

**T.C.
ISTANBUL AYDIN UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES**



**CONTRIBUTION TO THE ECONOMIC GROWTH OF FOREIGN
INVESTMENT IN CONSTRUCTION SECTOR: THE CASE OF TURKEY**

THESIS

Sabina AGHAYEVA

**Department of Business Administration
Business Administration Program**

Thesis Advisor: Assoc.Prof. Dr. Zelha ALTINKAYA

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İSTANBUL AYDIN ÜNİVERSİTESİ
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DECLARATION

I hereby declare that all information in this thesis document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results, which are not original to this thesis.

Sabina AGHAYEVA



FOREWORD

I would like to extend my deepest gratitude to my esteemed teacher, Zelha ALTINKAYA, who has shaped my scientific research in the light of planning, researching, conducting and creating my thesis, using my vast knowledge and experiences in my research and information, and working with guidance and information.

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Sabina AGHAYEVA



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ABBREVIATIONS

AKP	:Adalet ve Kalkınma Partisi -Justice and Development Party
BOSAD	:Boya Sanayicileri Derneği - Paint Industry Association
CPI	:Construction Production Index
EIA	:Environmental Impact Assessment
FDI	:Foreign Direct Investment
FYRM	:Former Yugoslav Republic of Macedonia
GATT	:General Agreement on Tariffs and Trade
GDP	:Gross Domestic Product
GNP	:Gross National Product
ICSID	:International Center for the Settlement of Investment
IMF	:International Monetary Fund
KPMG	:Audit, Tax and Consultancy Services
MNC	:Multinational Corporations
MTP	:Medium Term Program
NAFTA	:North American Free Trade Area
OECD	:Organization For Economic Cooperation And Development
US	:United States
USD	:United States Dollar
WTO	:World Trade Organization

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İNSAAT SEKTÖRÜNDEKİ YABANCI YATIRIMLARIN ÜLKENİN EKONOMİK BÜYÜMESİNE ETKİSİ. TÜRKİYE ÖRNEĞİ

ÖZET

İktisadi faaliyetlerin küreselleşmesi ile birlikte dünya çapında sermaye hareketleri artmıştır. Yabancı sermaye akımlarından gelişmekte olan ülkelerin aldıkları pay giderek artmaktadır. Özellikle doğrudan yabancı yatırımların kalkınma üzerindeki olumlu etkileri nedeniyle gelişmekte olan ülkeler daha fazla doğrudan yabancı yatırım (DYY) çekmek için rekabet etmektedirler.

Ülkeler arası sermaye hareketliliğinin büyük bölümünü oluşturan doğrudan yabancı yatırımların son yıllarda ulaştığı boyutlar tarihin en yüksek seviyelerindedir. Dünyadaki doğrudan yabancı yatırım pastasının önemli bir kısmından pay alan Türkiye için gelen yabancı sermaye, cari açığın finansmanında rol sahibi olmakta ve büyümenin lokomotifleri olan yatırımları artırmaktadır. Ekonomik büyüme ile doğrudan yabancı sermaye yatırımları arasındaki ilişki ev sahibi ülkeler açısından ele alınmakta ve bu ülkelere gidecek olan yatırımların bu ülkelerin kalkınması ve büyümesi için gereken tasarruf ve yatırımı sağlamanın yanında teknoloji transferi sağlayacakları ve beşeri sermaye birikimini hızlandıracakları ifade edilmektedir.

Çalışmanın temel amacı, Türkiye’de inşaat sektöründeki doğrudan yabancı yatırımların ekonomik büyüme etkisini araştırmaktır. Türkiye’de inşaat sektörünün hızlandığı yıllarda GSMH’ında büyüdüğü, enflasyonun düştüğü ve istihdamın arttığı görülmektedir. Bu çalışmada genel olarak Türk inşaat sektörü ve yabancı yatırımlar incelenmiş olup, inşaat sektöründeki yabancı yatırımların Türkiye ekonomisine etkileri istatistik analizler ile belirtilmiştir.

Bu nedenle afet yönetiminde İstanbul Büyükşehir Belediyesi İncelemesini konu alan bu çalışmada ülkemizdeki mevcut afet yönetim sisteminin nasıl olduğu, afet yönetiminde yer alan hizmet birimlerinin görev yetki ve sorumluları, risk yönetimi süreci ve bu süreci kapsayan zarar azaltma ve hazırlık evrelerinin önemi, İstanbul Büyükşehir Belediyesini tehdit eden afet tehlike ve risklerinin neler olduğu ve İstanbul Büyükşehir Belediyesi tarafından bu afet tehlike ve riskleri hakkında ne gibi önlemler alındığı sorunlarına cevaplar aranmıştır. Sonuç ve öneriler bölümünde ise çalışma boyunca ulaşılan bilgiler doğrultusunda tez çalışmasının genel bir değerlendirilmesi yapılmış, İstanbul Büyükşehir Belediyesinde mevcut afet tehlike ve riskleri hakkında yapılan çalışmalara öneriler getirilmiş ve çalışmanın daha sonra bu konuyla ilgili yapılacak olan çalışmalara ışık tutması hedeflenmiştir.

Anahtar Kelimeler: *Yabancı doğrudan yatırım, ekonomik büyüme, inşaat sektörü. Türkiye Ekonomisi*

CONTRIBUTION TO THE ECONOMIC GROWTH OF FOREIGN INVESTMENT IN CONSTRUCTION SECTOR: THE CASE OF TURKEY

ABSTRACT

By the globalization of the economic activities, the capital movements have increased worldwide. The share that developing countries get from foreign capital flows has been gradually increasing. Now that foreign direct investments (FDI) have a positive effect especially on development, developing countries are in great competition to attract FDI.

Foreign direct investments which composing important part of transnational investments has reached to peak of the history. Turkey is getting a vital proportion from world foreign direct investment pastry and also foreign direct investment which comes to Turkey, is essential to finance current deficit and contribute to investment for promoting economic growth. Relationship between economic growth and foreign direct investments has been analyzed according to host country and also foreign capital provide investments which promote economic growth and economic development through raising savings and investments for these countries. Furthermore, foreign direct investments provide technological transfers and accelerate human capital accumulation.

The main purpose of this study is to analyze the effect of FDI in construction sector on economic growth of Turkish economy. It was observed that GNP increases, inflation fell and employment increased during the years when the construction sector gained speed in Turkey. Generally, the Turkish construction sector and FDI were reviewed in this thesis, effects of FDI in the construction sector to Turkey's economy is indicated by the statistical analysis.

