	3.0	4.0
Per Capita Income (Dollars)										
4,215	7,727	9,310	10,382	8624	10,112	10,538	10,539	10,800	10,304	9,130

Source:The World Bank WDI, 2016 [27].

Turkish economy is the seventh largest economy in the world's top ten which reached the GDP volume at about 810 billion dollars as of 2014. This feature represents a significant demand size in terms of foreign investors.

GDP which was around 390 billion dollars in 2004 has increased by approximately two-fold at the end of the last ten-year period and reached 810 billion dollars. However, it cannot be said that GDP followed a regular course in the said process. GDP which was increased at the rates of 6-7% until the mid-second millennium has decreased by the effect of the crises which were firstly experienced in Turkey in 2007 and then on a global scale in 2008-2009. It could not maintain its sudden increase following the end of the global crisis in the subsequent process.

4.2. Growth rate of GDP per capita in the last 10 years

Although the size of GDP per capita is the indicative of the size of the volume of potential customers in terms of foreign direct investors who want to produce new goods and services, its mode of development is also important. According to CNUCED, multinational company managers determine their business growth strategy in the future by looking at the past growth trend of the national economy. GDP per capita firstly exceeded the threshold of 10,000 dollars in 2008, made no substantial progress in later years and has been around 10 thousand dollars since the last seven years. GDP per capita growth rates in Turkey between 2004-2014 are presented in Table 5.

Table 5.GDP per capita Growth Rate (%)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
7.87	6.98	5.58	3.44	-0.52	-6.05	7.57	6.98	0.30	2.31	1.29

Source: The World Bank WDI, 2016 [28].

The development of GDP per capita of Turkey emerged depending on the course of the GDP during the period. It is seen that Turkish economy was negatively affected by the global economic crisis in 2008 and 2009 and then achieved a growth rhythm but could not maintain at a high level.

This situation faced by Turkey around 10 thousand dollars indicates that the potential demand in the current market would not exhibit a significant increase in the coming years in terms of foreign investors.

4.3. The Share of Export within GDP

In general, foreign trade (export and import) has a big share within GDP in small economies. Turkey adopted the development strategy by increasing exports along with the implementation of 24th January 1980 Decisions and made significant progress to remove the barriers to foreign trade. Turkey realized an export of about 160 billion dollars as of 2014, and increasing this figure up to 500 billion dollars is among 2023 targets. The share of export within GDP is presented depending on the years in Table 6.

Table 6.The Share of Goods and Service Export within GDP (%)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
23.55	21.85	22.66	22.32	23.90	23.31	21.20	23.97	26.29	25.63	27.88

Source: The World Bank WDI, 2016 [29].

As it is seen in the Table, while the share of export within GDP was 24% in 2004, this rate increased to about 29% at the end of a ten-year period. Turkey's export capacity increased during the period, however it is necessary to ensure an annual export growth rate of over 13% to achieve the export level of 500 billion dollars. On the other hand, when the last 35-year period was evaluated, the share of export within GDP was 14.6%, the share of import was 23.2% [30]. The ratio of export to GDP reached its highest level in 2014 but decreased in 2013 compared to the previous year. However, the performance displayed by export in this way encourages foreign direct investments.

4.4. The Number of Fixed-line and Mobile Phone used in the Country

The telecommunications sector has an important place in the development process of a country, and the level of development indicates the presence of modern infrastructure for information and communication in the country. In this context, Table 7 shows the ratios of fixed, mobile phones and internet subscriptions in Turkey.

Table 7.Number of Subscriptions

Years	Fixed Phone	Mobile phone	Internet
2004	19 125 163	34 707 549	1 474 590
2005	18 978 223	43 608 965	2 248 105
2006	18 831 616	52 662 709	3 180 580
2007	18 201 006	61 975 807	4 842 798
2008	17 502 205	65 824 110	5 804 923
2009	16 534 356	62 779 554	8 849 779
2010	16 201 466	61 769 635	14 443 644
2011	15 210 846	65 321 745	22 371 441
2012	13 859 672	67 680 547	27 649 055
2013	13 551 705	69 661 108	32 613 930
2014	12 741 947	71 908 742	39 037 692

Source:Dünya, 2016, [31].

As it is seen from the Table, while the mobile phone ownership and internet usage rates over the years increased, the ratio of using fixed lines entered into a downward process.

