HOW DID FDI INFLUENCE THE ECONOMIC DEVELOPMENT OF CHINA AND UNITED STATES? PROSPECTS FOR TURKEY

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ABSTRACT

This academic paper studies the significance of foreign direct investment (FDI) in the economic development of China and the United States. Taking into account the period between 1978–2018, the U.S. and China's FDI inflows, impacts of these FDI entries on their gross domestic product, foreign trade, employability and sectoral development were studied. By investigating the data associated with impacts of FDI from these both countries, some prospects and lessons have been formed for Turkey to enhance the ratio of FDI inflows and to take advantages of FDI inwards to the country at full extent. The study discovered that FDI has been a crucial factor in economic growth, foreign trade, employability and sectoral development of these countries. Particularly, the FDI inflows in these countries have contributed to their foreign trade by exporting the products and materials that have been manufactured in facilities, which are related to the FIEs. It has been documented that there is link between economic growth, foreign trade and employability as long as FDI inwards is encouraged to the manufacturing sector. Hence, the largest sector that has taken up most FDI inflows is the manufacturing sector in these two countries. The paper points out that efficient and productive policies need to be implemented as well as strong and stable financial institutions are required if countries seek to enhance their FDI inflows and increase their FDI advantages in terms of economic growth, foreign trade, employability and sectoral development.

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INTRODUCTION

Foreign Direct Investment (FDI) is not a new phenomenon, but has been a significant characteristic of globalization for the past 40 years. (Sumei, 2008). De la Dehesa (2006, p. 1) points out that "Globalization is based upon the freedom to trade with the rest of the world and to capitalize on each country's comparative advantage, the freedom to invest where returns on capital are greatest". Internationalization represents an operation of condensation of political, cultural, social and economic intertwined among the heterogeneous players in the multinational economic order. It signifies a transaction of combination of country's domestic markets and economies with international markets and economies (Kornecki, 2014). In accordance with economic literature, foreign sources or capitals undertake a considerable mission in the closure of deficits and deficiencies that happens in the balance of payments of one country. FDI is preferred more than other options, such as external borrowing and foreign portfolio investments. It is thought that FDI provides more permanent contributions to the economy, particularly in the improvement of Gross Domestic Product, Foreign Trade, Employability and Sectoral Development. FDI has become a highly effective tool on the economies and developments of countries with the liberalized world order. In the preceding ages, economic development had been expressed by applying of neoclassical growth patterns. These models meant that economic growth could be enhanced with FDI entries to the country by enlarging the impact of the economy as a winding influence and by augmenting the ratio of capital as a straight performance. The mentioned case has been enlarged with the interpretation that FDI inflows could augment economic development by persuading spillovers like high technology deployment (Hers et al, 2018). The distribution is generally argued to be operative when the stream of FDI happens from an advanced state to a less-industrialized state. FDI affects growth and development processes of countries through creation of capital, high technology, human resource development and management, trade and competitiveness, and environmental channels. The global economy has shown a multipolar perspective for growth and economic development. As Williams and Zhang (2015, p.1) underlies that, “FDI has become a quantifiable benchmark for international business and the impacts it has on both the host and investing countries”. During the last couple of decades, the predominance of states have practiced considerable enhancement in the economies of their country, escorted by a bigger size from the fastened development in the global economic network, particularly in foreign affiliated investment. FDI is a significant signal in international economic achievement and creativity. FDI inflows inspire technology modification, work formation, exchange of fund stock, and ideal delivery of facilities among the states. As Williams and Zhang (2015, p.2) emphasizes that, “Inward foreign direct investment (IFDI) is a powerful instrument for stimulating economic growth in the global economy; particularly in developed countries like the United States and developing countries such as China”. FDI entries and inbound FDI indicators show that determinants that run incorporate determinations to carry out investment in foreign countries. These two countries, United States and China, are the most appealing FDI states. They have obtained revolutionary standards of entrepreneurial assurance. The potential outcomes of FDI entries on economic development can be issued in seven main sections: endowment to the country's revenue, collection of capital and recruitment ratio of the recipient country, assistance to the foreign trade of the recipient state, global exporting volume, effects to skilled work forces, branding to globalized manufacturing meshwork, and impact to high technology exchange (Zhang, 2006). Undoubtedly, external investments in the development and growth of the countries carry great importance. The low level of investment in countries, where capital accumulation is insufficient, lowers the development of countries, competitiveness with other countries and the standard of living and prosperity of the people in their own countries. Direct foreign investment shows the importance of ensuring the welfare and the continuous economic development of countries. The United States as an advanced country and China as an emerging country have been investigated in this study. In order to attract more foreign capital, the economic and political regimes and policies that these two countries have been implementing since the 1980s were examined and necessary lessons learned. Based on these identified lessons, Turkey has been evaluated with some good-will prospects. The purpose of this academic study is to understand the shortcomings that Turkey has and to create solutions for these. This paper consists of three chapters: in the first chapter, how FDIs have provided advantages to the economic growth of the China, affected developments in the global trade of the country, enforced sectoral development in the country's industries and increased the employability ratio in the country is discussed. In the second chapter, how FDI inflows have made a great influence on the GDP of the USA, made a big effect on the boosting numbers of foreign trade of the country, enhanced sectoral improvement in the country's business environment and multiplied the employability proportion by creating job opportunities is discussed. In third and final chapter, the lessons and prospects needed from China and USA are analysed, as well as what Turkey requires to boost its FDI entries what should be done so as to increase its GDP level, foreign trade volume and employability ratio.

LITERATURE REVIEW

Theoretical foundations of applied studies on FDI and economic development are based on either domestic growth or neo-classical growth models. According to the neo-classical growth model, Foreign Direct Investments bring about economic growth of the countries in the long-term, particularly in the countries where required policies have been made. Among the studies investigating the conditions of FDIs on economic extension, there is no consensus overall. The resulting dominant view suggests a close and parallel relationship between the two cases. Some of the theoretical and empirical studies have shown that FDIs provide positive results on the improvement of economy, foreign trade and sectoral enhancement, while others argue that this positive impact will not be absolute and that economic development will be regional. Sumei (2008) states the solutions from a theoretical perspective and organizational examination are composed of, (1) FDI creates either advantageous and disadvantageous impacts or externalities on the economic advancement of the country where this FDI entry is welcomed; (2) positive sides of the place, which China has put, its influence have made China to enter into the advanced development level of FDI. Zhang (2006) investigated the correlation between FDI inbounds and economic improvement for the Chinese economy. According to the solutions of the analysis, FDI entries in China have influenced economic growth of the country positively. In addition, income levels in the coastal regions are higher than in China's inner regions. Banik (2003) points that the crucial aspect that should be emphasized in this case is that the alteration from an inbound intensified to outbound intensified trade regime between the NICs tracked either quick growth in foreign trade or economic enhancement. Lee and Mansfield (1996) argued that, however, an impartial claim is needed so as to balance perspectives defend theories that interprets the connection between economic growth-FDI positively. This argument illustrates that advantageous connection between these two cases should depend on various factors like level of openness and policies for foreign trade, judicial framework and law implementation. Sridharan, Vijayakumar and Chandra analysed that the casual correlation among economic development of the BRICS countries and Foreign Direct Investment between 1992 to 2007 implementing various tests and models. It has been found that FDI has influenced Chinese economic improvement and India more relatively than that of other member countries of the BRICS. The research outcomes, which have been conducted by applying various countries' data between 1975 and 1995, illustrate that FDI solely does an unclear mission in influencing economic growth. Alfraro, Chanda and Sayek (2003) point out that states that have advanced financial infrastructure can easily get advantage of FDI. The outcomes are potent to various factors of financial marketing growth, the composition of other measures of economic development, and importance of indigeneity. Balasubramanyam (1996) emphasizes that Turkey is usually mentioned as a distinctive moderate-income emerging state. Turkey started its economic liberalization schedule, completed necessities of technology and know-how. FDI entries have been substantial for the growth of Turkish economy. It means that amendments and reforms on the liberalization have contributed and FDI inwards to the country have augmented.

Gu at al. (2008)'s verifiable research outcomes propose that inbound FDI inflows precisely and remarkably affect foreign trade demonstration of China, as its favourable effect maintains in thirteen production industries out of fourteen in the entire reference. Zhang and Song's regression solutions exhibit that the FDI of the former year is substantially and definitely associated with the existing year's foreign trade, the size of its impact is that a 1% enhancement of inbound FDI match with 0.29% augmentation in exporting through provinces. Fontagne (1999) underlines the three explanations investigating the connection between FDI and foreign trade match with standards of collection: the microeconomic or company standard, the macroeconomic or economy-extensive grade, and the industrial standards. Ruggerio (1996) points out that the latest developments in the relations between foreign trade and foreign direct investment point out that the significance of comparative advantage on FDI entries. FDIs play a substantial role in streamlining a global separation of labour, enhances the variability of elements of manufacturing and creates perspective for exportation of completed products to delivery systems. Hence, foreign trade and FDI are not solely collateral and reciprocally helpful, but also progressively intimate in the process of economic internationalization. Aktar, Demirci and Ozturk (2017) underline that FDI entries did not generate new job opportunities during the concerned period. Nevertheless, exports led the country to take more FDI. Therefore, Turkey needs to enhance its exports to close its trade deficit and to attract more foreign capital. Moreover, it has been found that Turkey should focus on increasing the number of skilled and educated people for treating the unemployment issue in the country.

Hill and Athukorala (1998) underlined that public and delivery effects on the recipient country are usually advantageous in emerging countries of diverse territories. Aside from in a group of extremely valuable materials into the recipient country there clearly apparent advantageous effect on the formation of works both in those job fields taking FDI entries and in the encouraging internal sectors. Nunnenkamp, Bremont and Wladkirch (2007) formed the query whether FDI inflows helped to recruit younger people in Mexico and supported the country's urgent market challenges. Caves (1997) thought about the attempts formed by different states in attracting FDIs are because of the contribution outcomes that it would bring to the world economy. FDI entries would enhance fruitfulness, technology conveyance, administrative abilities, the information of know how data, global manufacturing nexus, decreasing the rate of unemployment, and entry to outward markets and regions. Bayar (2014) found that there is an extent-term connection between employability, FDI, foreign trade and economic development. In addition, experimental data shows that there is an adverse connection between employability and economic growth; meanwhile there is a favourable correlation between FDI and employability.