Key words: *Foreign direct investment, economic growth, construction sector, Turkish Economy*

1. INTRODUCTION

Capital is a limited production factors, notably developing countries like Turkey, is a resource that all economies need. Since this resource is limited, it takes place in consideration of factors such as risk and return. However, since both the capital and the host country have different expectations, the optimum solutions have common interests. While the capital is heading towards areas that will provide maximum return for itself; developing countries seeking to successfully sustain development processes are trying to attract their own funds to the countries they need as they face the bottlenecks of inadequate funding sources, lack of domestic savings, currency shortages and technological constraints. Therefore, overcoming such bottlenecks and continuing the development process make outsourcing a necessity.

With the increase in the volume of direct foreign investments in the world economy since the 1950s, these investments have begun to be regarded as a necessary and important tool for achieving economic growth and growth targets in all economic circles. It is a view accepted by the builders of the economic policy that a steady capital inflow is a serious benefit and contribution for the development dimension for the local economy. The most fundamental factor affecting capital flows and economic factors that are likely to dominate the view that the capital gain which is located in the decisive position. Besides, the political stability of the country, the owner the level of openness in skilled labor force, education level, technological infrastructure, legal, bureaucratic and economic fields are also important factors for attracting foreign direct investments to the country. For this reason, the relationship between foreign direct investment and economic growth has become quite involved in economic studies.

Foreign investments directly affect the economic and political structures of the countries. The most important element of foreign investments is capital input, transfer of technology and creation of employment as well as contribution to the

country's exports. Competition in global world markets; has reached very high dimensions in today's conditions. This challenging competitive environment has reached only the dimensions that firms cannot handle with equity structures. This situation has led companies to search for company mergers, business associations and direct purchases. This makes it easier for firms to reach their target markets with their competitive power.

Joint venture in Turkey is carried out mainly in the construction and manufacturing sectors. In the case of large tenders where the work undertaken has reached very high figures due to money and business volume, the work is usually cooperated between the companies at certain stages.

Along with the globalization process that emerged in the 1980s, foreign direct investment has become the focus of attention for all developed and developing countries. As a result of the integration in the financial markets, the phenomenon of globalization has gained new momentum. Along with these globalization and integration, the magnitude and pace of capital movements has increased dramatically worldwide. Thus, the capital is directed to regions where the capital is relatively scarce and the return is higher than the regions with relatively abundant and low returns. Along with globalization, foreign investments have gained importance in the economy of the states. Foreign investment in the economic growth process has a positive effect on the growth process. Allowing the growth of foreign investments in different sectors in Turkey shows itself in the construction sector as positive.

That's the purpose of this study, foreign direct investment to examine in terms of their impact on economic growth theoretically and conceptually, to indicate other research that has been put forward in the thesis and direct the impact on economic growth of foreign investments is to analyze in terms of Turkey. The main purpose of creating a work of the first two chapters of the subject in accordance with the theoretical framework, the analysis is divided into statistical methods impact on the growth of foreign direct investment directed to the last part of Turkey.

First study, examining foreign investments in Turkey, foreign investment concept, role in the economies of these investments in Turkey are described as sectoral distribution of foreign investment. Later, Turkey Located examining

foreign investment in the construction industry, historical and sector structure of the construction industry, the impact of this sector to the national economy and foreign investments in this sector are explained. Finally, the impact of foreign investments in the construction sector and other sectors on the country's economy is explained.



2. THEORIES ON FOREIGN DIRECT INVESTMENT

As a result of the globalization in the last thirty years, economic borders around the world have been lifted, and the mobility of the capital, which is a limited production factor, has increased. While the capital is a limited production factor, the distribution among countries shows differences. Developed countries are rich in terms of capital; underdeveloped and developing countries cannot provide the funds they need for their economic development with their own internal savings. At this point, foreign direct investment (FDI) is an important tool for transferring countries where the capital is abundant.

FDI refers to the production of multinational corporations (MNCs), or of inter-border trade that takes place on the basis of this production, as a result of countries investing outside their own countries. For the realization of foreign investments as FDI, the entrepreneur must own at least 10% of the investment. Otherwise, investments are considered indirect foreign investments (portfolio investments).

According to the definition of the International Monetary Fund (IMF), direct investment means investing in a long-term and permanent investment in an economy outside an economy where an investor is based. It is a fact that the investor has a share of more than 10 percent (inclusive) in the capital of the corporation or has a say in management.

In this definition, the IMF has made a distinction between direct investments and portfolio investments and has addressed this difference in terms of penetration and control. Direct investments tend to have a lasting relationship with the country in which they are going, according to portfolio investments (IMF, 2009:99). The investor also contributes know-how, technology, management and marketing as well as funds to the country he / she visits. Moreover, entrepreneurs in direct investment often depend on each other in trade and finance relationships.

In portfolio investments, the investor provides direct access to financial markets. The IMF has made it possible to measure the degree of having significant influence on the management and supervision of the investment, to have a share of 10% or more on the investment or to have a say in management (IMF, 2009:99).

A direct investment relationship also refers to two entrepreneurs or one entrepreneur with supervisory and management authority over the other, who are not under the influence of supervision and management but are under the management and supervision of the same investor.

2.1 Conceptual and Theoretical Framework of Foreign Investment

The definition of foreign investment by the Organization for Economic Cooperation and Development (OECD) is as follows; the share of the foreign investor in the profits transferred to the company for the purpose of being converted into a non-distributed and re-invested company, the foreign investor's long or short term purchase of stock or debt securities as cash or in kind capital, debts provided by the foreign investor to the company, and commercial and other qualifying loans provided to the company by the foreign investor (www.hazine.gov.tr/10.03.2018).

When the Turkish Foreign Exchange Law is taken into consideration; According to the Foreign Direct Investment Law No. 4875, foreign investment " Turkey's Central Bank in the form of convertible currency traded equity capital, the company securities (excluding government bonds), machinery and equipment, industrial and intellectual property rights, obtained domestically; through economic assets such as profits, revenues or other rights related to investments that are of financial value, the right to search for and extract natural resources; to establish a new company or to open a branch, to acquire shares other than securities, or to become a shareholder in an existing company through acquisitions that provide at least a 10% share or voting rights from securities stock exchanges" (Official Journal, issue number : Resmi gazete, Kanun No:4875/17.06.2003).

The concept of foreign investment in the OECD definition of foreign investment has been generalized and its scope has been broadened. The concept of foreign investment in the Turkish Foreign Exchange Legislation has become more evident and its scope and nature have been more narrowed. In addition to these two definitions, there are many approaches to the definition of foreign investment in economics literature. Approaches based on perfect competition conditions can be grouped under three headings: different rates of return hypothesis, portfolio diversification hypothesis and market size hypothesis.