Today, more than half of Turkey's population has internet access. While about 1.5 million internet subscriptions corresponded to approximately 10% of the population in 2004, the number of subscribers around 40 million corresponded to more than half of Turkey's population as of 2014. Mobile phone entered into Turkey in 1994, and the number of its users is over 70 million in our day. While the internet usage developed depending on the increase in computer usage at the beginning, it has made progress in direct proportion to the investments in mobile phone technology especially smartphones especially in recent years.

The increase in the number of fixed-line and mobile phones in Turkey indicates the baud rate which is considered indispensable by Multinational Companies, technological support for transport services and the country's ability to articulate with the international market.

4.5. Energy Consumption per person in the Private Sector

Energy has been one of the key elements of the economic development process, coal constituted the industrialized world's energy source until the end of the nineteenth century, and petroleum maintained its place during the twentieth century. Today, although there is a wider range in terms of ensuring the sustainability of development, the use of electrical energy has an important place. Power consumption also shows the importance of traditional infrastructure except information and communication. Turkey's installed electric power is 75081.48 MW as of 2016, sources such as hydraulic dams and rivers, natural gas, coal andwind constitute the significant portion of this. Table 8 shows Turkey's electricity consumption depending on the years.

Table 8.Turkey's Electricity Energy View (GWh).

Years	Consumption	Consumption Growth Rate
2004	150,018	6.3%
2005	160,794	7.2%
2006	174,637	8.6%
2007	190,000	8.8%
2008	196,085	4.3%
2009	194,079	-2.0%
2010	210,434	8.4%
2011	230,306	9.4%
2012	242,370	5.2%
2013	246,357	1.6%
2014	257,220	4.4%

Source: http://www.enerji.gov.tr/Resources/Sites/1/Pages/Sayi_11/Sayi_11.html#p=20[32].

Turkey meets 65% of its energy needs from abroad, and the electricity consumption has increased by 5.5% on an average in the last 14 years. The increase in electricity consumption indicates that the capacities of businesses producing goods and services in the country have increased, and the introduction of technology into the industry has been accelerated. As it is seen in Table 8, Turkey's energy consumption has made progress with ups and downs depending on the growth rate. The electricity consumption rate provides foreign investors opportunity to interpret Turkey's growth rate in the economic development process.

4.6. Research and Development Expenditures of Public and Private Sectors

The share of research and development expenditures of public and private sectors in the country within GDP gives opportunity to measure the technological capacity of the country. The share allocated by Turkey for the research and development activities within GDP has remained very modest for many years but has gained importance in recent years. The development of R & D expenditures in Turkey is presented in Table 9.

Table 9.The Share of R & D Expenditure within GDP (%)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0.52	0.59	0.58	0.72	0.73	0.85	0.84	0.86	0.92	0.95	1.01

Source: The World Bank, WDI, 2016 [33].

The share of research and development expenditures within GDP in Turkey increased by 18.8% in 2014 compared to the previous year and realized as 17 billion 598 million TL. When we examine Turkey's R & D expenditures, the following three points draw attention as a priority: Firstly, The share of R & D expenditures in GDP has increased by two times since 2004. Secondly, the course of this increase is regular. In other words, the importance attributed to technological developments among the development policies followed has continued to increase even a little in the last decade. Another point is that the share of R & D expenditures within GDP which was 0.95% in 2013 increased to 1.01% in 2014. In 2014, commercial sector realized about 50% of R & D expenditures, higher education sector realized 40% of it and the public sector realized 10% of it (34).

However, Israel that allocated a share of over 4% in this field in the world is taken into account, it appears that Turkey should make further efforts in this direction. Failure to develop new products based on new technologies due to the lack of R & D activities is one of the main problems of Turkey especially in the industrial sector.

4.7. The Share of Goods and Services Import within GDP

The share of goods and services import within GDP of a country shows that country's level of integration with the international production process. The increase and decrease in the capacity of Turkey's economy in this area give information about the increase or decrease in the economic activities in the country as well as the degree of integration with the world economy. The fact that Turkish economy has a structure that needs energy and input of intermediate goods has led to the parallelism between its developments in import volume and the development of economic activities. The share of goods and services import within GDP of Turkey by years is presented in Table 10.

Table 10.The Share of Goods and Services Import within GDP (%)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
26.18	25.35	27.58	27.48	28.34	24.42	26.75	32.64	31.45	32.17	32.12

Source: The World Bank, WDI, 2016 [35].