The above review discovers combined solutions and brings analyses and interpretations from existing academic papers. Throughout the review, the impression of FDIs on economic growth, foreign trade, employability and sectoral enhancement was explained. This academic work proceeds by investigating two basic questions: first, how FDI entries contributed to the economic development of China and the USA; second, what should Turkey alter or implement so that it can get a large amount of profitability or productivity from FDI entries to the country?

CHINA

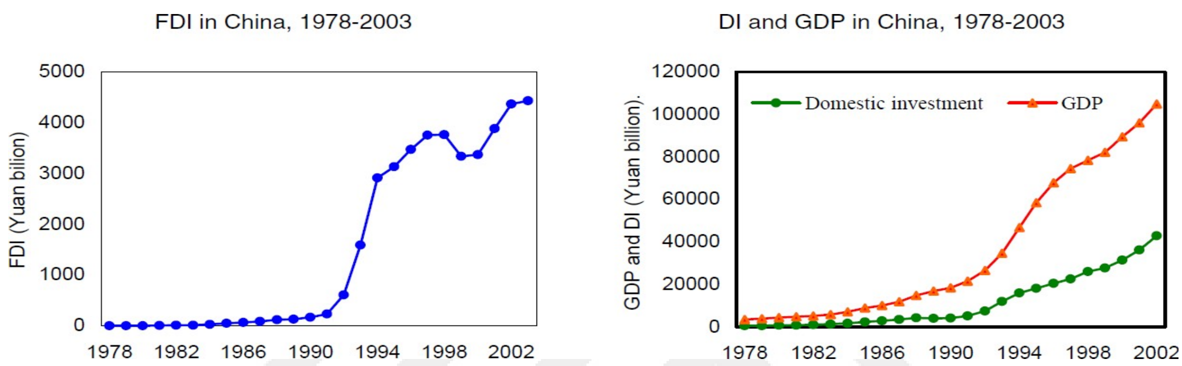
BACKGROUND

An exceptional leading country of FDI and economic development that has its foundation in a booming development, China made crucial alterations on its political and economic order in the late 1970's. As Dias and Makalengya (2013), p.17) point out, “Several authors relate this leadership with three main issues: economic reforms since 1978, with Deng Xiaoping Communist Party of China (CPC) leadership; an economic policy toward foreign direct investment (FDI) attraction; and, an export-oriented policy”. China acquired a bigger rate of openness to international trade and FDI in manufacturers before WTO accession than is generally accepted, and the impulse to the liberalization of FDI inflows and international trade appeared to have considerably risen in the late 90s. China's entire foreign trade of nearly $21 billion, regarded as 32nd between every state, as was smaller than 1% of international trade (Kin-Yip, Wang and Wang, 2015). From the beginning of the 1990s until the early 2000s, the country had been the biggest recipient of FDI inflows. As Lo (2004, p.2) emphasized that, “In 2002, the first year after the country’s accession to the World Trade Organisation, it for the first time surpassed the USA to become the world’s largest FDI-recipient – with the actual amount of FDI accounting for around 10% of the world total”. Attracting FDI inflows from international capital holders has been a significant point of China's 'opening up' politics and economical alterations and arrangements. At the beginning of the 1980s, private economic lands were established with indispensable guidelines with the inclusion of tariff concessions and private benefits for international capital holders. Throughout the reform time, the Chinese authorities formed diversified fresh regulations to enhance FDI circumstances and the working place for taking more FIEs that are international (Sumei, Selvanathan and Selvanathan, 2008). Despite the fact that it has made many required alterations for attracting enough FDIs, China can be influenced by sanctions or international restrictions that might likely be instituted by forces holding supremacy at global economic order.

THE IMPACT OF FOREIGN DIRECT INVESTMENTS ON THE GDP OF CHINA

FDIs are assumed to have a favourable influence on economic development and GDP that triggers an upward trend in the potential of the internal economy. Therefore, it has attracted further amount of FDIs because other states, companies or smaller organizations regard opportunities that are upward as lucrative in the home country. Because of that, FDIs are able to make economic growth advance but any progress in the latter might cause any other growth in the former too. Foreign Invested Enterprises can increase productivity of domestic firms by complementing advancement with spillover effects. Indeed, related research indicates that a crowding-in effect, which means that $1 rising in the net entry of FDIs are connected with and multiply in whole foreign investment in the recipient country's economy of more than $1. The value of the case outlook grounded the whole augmentation in foreign investment at between 1.5 and 2.3 times the enhancement in the entry of FDIs (Graham and Wada, 2001). Therefore, it seems that Foreign Direct Investments positively influence economic development by enhancing whole capital collection in the home country. Since the implementation of reforms in the 1980s, significant economic improvement has been seen explicitly at the Chinese economy with intensified FDI inflows. The economic amendments that China applied in the beginning of the 80s have caused the transformation of a centrally formed economic order to a further market-settled economy. It is argued that FDI entries have played a driving role that pushed this transformation in the country, together with forming competition for country-owned enterprises by putting capital in companies, foreign affiliated companies, and this rivalry augmented the further FDI entered to the country's economy and enhanced the effectiveness of the internal economy (Chen, Chang, and Zhang, 1995). Prior to the times when economic reforms had been implemented, FDI entries were even restricted in the lands of the country. Once the launching of the open door renovation, the FDI regulation, which led the entry of FDI to the internal economy, was applied. Initially, those entries were limited to particular industries and Special Economic Areas.

Figure 1 : FDI inflows, domestic investment, and economic growth in China: 1978-2003

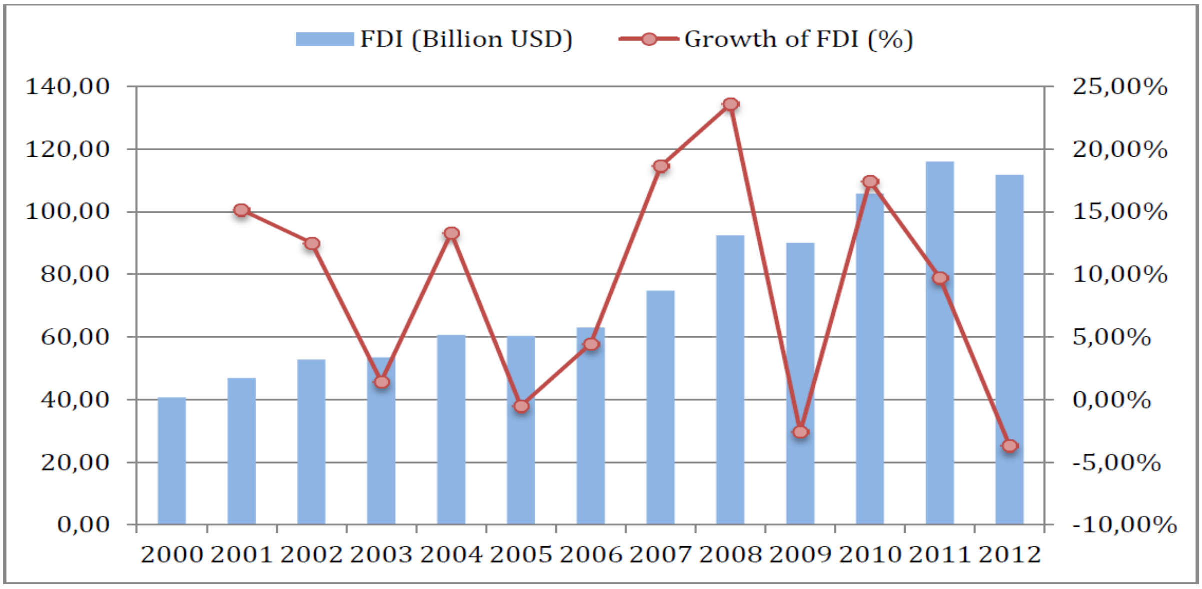


Source: China Statistical Yearbook

After implementing reforms oriented at the market economy and policies that triggered opening policy, China created a high volume of economic improvement and significant economic variation. Since the time when economic amendments were made in 1978, actual GDP rising has equated 9%, increasing per capita revenue five times more and led China to have ground-breaking straddles in decreasing deficiency (Chen, Chang and Zhang, 1995). The enhancement of the Chinese economy has indicated exceptional ability, growing at an average yearly level of 9% onwards the economic alterations initiated in 1978. According to the many experts who have argued about the mentioned growth, FDI inflows to the country's economy have been significant and have a crucial role at this growth (UNU-WIDER). A leading power for that vital growth has been the rising openness of economic development, particularly to FDIs and Foreign Trade of the country. A further beneficiary of FDIs to the internal economy of China is the inclusion of tax income. According to the rising income conduct, the official tax income processing is increasing each year as well. Between the years of 2000-2012, this aggregate has enlarged nearly twenty times further than its previous value. However, the tariff revenue from the multinational companies has increased and helped the country's revenue of the Chinese authorities (Chen, Chang and Zhang, 1995).

Tseng and Zebregs (2002, p.6) underline that, “Both at the national and the provincial level, empirical studies have found a strong correlation between GDP and FDI inflows in China”. It can be commented that there are various aspects in which GDP growth of the Chinese economy has jived with FDI inflows to the country. With the addition of capital creation, the impact of FDI on growth has risen. In 1990, this influence is assumed to have benefitted around 0.4% points to yearly GDP rise in the 1990. The accurate additive of FDI entries to GDP rise has been maximum in provinces that have taken furthest foreign direct investment. Foreign Direct Investment has impacted further GDP rise with its advantageous influence on whole productivity. Experimental investigation proposes that FDI inflows have advanced TFP development in China by 2.5% for each year throughout the 1990s. Foreign Direct Investment has profited GDP increase instantly with the formation of FFEs and circuitously with constituting advantageous spillover influences from FFEs to internal foundations.