The different rate of return hypothesis is the first approach to explain the FDI realized by the host countries. According to this approach, capital flows that flow from one country where the return rate of the capital is relatively low to another country which is higher than the capital move in a way to equalize the expected real rates of return at the beginning of the period. The different rates of return that assume that investments are made at the point where the marginal return of the capital is equal to the marginal cost of the capital means that the investment decisions of the hypothesis are taken on the basis of risk inconsistency.

Unlike different rates of return hypothesis, in the portfolio diversity theory, investors consider the investment risk as well as the expected rate of return when making a direct investment decision. According to Portfolio Diversity Theory, which extends from Tobin's 1958 and Markowitz's 1952 and 1959 portfolio selection theories (Moosa, 2002:26), FDI is a negative function of the relative return of the capital and the risk of direct investment. In this way, capital owners will have minimized or reduced their risks by investing in different projects with different expected rates of return and risks at a certain weight in investment projects, and they will increase the expected yield of their investments. Portfolio diversity theory as long as there is a strong link between the return of the investment in the country and the weakness of the investments in the different countries, the mechanism of the risk involved with the potential return of the capital is valid (Sekkat, 2004:5).

Theories for explaining foreign investments based on precisely competitive conditions have only approaches that try to find an answer to the question of where to make the production. These theories, which are set in motion with the

presumption that perfect competition conditions are provided, also act on the assumption that goods and services flows in international markets without any financial burden. In this case, where the mobility of goods and services does not add any additional cost to the operation, a rationally moving producer or entrepreneur will move to the point where he can make the most of his total revenues in order to maximize his profit.

Hymer at 1962, Kindle Berger at 1969, Dunning at 1988 developed model for the foreign direct investment. According to this hypothesis, when a foreign company establishes a subsidiary to operate in a country, language, culture, legal system and differences have been affected in both of the countries (Hymmer, 1976). For example, it is imperative for foreign companies in this country to adopt a higher wage policy than local firms, since laborers who settled in an individual country are riskier to work in foreign firms. This leads to an antagonism as an element to increase production costs. In order for a foreign company to make investment decisions in this country despite these and similar disadvantages, it must have a number of intangible assets, such as being a well-known brand, having a patent-protected technology, managerial skills and other company-specific factors. Hymer does not attempt to calculate the benefits and costs of FDI or technology transfer, nor does he analyze explicitly the impact of MNEs on developing nations however, follows classical approach. It is written broadly within the framework of mainstream economic principles of the time and it does not use dependency arguments. Hymer shifted the emphasis from strictly efficiency type. Due to the theoretical difficulties in providing efficiency and equity arguments, a great debate has ensued over the last twenty-five years about the conflicting objectives of MNEs and nation states. Hymer focus upon the ability of MNEs to limit markets and thereby increase their ability to earn rents helped to give an apparently plausible basis to this debate. His work has been interpreted by critics of the MNEs as a rationale for regulation of MNEs. This interpretation of Hymer' s work is simplistic at best and, given his neglect of the transactional side of the theory of the MNE, is liable to be misleading. These issues need to be analyzed today using models of disequilibrium dynamics. The older static welfare criterion for evaluating the contribution of institutions, such as the MNE, to resource allocation has lost its

ap- peal. In a disequilibrium situation it is not always apparent that the activities of MNEs lead to a more (or less) efficient allocation of resources. The answer depends upon an evaluation (often on a case-by-case basis) of their relative use of asset power in closing markets and of their ability to respond to transaction costs inefficiencies. To this un- resolved debate, the 1960 dissertation by Hymer still brings fresh insights, but fewer unambiguous policy implications than his followers have imagined (Dunning and Rugman, 1985, 228).

FDI by internalization theory; it is only when the foreign firms believe that the profit they will make from the investment they will make within the borders of the country will be more than the gain they will gain from foreign trade (Dunning and Rugman, 1985: 230).

Internalization theory is an approach expressing that the countries where the FDI will be preferred will be protected from the problems and risks existing in the markets (Hansen, 2000:33)

The local advantage hypothesis is an approach put forward in order to show why FDI prefers to deploy in one country. According to local advantages, therefore, the fact that firms that are not settled in the country due to the hypothesis of the hypothesis, labor force and nature factors in the international markets cause physical production in the country and that the desire to benefit from the factor advantages of this country provides the formation of FDI. Taking advantage of the aforementioned factor advantage will be a very encouraging factor for firms as it will reduce the production costs of foreign firms (Vernon, 1966:28).

The product life cycle theory is an approach introduced by Raymond Vernon in 1966. Vernon analyzed the impact of technological developments on international trade. Vernon's theory of product life cycles has emerged as an improved form of theory that considers technology openness

Vernon's basic assumption is that the level of technology in advanced economies does not vary greatly from one another, that is, between advanced economies and less developed economies. (Vernon, 1966:191).

2.1.1 Foreign investment concept

It is imperative that underdeveloped or developing countries are able to complete their developmental processes and make serious investments in order to reach the improved levels. These countries need capital to make such investments. If internal resources are not enough to meet this need, these countries have to import capital from external sources. The financial and technological resources to be obtained from external sources to pay for the repayment of a country are called foreign capital

The existence of three basic elements is essential to talk about foreign investment. These are the investor, the host state and the resource state. Foreign investment is also called overseas investment, foreign investment or international investment.

Foreign capital means that another country holds the existing capital stock in one country (Karluk, 2002:465). In another definition foreign capital is expressed as "accumulation of foreigners in foreign countries and accumulation of economic value, (Uludağ, 1991:51).

According to the definition given by the Organization for Economic Cooperation and Development (OECD), the concept of foreign capital;

- the share of the foreign investor in the earnings of the company which is not distributed and is transferred again,
- the purchase of shares and debt securities from the parent company by the cash and capital of the foreign investor,
- the foreign investor purchases cash and non-cash machine and production rights from the company,
- -includes commercial and other loans provided by the foreign investor.

In the expression of "foreign capital", which is often described in the international economic literature, it is also worth mentioning that a foreign vocabulary means to be outside the national borders.

As can be understood from the above definitions, foreign capital inflows to a country are essentially (Turkey'S Prime Minister's Office Report, 2011).

- Direct Investments
- Portfolio investments and
- It is in the form of credit and foreign aid.

The insufficient national capital means insufficient growth rate. As a requirement of this general rule, it is naturally necessary to sympathize with the foreign capital of a country suffering from inadequacy of resources or lacking in resource and productivity and technological level. For this reason, while developing countries in the 1950s and 1960s saw foreign capital as a threat to their country, foreign capital is now perceived as an opportunity for both developed and developing countries.

The most important factor influencing and determining foreign investment in general is the current political and economic stability in the country. Fundamentally, foreign capital wants to come to a country for a long time, not short term. On the other hand, foreign capital, while moving to another country under the influence of economic factors, has to take into account the social, economic, cultural and political conjuncture of that country. As economic factors, such as the size of the market, the tax policy that investment is favorable to export, are taken into consideration. In the political conjuncture, it is understood that the right of property is guaranteed and the international institutions are recognized in that country. If loans and foreign aid from foreign countries are to be left aside, the foreign capital will mainly come to a country for profit and investment.