While the share of goods and services import within GDP was about 26% in 2004, it realized around 32% in 2014. In the last ten-year period, the import has increased during the periods in which economic growth was achieved, but it has decreased during the periods in which serious constrictions were experienced. The import has increased from 69 billion dollars to 202 billion dollars and also showed a decrease of around 30 percent due to the global crisis in the 2003-2008 period. Turkey's import realized as 242 billion dollars in 2014. The article in which the imports were made at the most was the mineral fuels and oils with 55 billion dollars, this was followed by boilers, machinery, mechanical appliances and tools [36].

4.8. The Share of Foreign Direct Investments within GDP

The size of the share of the foreign direct investments within the GDP of the country indicates the country's capacity to integrate with the global economy, protectiveness of the policies implemented, development of financial markets and the richness of production factors in terms of amount and efficiency. The fact that the share of the foreign direct investments entering into a country within GDP is high naturally motivates the other investors. It is an indicative of the current attraction that arouses the image of the fact that the country is convenient in terms of foreign investments. Table 11 shows the development of the share of the foreign direct investments entering into Turkey within GDP.

Table 11.The Share of the Foreign Direct Investments within GDP (% of GDP)

2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
0.710	2.076	3.802	3.406	2.718	1.396	1.244	2.088	1.683	1.504	1.567

Source: The World Bank, WDI, 2016 [37].

The share of the foreign direct investments coming to Turkey within GDP has increased by about two fold in the last decade. The share of the foreign direct investments was 0.71% in 2004 and significantly increased and reached the level of 2% in 2005. The fact that Turkey was declared to be the EU candidate country at the beginning of 2005 increased the availability of Turkey in terms of foreign investors. The share of foreign direct investment within GDP was the highest in 2006, the international capital entering the country led to a substantial increase in the economic growth until 2008 in which global economic crisis was effective. These growth figures also helped increase in the international capital inflows. The share of foreign direct investments within GDP showing a steady increase until 2008 began to decrease as of this year.

4.9. Country Risk

Country risk refers to the whole economic, political and social risks that foreign investors may face in the country where they would make the investment. Country risk factor affects all investors evaluating investment opportunities in a foreign country. Country risk is divided into three main categories:These are economic, political and social risk factors [38].
The country risk of a country is calculated according to following formula:

Country Risk $_{(X)}$ =0.5(Political Risk +Financial Risk + Economic Risk)

The value of (theoretically) 100 to be calculated from the formula indicates the minimum risk, and (theoretically) 0 indicates the highest risk. As in all risk categories and factors, there is an inverse relationship between the calculated numerical country risk value and country risk level. In other words, the country risk level of a country is low to the extent how high the numerical country risk value calculated for that country is. In contrast, the country risk level of a country is high to the extent how low the numerical country risk value calculated for that country is. The following values are used to scale the countries fallen within the scope of PRS-ICRG (Political Risk Services-International Country Risk Guide) assessment according to their scores they take from the country risk assessment.
Very High Risk: 00.0/49.5

High Risk: 50.0/69.5
Intermediate Risk: 60.0/69.5
Low Risk: 70.0/79.5
Intermediate Risk: 80.0/100 (http://www.mevzuatdergisi.com/2006/06a/01.htm) [39].

Table 12.Country Risk

2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
64.27	67.89	66.37	65.27	63.33	60.89	63.33	62.60	61.89	63.43	60.56

Source:http://epub.prsgroup.com/the-countrydata-gateway[40].

According to this calculation, the country risk was 63.62 between the years of 2004-2014 in Turkey. Turkey is in a moderate risk group according to the accounting statement created within the scope of the PRS-ICRG assessment. Like in the development of the foreign direct investments coming to Turkey, the development of country risk was also affected by the developments at the local and global scale. The country risk was reduced at the least in 2005 in which Turkey was declared to be a candidate country to the EU and began to increase as of 2008 in which global financial crisis emerged. In 2014, it approached the high risk level although it was in the moderate risk group by 60.65 level.

4.10. The Share of Graduate and Doctoral Students within the Total Population

The share of graduate and doctoral students within the total population provides opportunity to measure the highly qualified labor force potential in the country. The extension of the duration of education in society through the increase in the number of graduate and doctoral students indicates that the qualities of the human capital needed by economy have improved. It indicates the adaptation to the changes in business life, the use of new technologies and the individual improvement in income distribution. In this way, the improvement in human capital increases the country's capacity to produce high-tech goods. The excessive number of students in higher education institutions constitutes a positive opinion that the labor force needed by foreign companies investing in the country could be met. Table 13 shows the development of the number of graduate students in the last decade.