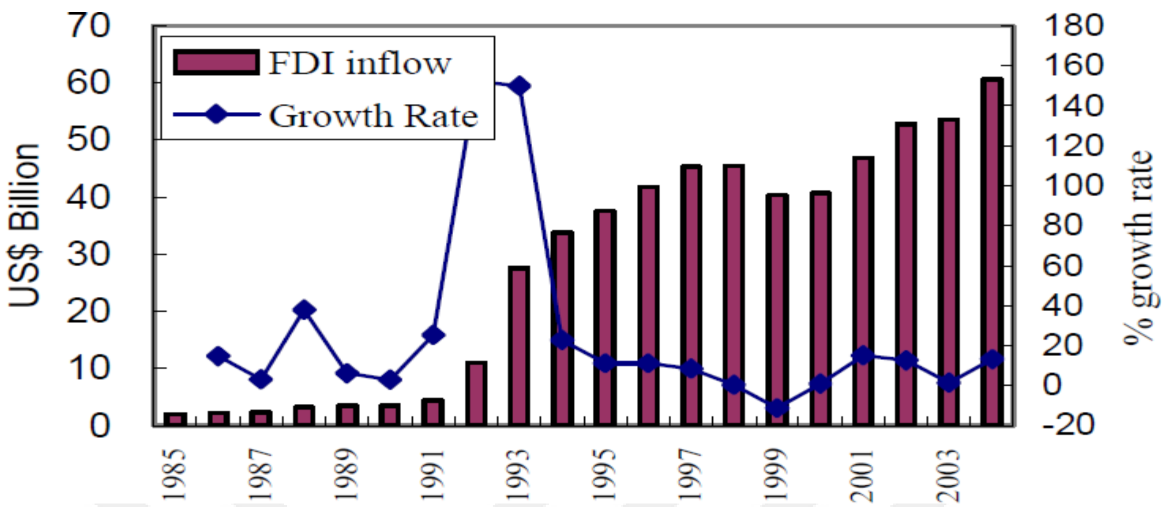
Figure 2 : Inflow of FDI (Billion USD) & Growth of inflow of FDI (percentage)



Source: Foreign direct investment and economic growth in China, page 8.

The yearly ratio of Foreign Direct Investments and the annual increase of this movement are shown in Figure 1. In the beginning of the 21st century, it was known that China had enormous potential and many chances for foreign corporations. In addition, afterward the Asian economic depression at the end of the 20th century, the Chinese economy once again had an augmentation of the ratio of Foreign Direct Investments that came to the country's economic zones (Chen, Chang and Zhang, 1995). An increasing trend until 2012 can be understood with a comparatively huge volatility ratio in economic development ratio.

Figure 3 : China's inward FDI flows and their annual growth rates (1985-2004)



Sources: FDI inflows in billion US$ are from NBSC (2005, p643; and various issues)

The Chinese authorities made great effort to take many immense FDI entries to the country, and many multinational establishments are the furthest significant component of this for the economy of the China. Zebregs (2002, p.6) indicates that "FDI flows to China have contributed to GDP growth in several ways: one is that FDI has raised GDP growth by adding to capital formation; another is FDI has contributed to higher GDP growth through its positive effect on total factor productivity".

The portion of foreign affiliated companies in China's entire economy achieved more than 20% in the years of 2003 and 2004. Foreign Investment Enterprises influenced more than 40% of China's GDP. When the results of FDI entries in 2004 had not been counted, our outcomes found that ratio of Chinese entire GDP would be lesser by nearly 3.4%. Even if FDI inflows from Foreign Invested Enterprises are not counted, FIEs still account for nearly 30% of economic growth of China. As Whalley and Xin (2006, p.20) points out, "Our findings thus seem to confirm the view that inward FDI has played a substantial role in China's recent rapid economy growth, and perhaps even more than currently appreciated". The GDP advance of

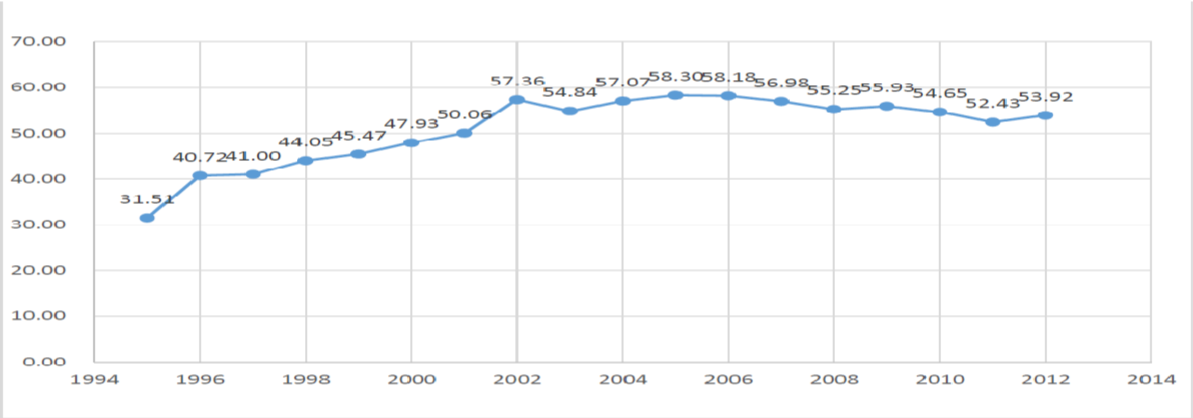
China in the past few decades is exceptional with the medium of nearly 9.8% yearly. Chinese GDP was almost $308 billion, 4% of U.S. GDP at this time. China has become the second biggest power with economic growth of $11.000 billion, 63% of U.S. GDP. The inward FDI in China has grown by 60 times more to nearly $120.000 billion, while the foreign debt ratio has remained at a nominal ratio, the proportion of GDP to debt was almost 6% in 1985; it rose to nearly 16% in 2001 and progressively decreased to 9% in 2014. Matt and Cang, 2016).

THE IMPACT OF FDI ON THE FOREIGN TRADE OF CHINA

Both FDIs and international trade are the furthest crucial factors of an economy's economic development. In accordance with views and explanations by many experts and economists, FDIs do play a considerable role by transferring capitals, high-technology and administrative abilities for the recipient country, exposure to effect the capital creation, technological advance and productivity development in the recipient state, and this led to economic increase. After the opening up policy in 1979 and liberalization economic program, China gave permission and provided many incentives for FDI. As Xing (2010, p.315) expressed, "FDI has performed an essential role in the promotion and development of Chinese exports. Because China missed the proper brand recognition, technology, marketing channels and capital it was difficult for these early companies to enter the global trade market". Together with huge number of FDIs that came to the country, China has confronted with some drawbacks. This has forced China to be forecasted in the trade markets worldwide as a large player. Over the past twenty years, Chinese economic performance has seen a remarkable ratio of economic development defined by considerable rises in inbound FDIs and development in commodity exporting (Lo, 2004). Nevertheless, the contributed effect of FDIs on the export and import of China is relatively balanced by the trade deficits of investments that have been established by the FIEs. Being one of the reasons that influence the consistent trade gap of Foreign Invested Enterprises, the foreign trade of capital materials is assumed to contribute the capital creation and economic development of China in a positive way (Ford, Sen and Wei, 2010). Despite the fact that some side effects have existed, the constructive addition of FDI to the country's rapid export growth and economic development has been apparent.

Foreign Direct Initiatives are now crucial players in the increasing progress of Chinese foreign trade and this case is the outcome of China's politics for FDIs, which have inspired export-intensified operations. Moreover, the development of the Chinese export-import regime has been almost five times that of world trade (Dang, 2008). Foreign-based initiatives have actively influenced China’s foreign trade. FDI companies’ trade has been equal to almost 60% of China's whole global trade. The FDI that is formed a year before is directly connected to the recent year's foreign trades: the extent of its impact is that a 1% enhancement of inbound FDI is consistent with 0.29% rise in foreign trade around regions. As Taube and Ogutcu (2002, p.6) points points out, “A %1 percent increase in the presence of foreign firms improves domestic firms’ export values by 0.57 percent; this coefficient is strongly statistically significant”. Those crucial outcomes unveil that FDI deploys an advantaged and important effect on foreign trade growth at either the company level or the local level. In the past 20 years, FDIs have implemented a crucial mission in China's economic advancement and development of export-import. Being the main channel of Foreign Direct Investment in China, Foreign Invested Enterprise has influenced a significant side of foreign trade in the country. As Taube and Ogutcu (2002, p.27) emphasized that, “Based on statistics provided by the National Bureau of Statistics of China (2013), the number of registered foreign-invested enterprises in China was 20,190 in 1995; this number dramatically jumped to 440,609 in 2012”. Furthermore, the ratio of exports of FIEs soared from 46.87 billion US dollars to 1.023 trillion US dollars during the years of 1995 and 2012. Putting it another way, the percentage of exports from FIEs has gone up from 31.5% in 1995 to 53.93% of the total value of exports in 2012. Consequently, the fast increase of FIE's exports have caused a miracle development at the volume of China's exports. In case that FDI entries move into sectors in which the recipient economy has appropriate potential, it can incline to enhance productivity of the recipient country and triggers more foreign trade (Ford Sen and Wei, 2010). Therefore, if host countries have labour-intensive industries, they could receive trade-creating FDIs. However, if countries have capital-intensive industries, FDI flows into these countries can be comparatively underprivileged.