2.1.2 Types of foreign investment

It is imperative that underdeveloped or developing countries are able to complete their development process and make serious investments in order to reach the improved levels by setting the economies on solid basis. These countries need capital to make such investments. If internal resources are not enough to meet this need, these countries have to import capital from external sources.

The financial and technological resources to be obtained from external sources to pay for the repayment of a country are called foreign capital. The existence of

three basic elements is essential to talk about foreign investment. These are the investor, the host state and the resource state. Foreign investment is also called overseas investment, foreign investment or international investment.

The concept of foreign investment has two main meanings. They are financial investments. The financial investments made on capital market assets such as foreign bonds and stocks or on short-term money market instruments such as foreign bank accounts, deposit certificates and so on. The other are investments on physical production tools. In general, this first investment type is called "Indirect Investment" and the other is called "Direct Investment".

Below, the two types of investment are explained first, and the differences between them are explained separately.

2.1.2.1 Indirect foreign investment

Indirect foreign investment in international economic theory is expressed as the type of investment made through the purchase of stock certificates and debts from a foreign country through international capital markets (Coeurdacier, 2011:289). These private capital transfers are mainly due to the fact that the interest rate differs between the countries. These are called portfolio-type investments and are made up of securities such as bonds and stocks. Indirect investment is also made through the purchase of a company's shares in another country. Thus, the investor company has only the share of the company in another country.

Indirect investment does not require the physical presence of the foreign investor in the host country. The investor has no influence on the supervision and administration of the company, it only has the share of the company.

2.1.2.2 Foreign direct investments

Foreign direct investment is defined as the transfer of tangible and intangible assets from one country to another, under the total or partial control of the owner of these assets and for the purpose of increasing the well-being of the host country. Here, "direct" means that the knowledge of technology, know-how and business in varying amounts with capital also comes to the country. According to the definition of OECD, foreign direct investment is defined as "an individual, an anonymous or non-anonymous, public sector private

enterprise, a group associated with an individual, or a dealer, representative, or agent affiliated with an anonymous non- is operating in a different country than the country in which it has lived "(OECD, 1999:8).

Direct investments are allocated to indirect investments (portfolio investments) through the purchase of stocks and debentures in a foreign country in international capital markets. In foreign direct investments, a foreign investor may establish a company in another country, or may purchase an established company, or invest in a firm in that country by providing found capital for a company or by increasing the capital of an existing company. In addition, foreign investors can invest directly in developed countries by opening a branch of their venture (Karaçuka, 2001:96). It is a foreign direct investment in which a company manufactures production facilities alone or in partnership with existing production facilities, spreading its production beyond the borders of the country where the headquarters is located. Therefore, companies operating outside the borders of a main headquarters are called foreign capital companies (Koyuncu, 2010:22).

The most important feature of direct investments is that these investments are directly directed towards the production of goods and services. On the other hand, the management and supervision of the companies or branches to be established in these investments is important.

2.1.3 Differences between Direct-Indirect Foreign Investment Reserve Assets

In the context of the above explanations, the main differences between direct investment and indirect investment are

- - Foreign direct investment (FDI) is the transfer of investable resources from one country to another. Portfolio (indirect) investments are the purchases of the shares of companies traded in a country's stock exchange by another country or organization.
- - With the FDI, the management of the company established abroad is under control. In many cases, the top management of the firm is created with people who are sent from the main company. In portfolio investments, there is no intention to intervene directly in the management of the companies invested in securities.

- -In the FDI, the foreign investor brings other production technology, management information and brand values from the capital. In portfolio investments, the investor brings only capital.
- -In the FDI, investors are usually big firms, but portfolio investors are mostly real people.
- - In relation to the return of investments; there are various types of dividends, such as profit share, profits other than capital gains and transfers, which are brought in FDI, and stock appreciation and interest rates are accepted as return on portfolio investments.
- -If the investor faces any risk in the FDI, the investor does not have the opportunity to leave the country immediately. Because investor works together with machine equipment and all equipment. This risk does not exist in portfolio investments. Because the investor can sell away his or her stocks when they encounter a dangerous situation and move away from the investment.
- - In the case of foreign investors in the FDI, there is the authority to control and supervise the firm; portfolio investments have only shared and treasuries.

2.2 Factors that play a role in bringing foreign capital to a country

With globalization, it is seen that international investments in the world market are continuously increasing. Integration on the world scale and increasing trade, capital, ideas and human movements. Until September 11, the US government tended to define globalization as essentially a series of economic rules. However, thanks to the global war on terrorism, now understand that similarly, a clear statement of a string of safety rules and the imposition of a clear line of imperative is a necessity for globalization. "With this definition, every concept in which globalization is not merely an economic sense and the word "globalization" it seems that it brings with it the enforcement. Globalization in the introductory chapter of the Eighth Five-Year Development Plan Globalization Specialization Commission Report states: "Some common values

in economic, political, social and cultural spheres mean that global and national borders can be exceeded." (UNCTAD/24.09.2008)

Defines globalization in the economic context as the transition of the capital from the national dimension to the international dimension and the free movement of production factors. In other words, the globalization of the economy means that all countries have economic markets in line with the world market and the establishment of a single market. The free movement of goods and services and the provision of free markets and the removal of obstacles in front of the entry of foreign capital by countries and organizations such as the Customs Tariffs and Trade General Agreement (GATT) and the World Trade Organization (WTO) and bilateral agreements (Mutual Encouragement of Investments and Protection Agreements) trying to remove it (Ceken, 2003:78)

There are a number of factors that affect the decision of the foreign direct investor to come to the country. These Economic factors,

- Legal factors,
- Political factors
- Psychological Factors

Social and Cultural Factors (Oksay / 07.01. 2008)

Balasubramanyam, Salisu and Sapsford (1996) find out foreign direct investments would have a positive effect on economic growth if liberalization policies were applied in foreign trade using cross-sectional regression analysis, found that in the study of 46 countries with the period of 1970 - 1985 period, (Balasubramanyam et al,1996:105).

2.2.1 Economic Factors.

It is clearer that the economic factors that determine the infrastructure conditions necessary for the competitiveness of other countries are determinative in terms of attracting investors. Economic indicators of countries are influential in FDI decisions (Kaymak, 2005:74). Fast and steady real growth of countries, low interest rates, predictable inflation rates, exchange rate with moderate fluctuations, and more importantly, stable fiscal and monetary policies are the main indicators of international capital's investment stage (İSO, 2002).