Table13. 2004-2014 Number of Graduate Students

Year	Number of Graduate Students	Number of Doctoral Students
2004	21850	2838
2005	23009	2838
2006	27734	2594
2007	15595	4748
2008	28758	3754
2009	33697	4253
2010	42760	4684
2011	27626	4653
2012	25813	4506
2013	36674	4873
2014	41842	4516

Source: https://istatistik.yok.gov.tr/[41].

In Turkey, governments began to allocate greater shares for education from the budget since the 2000s, and this also allowed educational institutions to develop in terms of quality and quantity. The fact that the high school education was increased from three years to four years as of the 2005-2006 academic year also affected the number of those who graduated from undergraduate and graduate education in later years. Since 2007, the increase in the number of universities in Turkey has encouraged graduate education.

4.11. The Share of Country's Market within Global Services Export

The added-value created by the services sector in GDP and the excessive employment opportunities make great contributions to the development of the national economy through international trade. The development of the manufacturing industry has increased the level of welfare, and the resulting high income level has increased the importance of service sectors such as banking, transportation and health. Therefore, the development of the service sector is unique to developed countries. In the world market, while more developed countries export services, developing countries import services. Services have been the fastest growing sector in the world economy in the last thirty years. The improvements such as the acceleration of the globalization process and the reduction of barriers to international trade have led to the growth of services sector. The service sectors such as tourism, transport, construction, trade, finance and health generate the highest added value among sectors.

Table 14.Turkey's Global Services Export (Billion $)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
23.1	27.8	26.0	29.9	36.9	35.6	36.9	40.8	43.2	46.6	50.3

Source: http://www.turob.com[42].

North America, Western Europe and Asia regions perform the largest portion of world service trade. Turkey's trade in services and consequently exports of services are specific to developing countries and doubled during the period 2004-2014. The export which was 23.1 billion dollars in 2004 regularly increased in the following years, but it was negatively affected by 2009 global crisis. It grew significantly after 2010 and reached to 50.3 billion dollars in 2014. Turkey's exports of services at the end of the 2004-2014 period indicate that Turkey's capacity of integration with the world economy increased as a result of the globalization process, and the diversity in production and specialization in the system also improved. The free trade agreements made with many countries in recent years have played an important role in this.

5. CONCLUSION

In Turkey, the import-substitution growth model was put into practice by adopting protectionist foreign trade policies before 1980. The foreign direct investment inflows were also realized as limited because the economic policy implemented during this period was built on a self-enclosed economic structure. 24th January 1980 Decisions also increased foreign direct investments by providing a change of many economic policies in Turkey. While a rapidincrease was seen in the global foreign direct investments after 1980, foreign investments increasingly began to enter into developing countries since the 1990s. Turkey could not get the share the desired from the foreign direct investments among developing countries until the end of 2004 despite having a great potential in terms of foreign direct investments. The factors such as inflation, fluctuations in exchange rates, high interest rates, uncertainty in the region, political and economic instability, uncertainty in relations with the European Union and bureaucratic barriers can be included in the reasons of this. However, the fact that Turkey got the status of a candidate country to the European Union in 2005 increased the country's attractiveness for foreign investors.

Various methods are used to measure the attractiveness of the countries in terms of foreign investments. In one of them, based on the indicators determined by the United Nations Conference on Trade and Development (CNUCED), what should the factors that make the national market attractive be in Turkey's effort to attract foreign investments.GDP per capita firstly exceeded the threshold of 10,000 dollars in 2008, made no substantial progress in later years and has been around 10,000 dollars since the last seven years. This situation faced by Turkey indicates that the potential demand in the current market would not exhibit a significant increase in the coming years in terms of foreign investors. The lack of research and development activities poses a threat for foreign investments because it leads to the problem of being unable to develop new products based on new technologies. When we look at the country risk, it was reduced at the least in 2005 in which Turkey was declared to be a candidate country to the EU and began to increase as of 2008 in which global financial crisis emerged. In 2014, it approached the high risk level although it was in the moderate risk group by 60.65 level. In this context, Turkey will increase its share in the world stock of foreign capital by achieving a more stable economy through solving economic and political problems in terms of attracting more foreign investments. It is thought that the foreign direct investments for Turkey will increase along with the incentive measures to be implemented for foreign direct investments and effective promotional activities as well as the elimination of existing problems and deficiencies.

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