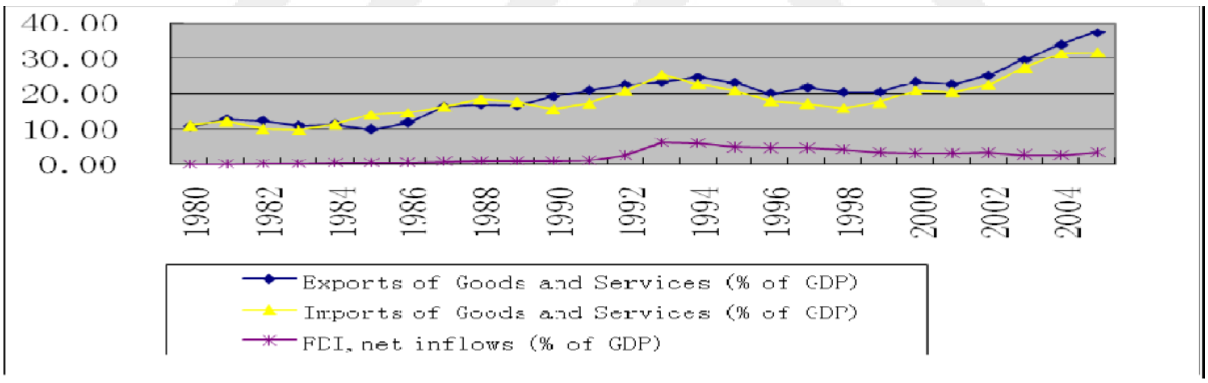
Figure 4 : Share of China's exports of Foreign Invested Enterprises (FIEs)



Source: China Statistical Yearbooks (1996 to 2014)

The delivery of exports by type of company recommend that foreign direct investments in the country have apparently wholly caused development in foreign trade performance of China. Until the beginning of 2000s, the ratio of Chinese exports has soared from 2.3% to 3.4% of worldwide foreign trade. During this time, Foreign Invested Enterprises in China enhanced their proportion to 1.5% with these exporting (OECD, 2000). In terms of sectoral analysis in Chinese exporting, manufacturing exports have been the most affected sector by Foreign Direct Investments that have flown into the country. As Zilibotti (2009, p.20) argued, "China's exports increased from an almost negligible amount of 0.5 billion US$ in 1979 to 1442.8 billion US$ in 2008". Rapid economic growth has been influenced by two significant and related activities, like high flow of inward FDI and high volume of global trade connection. The proportion of Chinese international trade and FDI inbounds in the country's economic advance have been rising considerably since 1980, particularly at a further pace since the 1990's and the country's exports of materials and services matches with almost 40% of China's economic growth (Hong, 2013). Hence, the search of the connection between global trade and FDI is significant for economic advancement and development in China. This case could further unveil some recommendations that might contribute for China's forthcoming economic formations and planning.

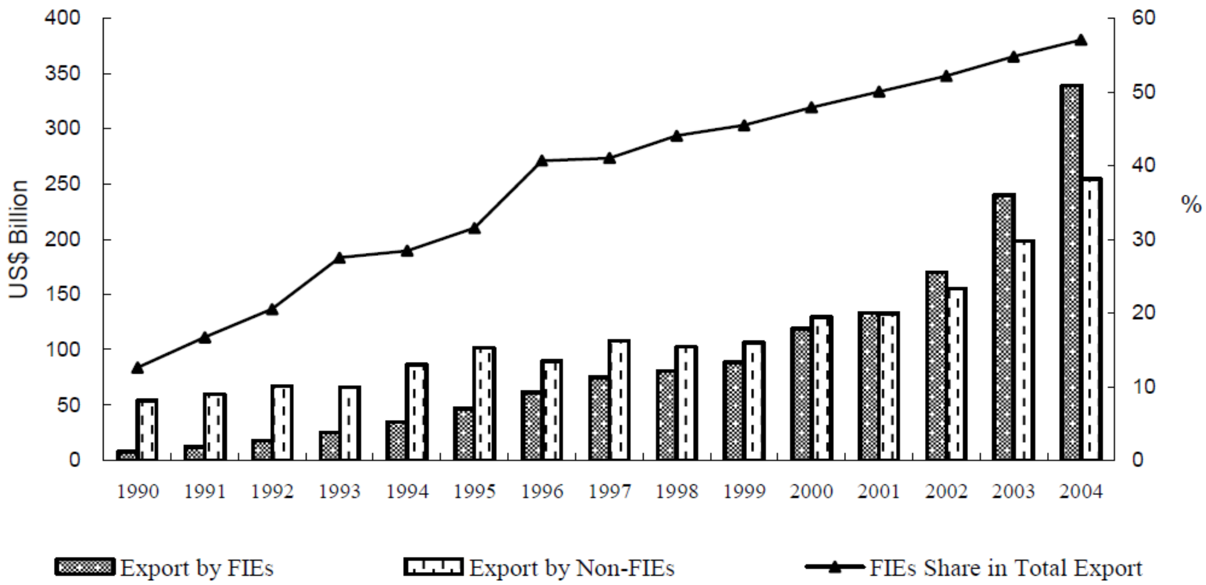
Figure 5 : China's Exports/Imports of Goods-Services and FDI Net Inflow from 1980-2005



Source: The World Development Bank Indicators – The World Bank

Foreign Invested Enterprises have done almost 50% of whole exports of coastal areas. This case illustrates that Foreign Invested Enterprises have played a pioneering mission in introducing Guangdong's exports, and exports of this region have seen outstanding development during the last decade due to the locomotive power of Foreign Investment Enterprises. The ratio of exports as outcomes of investments that have been done in coastal regions grew at an annual rate of 30.1%. That has contributed national average growth to increase significantly. Likewise, in other seaside regions FDIs have significantly influenced foreign trade, and Foreign Invested Enterprises covered almost 44% of total exporting (Sun, 1999). Because of this reason, the impact of FDIs on the international trade of China (particularly in the regions near to coast) has become significantly crucial.

Figure 6 : Data on Exports by FIEs and Data on Exports by Non-FIEs



Source: Data on exports by FIEs in billion US$ are from NBSC (2005, p642; and various issues) and exports by non-FIEs are the residual of total exports (2005, p627). The FIEs share in total exports is the ratio of exports by FIEs to total exports.

The figure illustrates that FIEs have matched the growth of China's global trade. In 2004, the country saw a high export increase of almost 36%; exports augmented by US$155 billion to achieve nearly US$594 billion. In 2004, the proportion of global trade to GDP achieved 70%, 10% further than that of 2003. The growth level of Chinese exports would have been solely 10% in many years and it was opposite in some years (Whalley and Xin, 2006). It has been illustrated that the foreign trade by FIEs augmented significantly to 32% in the year of 1995 (Zhang and Song, 2000). It exhibited a steady development in percentage ratios FFE's foreign trades' from 32% to over 58% in 2005. Exports by FFEs have become a growing important section of China's entire foreign trade. As Lo, D. (2004. p.14) points out, "It suggests that China's exports are closely associated with inward FDI, yet the structure of FDI promoting exports could be changing through decades due to China's rapid economic development, and thus sectoral analysis on the linkages between FDI and China's exports by sector is considered as a plausible approach". As Sun (2001, p.331) suggests, "It is found that FDI is generally trade creating in the case of China and is an important factor contributing to the rapid growth of exports from China". The manufacturing industry has been constructed in a passionate and energetic way for export-import of the country. The advancement of China's foreign trade has been almost 5 times more than that of global trade values during the last four decades. It is further reasonable to assume that the effect of foreign investment will diversify around industries. In addition to that, FDIs have been encouraged to be related to export in the country. Hence, a productive and profitable association might be assumed (Lo, 2004).

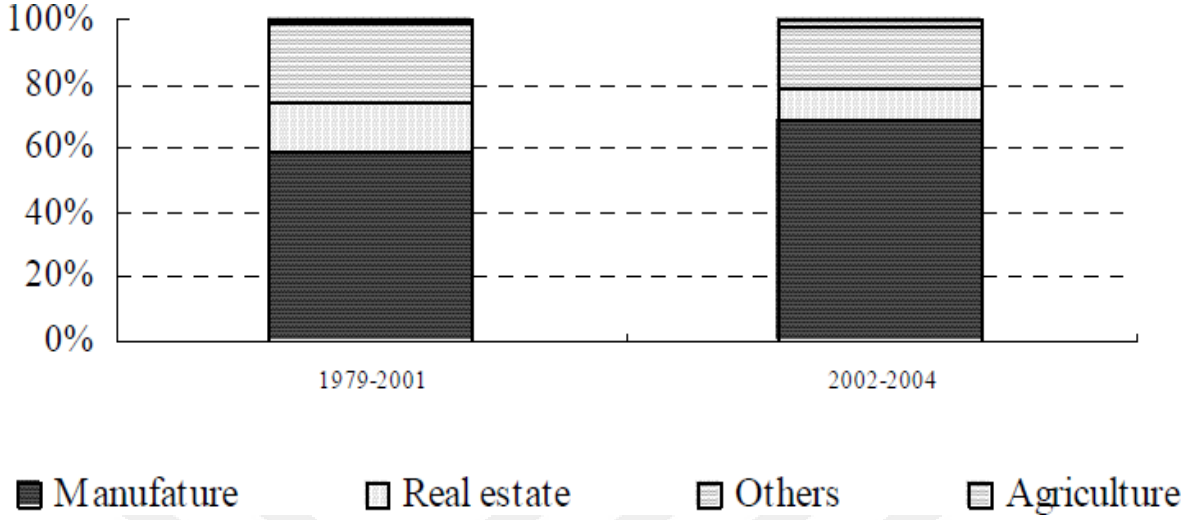
THE IMPACT OF FDI ON SECTORAL DEVELOPMENT AND EMPLOYMENT OF CHINA

It is obvious that FDI has generated many chances for the country's people to be employed. These opportunities have been both indirectly or directly in accordance with the size and type of the FDI entry. Particularly those who live in the urban areas of the country have taken advantages of these inflows. Since FDI entries into the country have intensified on the coastal sides of the country, residents in these regions were the ones who have utilized these opportunities. Banerjee (2006, p.67) noted, "FDI firms' urban employment was particularly concentrated in the eastern region provinces (85.76% of the total) and more particularly in Guangdong, Fujian, Jiangsu, Shandong, Liaoning and Zhejiang, and some capital city, like Shanghai, Beijing and Tianjin". It has been assumed that the advantageous sides of FDI in

China have been unveiled by the increasing rate of capacity utilization. Generally, FIEs in China are not only able to sell goods in the countries they invest in, but also to open new markets, to use raw materials and cheap labour resources, to sell duty-free goods to an economic union that their countries do not include, to reduce transportation costs and to increase their market share. Hence, Chinese labour opportunities have been of critical importance for foreign firms. Foreign direct investments in China has been instrumental in the establishment of many new industries and the introduction of new technologies to many areas, as well as enabling consumers to acquire a greater variety of goods and services. Concerning the sectoral circulation, the biggest ratio of FDIs are addressed for production that covered nearly 60% of entire decreased FDI. Following is actual estate at 24%, pursued by circulation at 6% (Tseng and Zebregs, 2002). Nearly 50% of FIEs in the country have been guided to labour-concentrated manufacturing. Technology-concerted production and capital-in depth production almost separated objectively.