Economic factors; market volume, wages, exchange rate, growth, tax, openness, trade barriers, rate and trade openness (Gövdere, 2009:117).

Market Volume: Measured by the GDP per capita of the host country. According to the "market volume hypothesis" which is especially important for Developing countries, the FDI entry level and the absolute size of the foreign market are directly proportional. The breadth of the markets of the host country directly affects the magnitude of the demand for goods and services that the investor will generate. For this reason, foreign investors prefer countries with broad market opportunities.

In terms of foreign investors, market volume is influential in the decision of location, but there are two factors; sales volume and strategic importance. According to sales volume; the cost of entry into a market through the export of a good is compared to the cost of producing that good in that market. FDI is important if the costs of entering the market through exports exceed the costs of investing in the exported country and producing goods in that country. The market size is important for this country which is in commercial relations while the investment decision is taken. Secondly, Davidson (DPT, 2000) suggests that the strategy of "do what the competitor does", often seen in oligopolistic market structures, does not fully explain the FDI of such industries. According to Davidson, it is necessary to look at production rather than demand and market size before expecting profit

Besides market size, growth opportunities of the market are taken into consideration. Apart from this, besides the size and growth opportunities, the presence of a functioning market mechanism in the host country ensures that the country stands out in attracting FDI. In this context, the population density of the host country also plays a positive role in the entry of FDI.

Labor Cost: The most controversial determinant of FDI is wages. According to theory, high wage level means low FDI. In a territory or country; the higher the wage level, the higher the prices of all products produced in that region.

However, even though the results of the studies on both advanced and Developing countries have reached the result that the companies with foreign capital gave higher wages , the recent decrease in the labor cost ratio to 10-

15% it has been. However, as senior managers increase costs in developed countries, foreign investors have begun to prefer developing countries with well-educated human resources . However, the decline in labor costs at total costs supports the notion that some anti-globalization opponents exploit workers in the third world countries where they are located, and that they employ them for long working hours and under heavy working conditions and at very low wages.

In order to be attractive in terms of foreign investments, not only the wages but also the productivity is important. The wage-efficiency for the FH chain is J.M.C. Rollo concluded, "If there is a high-quality workforce at a low wage level, this will be a key factor for foreign capital".

Openness to Foreign Market: The openness level of a country is generally measured by the ratio of foreign trade volume / GNP. In view of the fact that investments go to tradeable sectors, it is accepted that countries with high openness rates will attract more FDI. However, in countries where the openness level is high, it is stated that FYRM, which emerged when the firm invested in the same country as its own country. (Ersungur, 2009:27).

It is also important that there is an openness to capital movements in addition to commercial openness. Apart from the tariffs and quota applications used to measure outsourcing, there are difficulties in determining tariff-like factors and exchange rates and invisible barriers (health, safety and standards, administrative regulations, etc.) within the framework of new protectionism. (Vernon, 1966:190)

While liberalization in foreign trade facilitates imports of intermediary and investment goods and the exports of goods, which are needed for the investments of firms, it also facilitates the transfer of profits obtained by companies abroad. For these reasons, an increase in the openness rate of the host country affects the FDI positively while the decrease will also have a negative effect on the FDI (Batmaz, 2007:199).

Commercial hurdle: Lim argued that different factors affect different investors at different levels of importance, and that the important factor for one would not be so important for others, moving from different investment objectives. For

investments made to overcome commercial obstacles and to enter the bazaar with less cost, these obstacles are removed and a clearer economy has a negative effect and a positive effect for other investment types (Loewendahl, 2001:44).

Growth Rate: Countries with high growth performance are expected to create wider consumption opportunities, and it is believed that stability and confidence are attractive to foreign investors (Deger and Emsen, 2005:61). In order for the growth effect of FDI on FDI to be better understood, it is necessary to compare the country with fast and slow growth rates. Faster-growing economies provide comparatively better opportunities for firms and provide better profit opportunities (Gövdere, 2003).

Foreign Trade Deficit: This hypothesis based on Torissi suggests that a country with commercial potentials would probably encourage FDI, indicating that a trade surplus is indicative of a dynamic and healthy economy with export potentials. When the FDI flows are examined in terms of OECD countries both in terms of investment and attracting investment, it has been found that the FDI flows have an important role in explaining the changes in the trade shares. In this framework, it is observed that there is a negative relationship between exports and FDI flows in FDI countries, whereas FDI inflows in FDI countries (Töre, 2001:32).

Exchange Rate: The relationship between exchange rate and FDI was first discovered by Caliber in 1970, and suggested that the geographical distribution of total FDI could be explained by the existence of different money fields and by foreign exchange markets.

As an important determinant in terms of FDI, exchange rates are discussed in terms of "theory of monetary areas", especially the exchange rate theories. The weaker the cost of an entity in this direction, the less likely it is that foreign investors will invest in a country with a weak market. The most important approach of theory is the tendencies in the capital market; when the income stream is combined with exchange rate risk in a country with a weak currency, the capital flow leads to a disadvantage against poorly-funded country firms that borrow in the form of strong money. In this respect, changes in exchange rates in the short term are thought to have a significant negative impact on the FDI

inflow by increasing uncertainty (avoidance of risk) and affecting productivity (production flexibility). In this respect, there is a widespread literature observing that there is a negative relationship between the exchange rate and the FDI inflow in a country with a weak currency.

However, when the effect of exchange rates on FDI is determined, it is important that what a firm's products imports and how much it imports. For the foreign investor who produces for the internal market, while the exchange rates are important only in the stage of investment and profit transfer, the investor producing for the export must pay attention to the exchange rates during the sales phase of the products.

Tax Practices: Another important factor that makes a country attractive for capital investments is the tax. Here, "tax" is used both to include taxes on income such as Corporate Tax, Income Tax, as well as indirect transaction taxes such as Stamp Tax, Fees. On the other hand, not only the tax rates but also the tax authorities' approach to capital investments, the fact that it is clear and practicable, the timely payment of tax returns, the existence of tax justice and equality, and the lack of tax bureaucracy play an important role. In addition, macroeconomic factors such as high inflation, which differentiate the actual tax burden, must also be accounted for (ISO, 2002:28).

With the acceleration of the transition to a market economy by weakening central planning in the Developing countries, an improvement in the scope of the incentive policies and a weakening of the relative power within the general economic policy was expected (Duran, 2002:32). However, some countries that have subsequently shifted to the market economy have become tempted in terms of investment and business environment and have changed these expectations by intensively using incentives to get more shares from FDI acting internationally. The most important point that needs to be mentioned here is that the elements affecting capital inflow should be evaluated in a collective way. Only tax incentives are not effective in direct foreign capital entry. Many factors are evaluated collectively during the decision stage (ISO, 2002:24).

Countries where transparency is minimal in country management and where domination and corruption are dominant in management generally will be insufficient in predicting risks and incomes. This risk and uncertainty

environment is an obstacle to the evaluation of the country as a business and investment environment (Duran, 2002:90).

2.2.2 Political Factors

Economic, political and social stability are important for foreign investors as a whole. The changes in the political arena are characterized by democratic and multi-party forms of political governance (Karluk, 1983:123), political instability that may arise, or the development of investments that may risk long-term survival of the project and that foreign capital should be directed to other countries (Algan, 1998:33), is one of the basic factors that cause it to escape. To attract FDI to the country, it is first necessary to be a politically stable country. Governments play an important role in creating the necessary opportunities to attract FDI to their countries and in establishing the right conditions (UNCTAD, 2005:5).

The realization of FDI depends on the political stability of the country to be invested as well as the stability of its foreign policy. In addition to political stability, the approach of state administrators to FDI is also a very important factor.

For the last 40 years, countries have been making bilateral agreements to protect and promote foreign investments. The difficulties of multilateral investment agreements and the lack of a global investment agreement have led many countries to make bilateral investment agreements. Today, many countries are trying to provide elements that will provide the necessary investment climate for the development of international capital through bilateral agreements or regional agreements such as the North American Free Trade Area (NAFTA) (Yükseler, 2005).

The privatization practices (Ventura, 2005:83) aimed at ensuring competition in the economy through the handover of ownership are used as an important means of attracting FDI in Developing countries and successful outcomes are being achieved in this area. The majority of FDI done to Central and Eastern Europe and South America was achieved through privatization. Approximately 50% of FDI investments made in Bulgaria by the year 2000 were made by privatization.

Between the years 1988-1995 the FDI is sourced privatization that took place in Turkey as approximately 15%.

2.3 The Effect Of Foreign Investments On The Economic Growth Of The Country

2.3.1 Conceptual economic growth

The first and foremost problem for the countries that have developed their resources to a large extent and are industrialized in the future is to ensure full utilization of these resources. In countries that have not yet developed their resources and have not been sufficiently industrialized, the success of economic growth comes before all the problems and greatly affects their ability to connect to positive solutions. Nevertheless, it should not be forgotten that the problem of growth is also important in terms of developed countries, and in particular has a critical value in the long-run economic recession. Even in a developed country, it is not sufficient to have full use of scarce resources at hand, to solve the problems of scarcity of resources which are to be used in production, which methods to be used, and how to divide the product among them. If a country that has found the best solutions to all these problems has a stagnant economy, its production capacity will never change from one year to the next. If, on the other hand, the capacity to produce goods and services in a country that has not found the best solutions to other economic problems can show significant increases every year, its economic life will show tremendous vitality and dynamism, and the level of prosperity of society will increase significantly over time.

In every country there are four factors that are fundamental to the growth process. These are the quantity and quality of the workforce, the quantity and quality of natural resources, the quantity and quality of real capital, and the technological level that society has achieved. These are the "basic" elements of economic growth. These factors, in a fundamental sense, define the production potential of each economy, the technology is concerned with the efficiency of the production process in the consolidation of labor, natural resources and capital. From a practical point of view, it is difficult to distinguish technology

resources from themselves because the quality of resources is a reflection of the technological level that a society has reached.

2.3.2 Financial development and economic growth theory

On the school of classical thought, economic growth is a weighted sum of capital accumulation, machinery and division of labor. In this context, economic growth is linked to technological progress leading to increased production. Growth is connected with the source, investment and capital accumulation. As the income of the economy increases, the savings also increase, and these savings are directed towards investments to generate earnings. As a natural consequence of the increase in profitability, there is an increase in savings and investments, leading to economic growth.

The classical school was accepted as the first school of economic thought in the 18th century. Adam Smith was proposed in 1776 by some British economists such as Robert Malthus and David Ricardo in the book "The Services of the Nations". The book "Rich Nations" describes a comprehensive economic analysis in which the concept of free markets is promoted according to personal interests. According to Smith, division of labor is an important factor for economic progress because producing goods allows for a more efficient and less costly use of the workforce. The division of labor does not only increase the quantity of goods produced, but also saves time and improves the level of expertise of the persons in performing the tasks in continuous productions (Dang, 2015:11). Smith has stated that the participants in the economy tend to follow their own personal interests, but when the personal interests are directed, an invisible hand concept emerges that brings out social utility. The "invisible hand" defines the self-regulating behavior of the market, that is, individuals can gain and maximize it without the need for state intervention. According to Smith, the government has indicated that the introduction of the economy is an unnecessary and undesirable situation. Degenerate governments constitute monopoly with inefficient privileges and these privilege owners are affecting society negatively. The general principle of classical economists is that economics is the only measure of the value of labor as labor, and that it regulates itself without state intervention (Smith, 206:9).

According to Domar, no one needs to be Keynesian to consider employment as a part of national income. *For an individual firm investment may mean more capital and less labor, but for the economy as a whole investment means more capital and not less labor. If both are to be profitably employed, a growth of income must take place* (Domar, 1947).

According to the advocates of the Harrod-Domar-Singer Model, the population growth rate should be reduced in order to increase the national income. The high rate of population growth is detrimental because it decreases the savings of households and increases the share of demographic investments such as education and health expenditures. Because demographic investments are not efficient according to physical investments and the rate of demographic investments should be reduced by reducing population growth rate. At the same time, increasing the number of children by increasing the rate of dependence of the families will lead to savings in families, and thus reduce the total savings of the income to be allocated to the consumption of the population growth rate should be reduced by decreasing the total savings (Baran, 1976: 55). On the other hand, in this model, it is not possible to clarify a multidimensional event such as development, but the way to calculate the per capita income is opened.

The most striking feature of the Harrod-Domar model is the continuous examination of long-term problems with short-term instruments. Usually it deals with the neo-classical issue and the distance field as long term (Solow,1956).

2.3.3 Foreign capital - economic growth relation

Foreign Direct Investment has a positive contribution to the host economy by providing capital, technology and management resources that are not available. Providing these skills through foreign direct investment by a foreign country in a country where technology is scarce can increase the economic growth rate of this country. Technology is often used to produce newer products at a lower cost, or is used in the production process to reduce the time spent in production. However, none of the less developed countries have qualified human capital or resources to develop their own local product and process technology. Foreign investment or assistance fills the gap in management, entrepreneurship, technology and skill areas by operating domestic firms.