The entries of foreign affiliated enterprises to the country have been limited with sectors that would make investment or bring capital. These restricted industries include “strategically” important infrastructure projects, such as gas pipelines, subways, railways, printing, publication, shipping, communication, airports etc. (Tseng and Zebregs, 2002). Consequently, these sorts of restrictions have weakened the development of key sectors that requires high technology.

Figure 7 : Chinese FDI Inflows at Various Industries



Sources: Calculations based on NBSC (2005, p648; and various issues)

As Ali and Guo (2005, p.26) stressed, "The industrial sector composition spanned across many sectors, from automotive manufacturing, electronic apparatus manufacturing, telecommunication equipment manufacturing, computer manufacturing, chemical & energy, food processing, banking, insurance, shipping, retailer & property development, wall coverings manufacturing, and management". It has been crucial that the sectoral ratio of manufacturing in which FDI entries intensified have been contributing.

UNITED STATES OF AMERICA

BACKGROUND

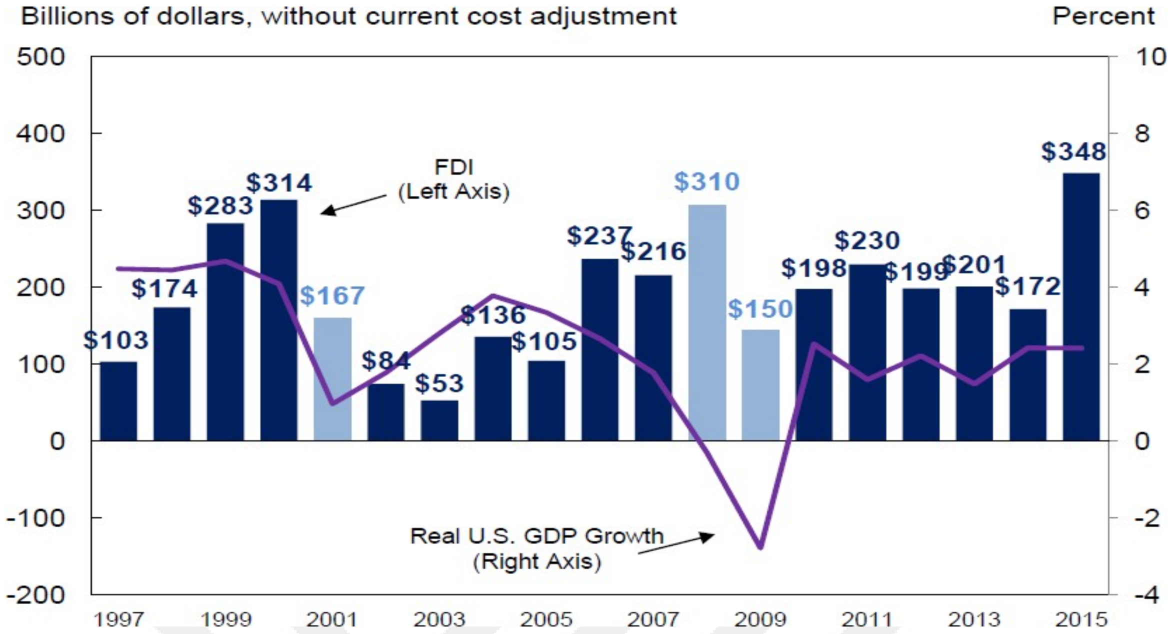
The US economy has acquired a long experience of international investment after foreign investors were inspired to engage in trade consensus with the U.S. with the widening industrialization and Louisiana Act in the 1800s. It cannot be denied that FDI entries have contributed to the national economy of the U.S. However, the increasing amount of FDI inflows to the country have started to be seen as a concern to the U.S. interior economic order. As a global interaction between various actors, foreign trade has been further of principle in internal economic deals; trade performances were changed to bolster economic preservation and internal safety worries (Al Nasser, 2007). Despite the fact that the US has been grabbing the largest ratio of international FDI entries for a long time, its international share seems to be challenged and decreased. As Al Nasser (2007, p.37) points out, "Since World War II, U.S. considers the largest foreign direct investor and the largest recipient of direct investment in the world. Consequently, FDI has become the leading means for U.S. multinationals firms to participate in international markets". The largest sources of FDIs in the US are United Kingdom, Japan, and Germany. On the other hand, China, Luxemburg and Brazil come as fastest growing sources of FDIs in the US. Around the 1970s, mainly due to the lessening ratio of the U.S. dollar with reference to foreign exchanges, global investments in the United States expanded. Because of this, the Foreign Investment Study Act of 1974 was enacted, which requests the Secretaries of Treasury and Commerce to perform an inclusive analyse of FDI in the US (Al Nasser, 2007). The FDI policy of the country has brought about authority bodies to understand that the US did not preserve a medium instrument for scanning FDI entries to the country's economy. The CFIUS was established around in the 1970s. This organization did not have considerable initiative to rule or limit these cross-border investment initiatives that increased national security threats. It could have been controlling FDI entries and asking FDI authorities to record primary recordings related with their FDI inflows to the country. In 2007, the Security Foreign Reform and Strengthened Transparency Act of 2007 came into force. In order to exhibit these threats, FINSA has widened the responsibility of the CFIUS to spread technologies and infrastructure, empowers the CFIUS' evaluation, and boosts the conventional inaccuracy during the process.

THE IMPACT OF FDI ON THE GDP OF THE US

FDIs play an exceptional and rising mission in international markets and symbolizes a supplementary part of the country's economy (Kornecki, 2014). Empirical findings suggested that foreign direct investment advance has a strong effect on the United States' economic development. Moreover, FDIs have meaningful effect on whole factor fertility in the United States, adding value and increasing the US' economic improvement. As Asheghian (2004, p.64) points out, “This calls on the U.S. policy makers to devise policies that are conducive to increasing the amount of foreign direct investment in this country”. Hence, the country keeps its political regulations on a more efficient and stable level. It was always bound to happen that crucial connection between FDI stock and outcome development, moreover, FDI inflows in the US economy unveil a moderately further ratio of growth proportional to that of the national capital. The actual store of FDI influence was nearly 23% to GDP advance in contrast with national capital matching 20% (Williams and Zhang, 2015). The outstanding contribution of FDIs in the US by foreign affiliated corporations have enhanced the employability of the country's citizens in those facilities. Moreover, the Gross Domestic Product of the country has been bolstered with 6.3% of value-added and the productivity growth of the USA has risen by 12%. These developments have caused capital investment to enlarge by 15.2%.

FDI inflows in the US economy contributed stimulation recovery in the country throughout the years that came after and this ongoing appears to continue. As Williams and Zhang (2015, p.4) emphasize, “The GDP of the country has risen considerably from 2000 to 2013. The recession in 2009 was the only exception in the past fourteen years, as GDP pulled back slightly compared to the prior year”. An increase in GDP through time was the course for the past 10 years. This increase might be attributed to the Flows and Stocks that were inflows during this period and matching of the data from across other researched fields like recruitment numbers. Together with administrative systems from the Federal Reserve and Congress to hold the economic order from entirely being in an extended and exhausted recession, the FDI is thought to be crucial in healing the US economy (Williams and Zhang, 2015). A FDI regime that has a strong impact on economic development and GDP growth is based on a rigorous political regime. The SelectUSA program, launched in 2003 by the president and his administration, demonstrates institutionalization of the country in terms of FDI attraction and rational implementation of FDI entries. It gives improved cooperation with recent facilities around every federal organization and institution with operations related to business investment (Kornecki, 2014). In order to establish a FDI order that contributes to the economic advancement and sustainable development of the country, the state has been working with regional and local development institutions that can spark and enable business investment in the country. The data of FDI entries to the US is shown on a year-to-year basis, between 1997-2015. Indicators are relatively uncertain. They incline to shift with an actual GDP rise in the US that has been slowing since the beginning of 2000s and in the years of the Great Recession. However, FDI flows remained comparatively stable between 2010 and 2013. FDI net entries decreased to $172 billion in the year of 2014. However, it has recovered back to $348 billion in 2015.

Figure 8 : Real U.S. GDP Growth, FDI Entries in Billions of Dollars.



Source: Department of Commerce, Bureau of Economic Analysis; International Monetary Fund Note: Light blue shading denotes a year in which the U.S. was in recession for a majority of that year.

The financial crisis that took place in 2008 negatively affected the FDI in the US. The contribution of the FDI in 2009 to economic growth has decreased due to this reason. The recent stagnation, which emerged in 2007, was the worst US economic downswing since the Great Depression (Kornecki, 2014). Consequently, the ratio of decline was by 41%, from US$ ~6 billion to US$ ~3 billion. Proportionately, FDI outward stock in the country has been influenced negatively more than inward US FDI stock. FDI inflows into the US economy contributed to stimulation recovery in the country throughout the years that came after and is ongoing. The GDP of the country has risen considerably from 2000 to 2013. The economic stagnation in 2009 was solely dispensation in the last fourteen years, as GDP retreated indistinctly from a year before (Williams and Zhang, 2015). The GDP has increased over the past 10 years. This increase might be contributed to the Flows and Stocks that were inflows during this period and matching the data from across other researched fields like recruitment numbers.

The lion share of FDI entries are divided among four main states: Texas, California, New York, and Illinois. These main FDI destinations have been the highest home cities of FDI since 1990. As Kornecki (2013, p.16) points out, “In 2007, a year before the financial crises, the IFDI stock in Texas reached US$ 128,424 million and in California US$ 108,572 million, followed by New York (US$ 80,474 million), Illinois (US$ 48,626 million) and Ohio (US$ 43,438 million)”. Therefore, it might be assumed that the significance of coastal cities in attracting FDI to country has been understood again. The US is a stunning investment place for FDI inflows since it has powerful economic determinants for attracting FDIs, its weak-risk appearance as compared to alternative pioneering international economies and its spearheading position in global investment policy in many sides of world. As Kornecki (2013, p.4) emphasizes, “However, the 2008-2009 economic downturn has contributed to the erratic behaviour of FDI flows into the United States, already somewhat volatile since their peak in 2000 at US$ 314 billion with the exception of the deep decline in 2003 to US$ 53 billion following the 9/11 attacks. Because of this declining, the overall income of FDI entries has been influenced in negative direction”.

THE IMPACT OF FDI ON THE FOREIGN TRADE OF THE USA

The relationship between FDI and foreign trade in the United States is examined as complementary and positively affecting each other. However, this connection is often made for the sake of positive results. In accordance with empirical equations results, FDI entries to the U.S. have affected exports and are greatly considerable at the 1% ratio. The factor estimation shows that 1% rise in FDI creates almost 3% augmentation in foreign trade (Koo, Manukyan and Marchant, 2001). Consequently, it can be concluded that either variables in the country have affected each other in a positive way. The foreign trade of the US has evolved throughout time. Operated products and developing economies have been main growth markets for US exporting products that have been processed at the various sectors, and foreign invested enterprises have been more crucial than exports as a way of achieving access to global markets. Because of this reason, FDI entries and developments in the foreign trade of the country have taken leading missions for economic development. While they have influenced each other positively, they have contributed to the growth in an active way. They have been in a complementary connection. The beginning ages of FDI entries to the US economy has induced the encouraged the growth of crucial industrial fields of the US economy such as transportation and chemical manufacturing that goes on to create considerable investment around these fields. Furthermore, the impact of overseas expansions of multinational firms ignited the globalization of the world economy. These growths contributed to US economic potential competitiveness by its whole market magnitude.

The FDI entries to the US economy generally find themselves in the manufacturing sector, in which chemical and petroleum products are produced. FDI inflows have contributed those products to be exported for raising the profitability and economic growth of the country (OECD, 2017). The mission of international-based companies varies considerably around US sectors, partially projecting the US' appropriate potentials and expertise of its Multinational Enterprises. Because of that, the significance of FIEs that have been understood around the 2000s and enhanced to be promoted more in the preceding years. The manufacturing industry of the country showed a remarkable achievement by drawing an enormous amount of FDI inflows to the US. An average of 44.9% of the FDI entries have been used at the manufacturing industry and this level has risen to 66.4% in 2015. Except the manufacturing industry, other industries that have grabbed considerable level of FDI entries are wholesale trading, finance, information and insurance. The appearance of FDI inflows makes possible the incoming of intrafirm knowledge on a wide front, decreasing the expenses of organizing work and directing to rise in global trade. As Hejazi and Safarin (2001), p. 420) emphasizes, "FDI in the U.S. is also found to stimulate exports and imports and a major conclusion is that trade and FDI are complementary, a result consistent with the transactions costs theory of MNEs". Either outward or inward FDI induces increases in exports of the US, but the preceding impact is bigger. That situation is better understood by taking into consideration figures of intrafirm trading. However, it happens often in the other way around. The adverse solution happens on the import section, in which inbound FDI has a bigger assumed effect on imports than causes outward FDI (Hejazi and Safarin, 2001)

Figure 9 : Exports of Goods by Majority-owned U.S. Affiliates of Foreign Firms, 1997-2013

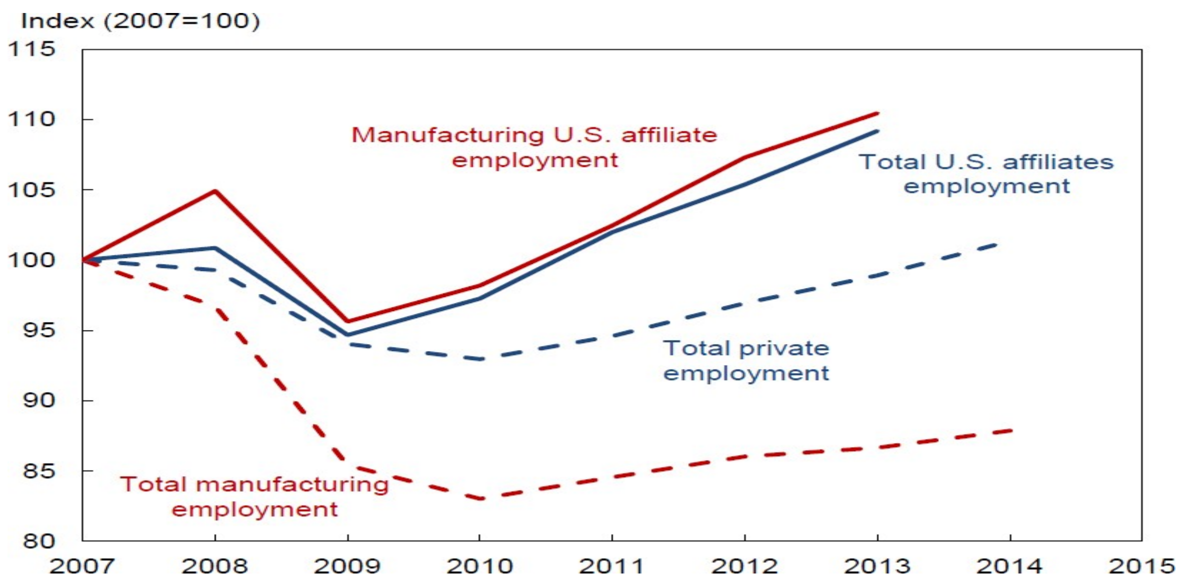
Source: Department of Commerce, Bureau of Economic Analysis Note: Data prior to 2007 do not include U.S. affiliates of foreign banks

In 2013, US subsidiaries of foreign-owned firms accounted for 21 percent of all US goods exports (SelectUSA, 2013). Ultimately, FDIs in the US come up with an explanation for a disproportionate right of a whole part of the country's exports (respective to their recruitment volume), and this ongoing process has become constant for ten years, despite the fact that comprehensive size of US foreign trade has shown an increasing trend. In 2003, the export of majority-owned companies in the US accounted for $360.0 billion of materials, matching around 22.6% of whole US goods exports, which is the second-furthest ratio since 1995 (OECD, 2017). As it has been picked out, products traded by FIEs in the country track the wide inclination of whole product exports, but serve to be correlative better throughout economic crisis. The mentioned companies are serious importers of materials too, matching around 30% of entire US goods imports in 2003 – influencing the nation's worse trade scale but also showing how those companies link the US to the international economy and politics (OECD, 2017). Customarily, the FDI inflows into the country's economy have been evaluated as paramount ways to achieve foreign markets. On the other hand, FDIs in the country have been assessed as "tariff jumping" so that it can provide a market access alternative. As Koo, Manukyan and Marchant (2001, p.1) point out, “Foreign affiliate sales that stem from FDI are not subject to import tariffs or other trade barriers in contrast to U.S. exports of similar products and in 2000, FDI sales of U.S. processed food were five times the amount of U.S. exports - $150 billion versus $30 billion”. Despite the fact that internationalization and global trading are not new and have actually been pervasive features of utilitarian environments for hundreds of years, improvement of technology and social arrangements have enlarged the vastness and broadness of international trade and cross-border investment. Because of this reality, it has caused new economies to be established either domestically or globally by boosted investments (Travalini, 2009).

THE IMPACT OF FDI ON THE EMPLOYABILITY AND SECTORAL DEVELOPMENT IN THE US

FDI inflows in the US supply a bunch of profits to the country's economy; particularly well known jobs, entrepreneurship and innovation lead by R&D initiatives. While developed states are the main sources of FDI entries to the U.S., developing markets are becoming a larger source of FIEs in the country. It might be assumed that their allocation to rise and formational roadblocks in these states decrease. The foreign investment inflows that have entered the US economy have been an enormous driver of the sustainable development (As Blomstrom, Fors and Lipsey (1997, p.12) illustrate, “Over the past 20 years, US affiliates have increased their contribution to US production from 3.8 percent of US private sector production in 1988 to 6.1 percent of production by 2006”. The recruitment rate of US inward FDIs achieved 4.6% in 2006. In 2007, recently bought or formed US inward investments took nearly 488.000 into recruitment. Inward FDI gives benefit considerably to recruitment numbers in the US economy. Experts and analysts found a connection between work developments in the US throughout a time of rising FDI inflows (Payne and Yu, 2011).