If the product produced by FDI is present in the host country, then the amount of output from foreign investors is reduced and the price of the product is lower than the current price. This is a positive development for the consumers in the host country. The prices that domestic and foreign firms compete for the production factors increase the overall price of the factors. When assessed in terms of wages, the increase in domestic wages is woven because foreign companies think that it is necessary to maintain high wage levels in order to establish good relations with the public and domestic companies prefer foreign companies. Foreign companies are faced with the obligation not only to lose the necessary qualifications but also to keep the wage level relatively high in order to avoid employees' retraining costs (Seyidoğlu, 2003:20).

Structural market failures; Multinational Companies are disruptive to consolidate their assets. Economies of scale, knowledge superiorities, distribution networks, product diversification, credit superiorities are such defects. According to Hymer, such disruptions have been created by Multinational Corporations because they have strengthened the forces of Multinational Companies in the market. In other words, multinational corporations are companies that strengthen their position in international markets by benefiting from market failures. On the other hand, according to Dunning; measures taken by governments to protect their companies from global competition also fall under the structural deficiencies (Dunning and Rugman, 1985:6).

Market entry and activities of multinational companies bring competition, especially when the number of vendors in the market is limited. Market competition can be in the form of lower prices, advertising or product differentiation, or the launch of a new product on the market. If legal regulations against competition do not exist in the host country, foreign companies can cover domestic companies because every market is monopolistic. The strong capital structure of foreign firms increases the likelihood of being a monopoly in the countries they invest in. In addition, if the legal regulations preventing the monopoly in the country are not sufficient, the competition will have an unfavorable outcome when foreign dominant firms are involved. Monopolization by foreign firms can be in the form of providing incentives to

firms or consumers who benefit from the gaps in the legislation. Partnership with a local company, negatively affects legal gaps. This partnership strengthens the capital structure of the local company and thus firms ultimately dominate the market. The foreign firm may increase its market share by causing small local companies to withdraw from the market with low price policy (Adams, 2009:939).

One of the main reasons for the investment of multinational companies in the developing country is due to the existence of natural resources and lower labor costs. From here, labor-intensive methods can be applied because foreign investors can come up with advanced technology as well as cheap labor. In such a case, the foreign company causes it to continue only at the level of the current country, rather than expanding the production technology and expanding the accumulation of human capital. Foreign companies sometimes do not share their knowledge and skills with parent companies through license agreements. This is still an obstacle to the technological development of the countries of the country (Todaro, 2011:198). Secondly, foreign firms do their research in the motherland, not in the host countries. This means that the host country has no choice but to continuously import new technology abroad, which leads to an increase in technological dependence.

3. FOREIGN INVESTMENTS IN TURKEY

3.1 Turkish Economy

FDI in Turkey starting point creates bitter experience where the Ottoman Empire's capitulation occasions. Traces of Turkey's contradictions heard against FDI, in the 16th century by the Ottoman Empire and to foreign governments that their citizens with cross-border jurisdiction in the Ottoman Empire extends to the bitter experience of the capitulations. In other words, this system has created the privilege and immunity to FDI companies. Foreign investors and businessmen were exempted from direct taxation and were given the right to resolve all their disputes in private courts established by their consular representatives. In its essence, the capitulations, which were based on a non-condescending state of contempt for the small foreign merchant group that came to the country, then turned into cross-border concessions and immunities. The capitulations, which have long been regarded as a network quality and symbol of submission, were abolished in 1923 by the Lausanne Peace Treaty. (Lewis, 1965:449) After the capitulations were abolished, the Treaty of Lausanne brought some limitations to the Turkish economy until 1929. Thus capitulations in 1923 after the establishment of the Republic of Turkey, in humiliating ways for national independence was seen as a step back in the form that led to deep and negative impact on Turkey's FDI. (Lewis 1965:249).

Another source of doubt about foreign economic assets is the Duyun-i General Administration in 1881, in which European lenders set up in Istanbul to allocate debts of the Ottoman Empire. After 1840, the Ottoman Empire faced increasing external borrowing, which resulted in 1875-1876 becoming unable to pay debts. Duyuni Umumiye Administration, a wider member of the Ottoman Ministry of Finance, controlled a large part of the national income and spread its power through taxation to all parts of the Ottoman Empire.

The influence of European finance was inevitably accompanied by great economic influence in other areas. It started to play a big role in the

development of the foreign capital, especially in the communication and services sector and at the same time in the agriculture and the Ottoman industry, which started to be new. Railways, trams, harbors, gas, electricity and water were all managed by foreign concession companies, while coal mines and factories were largely under their control (Lewis 1965:447).

In 1923, Grand National Assembly of Turkey has approved the concession Ark of the organization. In other words, this crate was envisaged in 1908, but the outbreak of World War I had prevented it. Concession Fund, to make an American the right to rebuild Ankara, the company and the expedition to Anatolia, where the mines gave the right to make the railways in Turkey in order to use operating to and the 99-year concession framework derived oil in Mosul. However, as Turkey lost its dominance in Mosul, he gave up the concession Fund Project.

When the bride Turkey in 1924, the company had a total of 94 FDI: 7 railway, coal enterprises of 6, 23 banks, about 11 municipal concession, 12 industrial enterprises and 35 commercial companies. Although some FDI firms were nationalized in exchange for a fair compensation, new FDI firms emerged during this period, benefiting from the Industrial Incentive Law introduced in 1927. After the establishment of the Republic of Turkey was established first FDI in the manufacturing industry, it was founded by Nestle chocolate factory. The Ford Motor Company's auto project was canceled in 1929, because in 1930 the World Economic Crisis erupted, which lasted until 1936. Great Buhler it came with the beginning of the end of economic liberalism and statist in Turkey.

FDI does not play a very important role during this period. In 1930, it ended the currency convertibility of the Law on the Protection of the Value of Turkish Currency, number 1567, which brought quantitative control of foreign exchange transactions. Although it has remained in force for only three years, it has continued to be influenced by a number of subsequent legislative changes. Law 1567 was also the beginning of the era of economic liberalization and the period of increased government intervention in the economy.

A number of new FDI companies were set up between 1934 and 1938, i.e. neither against FDI nor at the time of entity. Many of the existing FDI

companies established for local governments and railways were nationalized in the period 1930-1939 for fair compensation. Turkey number of alternative suppliers in the automotive industry increases the chances of finding buyers and suppliers increases abroad, state that reduced the bargaining power of local suppliers. Likewise, if the supplier company in Turkey founded by executives who considered that separated from some of the buyer, is understood to have low bargaining power of suppliers.

Which does not allow FDI activities after the Second World War, Turkey began to make alliances with the West and it was very obvious consequences in terms of FDI. Law No. 13, issued in 1947, allowed the Ministry of Finance to release capital from foreign investors in certain circumstances. Law No. 5583 issued in 1950 was the first law on FDI in the Republican period. This law enabled the transfer of profits, subject to strictly limited regulations. The Foreign Investment Promotion Law No. 5821, which was enacted in 1951, replaced the Law No. 5583. In other words, this law reduced the restrictive conditions and clarified the permits for FDI activities. However, this law still did not provide a clear acceptance environment for FDI.