Figure 10 : Employment Ratio of the USA with FDI Inflows, 2007-2014



Source: Department of Commerce, Bureau of Economic Analysis

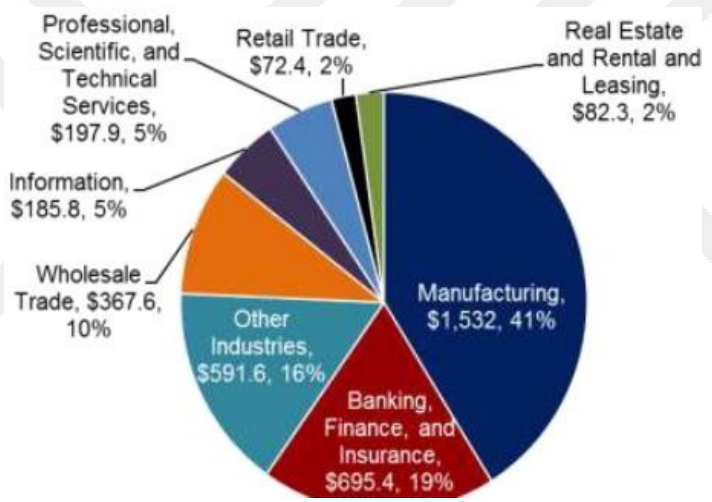
The FIEs, which have been facilitated in the US, generate considerable investments in research, development and capital equipment, and further they supply marvellous remuneration. These companies made payment of charges and alternative formats of indemnity that equated almost $80.000 per US worker in 2003, in contrast with $60.000 for labour in the entire economy (OCE, 2013). Remuneration at these FIEs in the country has been coherently more than the US medium throughout time, and the divergent holds for works at both non-production and production sectors, despite the fact that there is relatively further constructing in manufacturing.

The significant role of FDI entries to the economy of the country has been well known since 1980s, as state authorities of the US have embarked on promoting FDI initiatives that are likely to enter to the country. The real advantage of FDI motivation regulations are relatively difficult to understand, but the advantages of many famed FDI policies seem so high. As Black and Hoyt (1989, p.1249) point out, “In the late 1980s, the US state of Kentucky offered Toyota an incentive package worth (in present value) $125–$147 million for a plant planning to employ 3,000 workers”.

The government of Alabama proposed to Mercedes Company a promotion pack of nearly $230 million for a contemporary regulation to recruit 1.500 labours (Head, 1998). However, there have been some explanations claim that adverse of supportive arguments for positive relations of FDI with productivity levels. In the past and in our time, we can still see some examples of FDIs that did not and do not have positive correlations with the productivity of industries. Automobile companies doing work in the US did not increase the productivity of their US integral-vendor institutions via high technology externalities (Haskel, Pereira and Slaughter, 2007). Consequently, it can be argued that not all FDI entries to the country’s economy do not affect sectoral development and productivity of the domestic production positively.

There is no solitary determinant unveiled why the US is a stunning place for foreign enterprises. However, some of them can be highlighted and interacted through these ways. The actual backgrounds of the US success in FDI attracting to the country are an open FDI policy, a huge economic system, qualified labour potential, and the best research universities of the world, logical property protections, and energy potential of the country.

Figure 11 : FDI Stock by Industry, Historical-Cost Basis, 2016



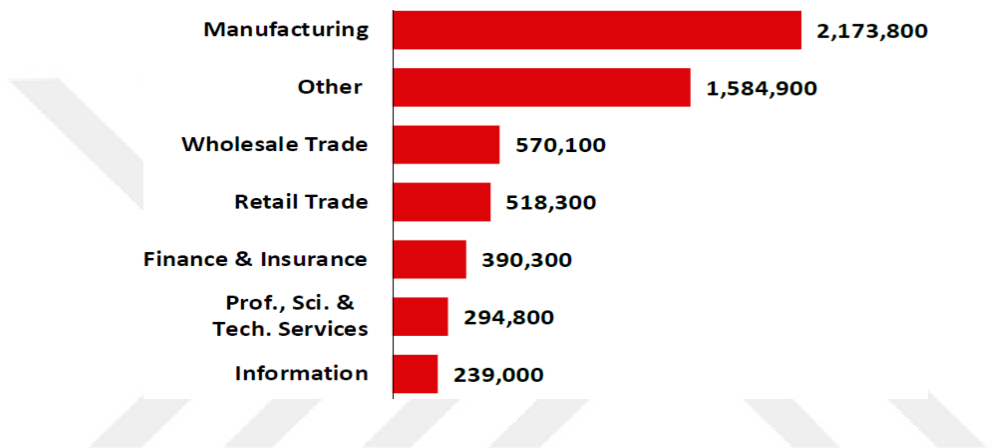
Source: Bureau of Economic Analysis

FDI entries that have been actively facilitated in the country each year are relatively volatile, as shown in Figure 11. It aims to shift in the company of actual GDP development, slow moving in the beginning 2000s and throughout the Great Depression. FDI entries were notionally consistent between 2012 and 2014, prior to nearly increasing twofold in 2015 to almost $460 billion (OCE, 2017).

FDI entries to the US have been diminished by 50% during 2008 and 2009. The entries of IFDI into the service industry reduced from almost US$ 170.000 million in 2008 to US$ nearly

55.000 million in 2009. Yet, the service industry has not been influenced by the economic depression. FDIs in the financial industry reduced by 70% and in bulk trading by 65%. The manufacture sector has been comparatively influenced in a small level, with IFDI entries to the industry having reduced from US$ almost US$ 54.000 million in 2009 (Kornecki, 2013).

Figure 12 : Foreign-Owned Companies Employ 5.8 Million U.S. Workers in Most Industries



Source: Business Roundtable

When analysing the political framework of FDIs, it is crucial to think that inflow FDIs considerably influence employment ratios in the United States (Kornecki and Ekanayake, 2011). The foreign enterprises that have established businesses in the country invest considerable levels of monetary funds to establish or widen premises in the U.S. each year. As Thomas (2015, p.7) emphasizes, “Foreign-owned companies from around the world employ nearly 5.8 million workers in United States, including: 962,900 workers employed by companies based in the United Kingdom; 718,900 workers employed by companies based in Japan; 620,200 workers employed by companies based in Germany; 555,600 workers employed by companies based in Canada; 534,400 workers employed by companies based in

France". Consequently, it can be commented that huge impact of FDI on the employment rates and industrial development has been obvious.

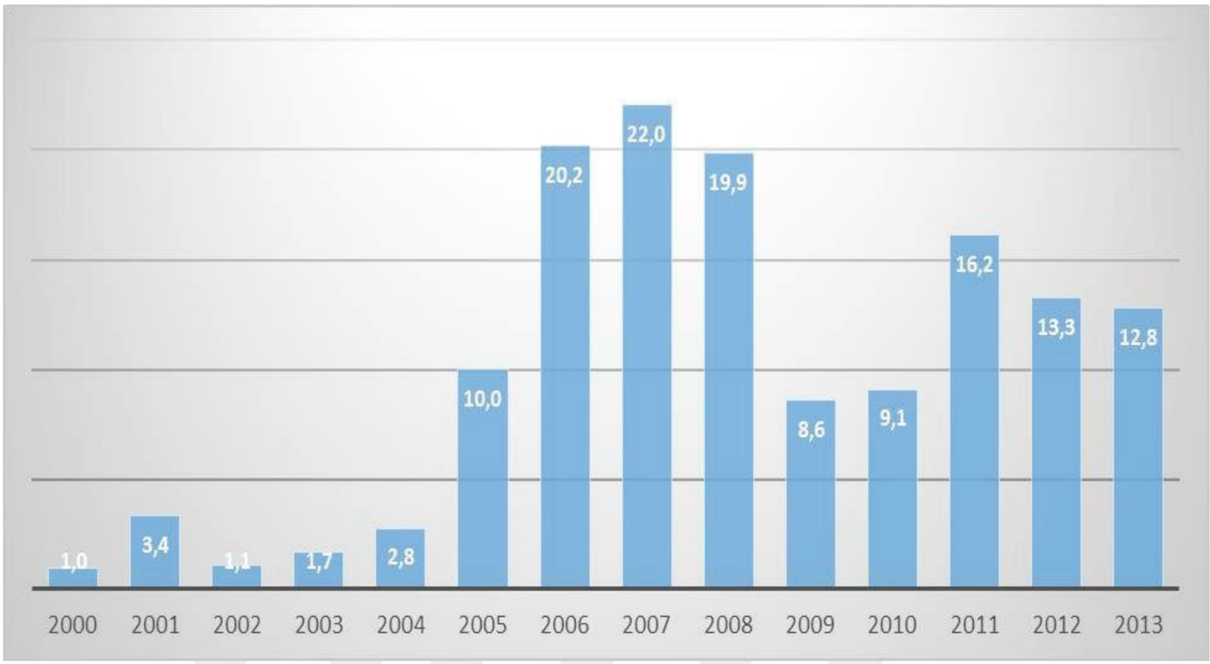
Being one of the biggest sectors, collected FDI in America's consultant, scientific, and technologic services industries enhanced the quickest, skipping to almost $200 billion in 2016. FDI stock in the manufacturing industry, the biggest one in the country, improved more than two times. Being one of the fastest expanding sectors, information has enlarged with FDIs whose value was almost $190 billion in 2016. Entire inbound FDI was up further than almost 32% in insurance and finance sectors, while banking industry has enlarged solely 8% in 2011 and 2016. Accumulated FDI was getting less in some industries throughout the last years. FDIs by holdings reduced to $175 billion in 2016, particularly due to the divestment by Vodafone of Verizon. FDI entries for mining was dropped almost 22% during the last five years.

TURKEY

BACKGROUND

With the Foreign Investment Promotion Act of 1954, Turkey was provided with the rights and facilities for foreign capital to be used in the needed areas and to be invested in the fields of industry, energy, mining, transportation, transportation and tourism. Therefore, the most liberal Foreign Investment Promotion Law has been put into practice and FDIs in country are set in an official framework. With the State Planning Organization established in 1960, this process progresses more regularly. Legal and Promotional Measures are defined under this organization. Post 1980 is an intense period in which the import-substation policy was abandoned. The effects of globalization are more clearly felt in this period and a process in which liberal policies are also implemented entirely. Within the framework of these developments, Turkey has signed Agreement for Investment Protection with 57 countries and signed Agreements of Taxation Prevention with 42 countries. Until the 2000s, level of FDI flows was around millions of dollars and a rapid increase happened after this year. The highest increase happened in 2006 and its value was around $20.2 billion dollars. Because of that, in 2005, it was ranked 26th among the 204 countries and it was 5th among the emerging countries. In terms of global amount of FDI inflows, Turkey rose by 4 places and ranked 22nd in the world and rose by 1 place and ranked 12th among developing countries (Ministry of Economy, 2014). The level of FDI flows peaked in 2007, but it decreased in 2009 because of global financial crisis. The value of FDI flows has risen to $12.8 billion dollars in 2013. Turkey's FDI stock value actualized as $168.6 billion and the FDI stock to GDP ratio has surged to 21% in 2014 from 18% in previous year (Ministry of Economy, 2014). The Foreign Direct Inflows to Turkey have intensified mostly at manufacturing sector, finance sector, and energy sector. The population and geographic advantages of Turkey can be shown as factors that influenced this trend.

Figure 13 : Value of FDI Entries to the Turkey



Source: TCMB, 2015

PROSPECTS FOR THE COUNTRY

In order to have a better foundation and business environment in which FDI entry can be attracted easily, the financial markets and institutions need to be supported and developed. The role of financial organizations and operation of regional financial markets can restrain the economy's skill to have strong sides of potential FDI externalities. The type of FDI to be drawn for short-term is so important for macroeconomic priorities, but the strategy of medium and long term FDI should be based on the technology-intensive investments. As Zhakanova, Isiksal and Jalali (2007, p.79) illustrate, "Turkey should give prominence to research into alternative ways to transfer technology and modern management techniques, which can represent an incentive for foreign direct investment in the future". FDIs, which weigh heavily with mergers and acquisitions, plays a significant role in financing the current account. On the other hand, FDIs, which are made up of technology-intensive new FDIs, will make great contribution to the rapid increase and to the closing of the current deficit.

In order to develop FDI strategy and implement it, an organization, which is half-public and half-private, needs to be established. Through these organizations, Foreign Invested Enterprises should be guided for required fields of sectors and needed land of country land. The importance of organizations for alluring FDI inflows does not have to be undervalued and might spread bigger significance. In association with this issue, it has been always significant to keep in mind that the labourers of the mentioned organizations need to be super skilled to reach the needed outcomes (Zhakanova, Isiksal and Jalali, 2017). In order to upgrade the investment environment to the global level, the institutional capacity of effective governance and competitive business environment must be protected and further developed. Therefore, it is crucial to create shareholder contracts and economic combination to take FDIs with other states and institutions. In this regard, it needs to be noted that current state authority is appointing further significance to fields and regions that have conventionally been refused, primarily the neighbouring states and the Middle East territory (Iisksal, 2015).

Another important aspect of the FDIs is tax reform. Until today, the tax system, which has been changed and determined in accordance with emergency income necessity and political impulse, needs to be checked under the economic rational framework and must be ended up as an obstacle in front of investments. In line with the strategic objective, priority sectors should be identified and required infrastructure and attraction of production factors needs to be improved. Deficiencies in the institutional framework should be resolved. The privileged monetary incentives should be given to FDIs at the some sectors. Differences of sectors should be researched and special cases of sectors must be determined. In order to bring various and productive FDIs to the country, Turkish authorities must seek for solutions to some concerns that create doubts in the minds of potential investors. It is composed of political ambiguity, indecisive and unproductive legitimate and organizing structure, unsuitable macroeconomic terms, degradation, and rivalry from various states in the territory (IMF, 2003).

The Foreign Direct Investment Law and Turkish Commercial Law, a progressive law established in 2003, secures rights of FDI flows in Turkey. These steps were crucial for the country to attract more FDI flows. However, coordination is needed between sectoral regulatory bodies and Competion Authority to make this environment more trustable and beneficial for the foreign enterprises. In order to be better than its counterparts comparatively, Turkey needs to move forward policy areas that will carry current positions to further levels. In accordance with global competitiveness and global opportunity index values, areas that need to be regulated are to increase the efficiency of the labour market, to increase development levels of institutions and markets, to enhance the ease of doing business, and to improve the quality of regulatory procedures. The steps that will be taken in these areas will enable Turkey to take a greater share of global FDI. FDI flows in Turkey should contribute positively to the country's development by supporting the accumulation of physical capital and it is important to keep capital flows in the fields that will contribute long-term. Because of that, like Turkey, countries, which have high unemployment rates and trade deficits, should prefer implementation of policies that can attract investments from scratch.

Some of the determining factors that influenced the location of the companies with foreign capital in China and USA are being close to the coastal cities and to be in a city in which they could find qualified employees easily. In accordance with outcomes of scientific research, policy doers are encouraged to play a considerable role in encouraging FDIs in their states. State authorities can enhance FDI entries through facilitating their FDI relative structure, applying politics that induce macroeconomics steadily, and developing the pedagogical and concrete foundation. However, further FDI can be taken by decreasing inducement, enhancing a further productive judicial outline, lowering uncertainty in politics of state, and improving political accession and major economical amendments (Lewandowski, 1997).

As Lewandowski(1997, p.98) points out, "U.S. FDI can largely be attributed to the differences in fundamental economic and social factors such as market size, GDP growth, macro-economic stability, the degree of trade openness, and both school enrolment and infrastructure availability". Liberal economic policies should be in an active position in order to spread trust and opportunity equality to FDI candidates who are willing to come to the country. Although trade liberalization attempts in Turkey started at the beginning of the 1950s, and continued in 1958 and 1970, these initiatives were usually ineffective as they were solely resolutions of short-range times to equalize payments and international exchange matters (Baysan and Blitzer, 1990). Economic arrangements made at that time were some solutions for short-term problems which the country was facing. However, these policy alterations need to be designed in a broader way so that country can get more FDI inflow.

There were been concerns and factors that influenced why Turkey could not take full advantage of its abilities. They can be counted as the longstanding political instability, price instability, the heavy bureaucratic obstacles to company establishment, the difficulties in obtaining short-term working permits, the high level of taxes, the complexity of custom transaction, tax and subsidy system, the problems related to intellectual property rights and family, and the lack of agencies for investment promotion (Kosekahyaoglu, 2006). Because of this case, the full potential of FDI capacity in Turkey could not have been unveiled. However, it has started to show a reverse trend together with the presidential election that took place in May of 2018. It is expected that foreign investors will see a more stable political and economic environment in the country. The impact of policy defending has been a necessity for the achievement in alluring and nourishing FDI in the country. The deficiency of policy advocacy organizations dishearten either recent investors and present financiers seeking to widen their actions and a functioning policy advocacy technique inspires financiers and gives them a clear report that those onesare not left unaccompanied when they come across an managerial obstacle (Kaymaz, 2017).

Hence, Turkey needs more institutions and policy advocacy organizations in which they can manage to arrange all orders and regulations.

No doubt that FDI entry is one of the most important tools that can induce the promotion of economic growth (Zhakanova, Isiksal and Jalali, 2017). The country has been encountering some challenges and difficulties that influenced adversely FDI inflows during the last decade. The financial crisis that occurred in 2008 has adversely influenced the economic growth and FDI flows to the country. There have been some cases that put country under harsh circumstances like ongoing war in the Syria, flows of refugees from Syria and other war zones. Because of this case, true and productive policy regulations need to be arranged and put into force so that the country can overcome those likely negative alterations. Despite the fact that Turkey has implemented structural reforms for FDI inflows, majority of FDI entries have intensified at the service sector instead of manufacturing industry. This issue did not develop importantly productive potential in importing and exporting industries. In accordance with report published by World Bank, despite Turkey has taken an outstanding number of FDI entries during the last decade and advancement in investment is mixed in Turkey, as there are still some issues that Turkey needs to resolve like high-energy prices, low transport groundwork, and constricted worker market resilience (Zortuk, 2011).

CONCLUSION

Throughout this paper, we have analysed the question of the role of FDI in the economic development of China and the United States during the last four decades. We have come up with the solutions for an efficient and productive task of FDI to emerge in the countries that have strong and contemporary political and financial groundwork on their economics. Together with acceleration of the globalization process, the understanding of its contribution to economic development has become the focus of attention for all developed and developing countries. FDI and international investments have become more intensified in the various parts of the world, particularly in the countries where cheap labour and capital could be found easily. And then, this case has led to the pace of liberalization trends in the global economy, the free movement of capital has been facilitated, and trade has been liberalized, sectoral development of the countries and employability have been developed through the efficiency of movement of capitals. The underlying reason for the growth of today's China and the place that it has in the world economy is based on foreign trade and foreign direct investment. China has abandoned the model of self-sufficiency and outsourced economy that has been practiced for a long time, along with the market reform that it implemented in 1978 and after. Thus, it has achieved a level of FDI entries that contributed to its economic growth, foreign trade and created manyjob opportunities for people. However, the wealth difference between those who live on the coastal regions and other regions of the country have been much bigger than it had been before since FDI entries have intensified on the coastal regions of the country. In order for a strong impact to be felt, the financial and political infrastructures of the countries need to be complemented and the advantages of encouraging them are needed. As we have seen in this study, we see in the US and CHINA examples that strong financial reforms play an important role in the introduction of foreign capital, which has a high level of education, a strong human power, and a trusting political and financial stability. Besides, it has been pointed out that FDI has contributed to the economic development of China and the United States by enhancing their ratio of Gross Domestic Products, augmenting the potential of foreign trade and affecting an increase in the number of people who have been employed. Despite the fact that FDI inflows to these states has been assessed in a negative way at some point, their advantageous effects could have been long lasting. Yet, considering actual data of these countries, they have been significant factors that changed the direction of economic victories of these countries. Turkey needs liberal economic policies in order to get full advantage of FDI inwards to the country. The integration to the global financial markets with financial institutions and economic policies have been at the core point of this process to gain an advantageous side of the international capital. When we examine the FDI inflows in China and the US, we see that foreign firms and projects that generate employment are supported more and special incentive packages are created for them. Thus, in both countries, the production sector accounts for 60% of FDI inflows. FDIs that have come to the country and start investing from scratch should be encouraged.

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