Therefore, neither Law no. 5583 nor Law no. 5821 did much to attract FDI. The Foreign Investment Promotion Law No. 6224, which was prepared with the help of an American expert and became effective in 1954, entered into force to replace Law No. 5821 without the support of the opposition in the TGNA. The main opposition party, the Republican People's Party, described this new law as a re-introduction of humiliating capitulations and promised that it would be re-addressed when they were again in power. Law 6224 abolished all the restrictive conditions defined by law no. 5821.

Although the headline included promotion, the law no. 6224 did not contain any special arrangements to attract FDI to the country. Law No. 6336 was enacted in 1954 to attract FDI to the country with the aim of exploring the oil. Both Firm No. 6224 and Firm No. 6326 were exempted from the regulation on FDI introduced by Law No. 1567. Law 6224 coincided with the turn of the government's intervention in the economy. This period also pointed to the end of the period of economic liberalism experienced between 1950 and 1953.

In the past launched in Turkey with the decisions implemented in 1980 and then return to the price mechanism, in the new era were made based on the liberalization of foreign trade liberalization on foreign capital. Since then, foreign direct investment has begun to develop.

Turkey also operates with the aim of protecting against the risk of non-commercial investments to Law No. 3453 in 1987, the World Bank subsidiary MIGA (Multinational Investment Guarantee Agency; Multilateral Investment Guarantee Agreement) has become a party to the contract (Çeken, 2003:32). Again in 1988, the International Center for the Settlement of Investment (ICSID), the International Center for the Settlement of Investment Agreements, entered into force in the World Bank under Law No. 3460. Also revealed a significant improvement in terms of the impact of foreign direct investment.

Today, when I look at the laws applicable in Turkey Turkey's FDI inflows it seems to be a very appropriate legislation. In this context, the most important law regarding foreign direct investment is the Direct Foreign Investments Law No. 4875 dated 05.06.2003. The Law provides the following possibilities to the countries. (Uraş, 1979:12):

- The concepts of FDI and foreign investors are defined in a similar way to the world literature,
- Equal rights have been given to domestic and foreign investors,
- The expropriation made without payment of wages and fees has been prevented,
- The obstacles in front of the transfer are removed,
- The possession of immovable property has been provided by the foreign investors,
- In case of disagreement, international arbitration was opened in front,
- Provided that the recruitment of foreign personnel is subject to permission
- Opportunities to open contact offices were provided.

By this way, the law has reached a qualification that can be accepted as liberal at the world level (Demirel, 2006:10). All of these laws, regulations and treaties

on the basis of terms of FDI makes Turkey one of the world's most liberal countries.

In 1924 there were 94 companies with foreign capital coming from country. 23 of them were in banking, 11 in electricity, 12 in manufacturing industry, 35 in trade and 6 in maritime business (DPT, 1983:12). After the declaration of the Republic, investments have generally taken place in partnership and these partnerships have been realized in areas such as food, cement, and weaving. By 1929, the number of foreign-funded companies had risen to 114 and a capital of \$ 30 million entered the country (Şahinöz, 1998:336).

The existence of some troubles in the economy in 1957 and the political uncertainty in 1960 affected the foreign capital in a negative way. In 1954, 55% of the foreign capital was in the form of machinery and equipment capital and 45% was in cash. These rates were 52% and 47% in 1963 (Şahin, 1978:64).

Depending on the changes taking place in the world economy, there have also been major changes in the sectorial distribution. In the 1950s, direct foreign investment was concentrated in sectors where primary products and natural resources existed. In recent years, there has been concentration in foreign capital investments, especially in the service sector and in the manufacturing sector where technology is intensive. Services the most important reason why foreign investment in the sector has increased in recent years is that most of the services have an inexhaustible quality.

With a determined will to invest in foreign investments, the expected success in practice was not achieved until the 1980s. The liberal economic policies implemented after 1980 have played a major role in promoting foreign capital inflows. The liberalization of the foreign exchange regime, the reduction of bureaucracy, the reduction of customs and the improvements made in the case of foreign capital were effective in promoting foreign investors (Töre, 2005:12).

During this period, agreements were also signed with many countries on "Mutual Encouragement and Protection of Investments". In recent years, as a State policy actions from the privatization agenda has also been used as an instrument of foreign capital inflows in Turkey. Some laws issued in the 1980s introduced Build-Operate, Build-Operate, Devolution Models of Enterprise

Rights and Build-Operate Models with some laws issued in the 1990s. Economic stability is largely achieved across the country after the 1980s, foreign investors have provided the formation of a certain confidence against Turkey, and since the late 1980s, foreign capital investments to Turkey has started to happen in a meaningful level (Yıldırım, 2003:157).

First legislation adopted regarding foreign investment in Turkey issued in 1954 6224 on "Foreign Investment Incentive Act" (Şahin, 2002:56). Period according pretty prepared with a liberal thinking of the Code by the 1980s liberal economic policies being implemented and in accordance with the amendments to the foreign exchange regulations promulgation of the "Foreign Investment Framework Decisions" Considering, Turkey was one of the countries with the most liberal legislation on foreign capital seen.

Turkey in Foreign Direct Investment (FDI) inflows amounted to \$ 10 billion 830 million at the end of 2017. This figure represents a decrease of 19% when compared to the same period of last year (<https://www.yased.org.tr/07.05.2018>)

Table 3.1: Foreign Direct Investment in Turkey (Billion US dollars)

Years	Construction	Change %	Service Industry	Change %	Total	Change %
2000	22		7035		18812	
2001	338	1436,36	7201	2,36	18686	-0,67
2002	389	15,09	55540	671,28	16270	-12,93
2003	442	13,62	10915	-80,35	30595	88,05
2004	57	-87,10	16400	50,25	37175	21,51
2005	397	596,49	43031	162,38	69907	88,05
2006	290	-26,95	34396	-20,07	93448	33,67
2007	804	177,24	104359	203,40	151929	62,58
2008	435	-45,90	56567	-45,80	75407	-50,37
2009	927	113,10	90170	59,40	138010	83,02
2010	868	-6,36	1145355	1170,22	181171	31,27
2011	949	9,33	75121	-93,44	130912	-27,74
2012	1429	50,58	102008	35,79	183767	40,37
2013	875	-38,77	79614	-21,95	143475	-21,93
2014	981	12,11	96153	20,77	174802	21,83
2015	734	-25,18	80383	-16,40	147587	-15,57
2016	575	-21,66	77727	-3,30	132856	-9,98
2017	683	18,78	985058	1167,33	174783	31,56

Source: TUIK

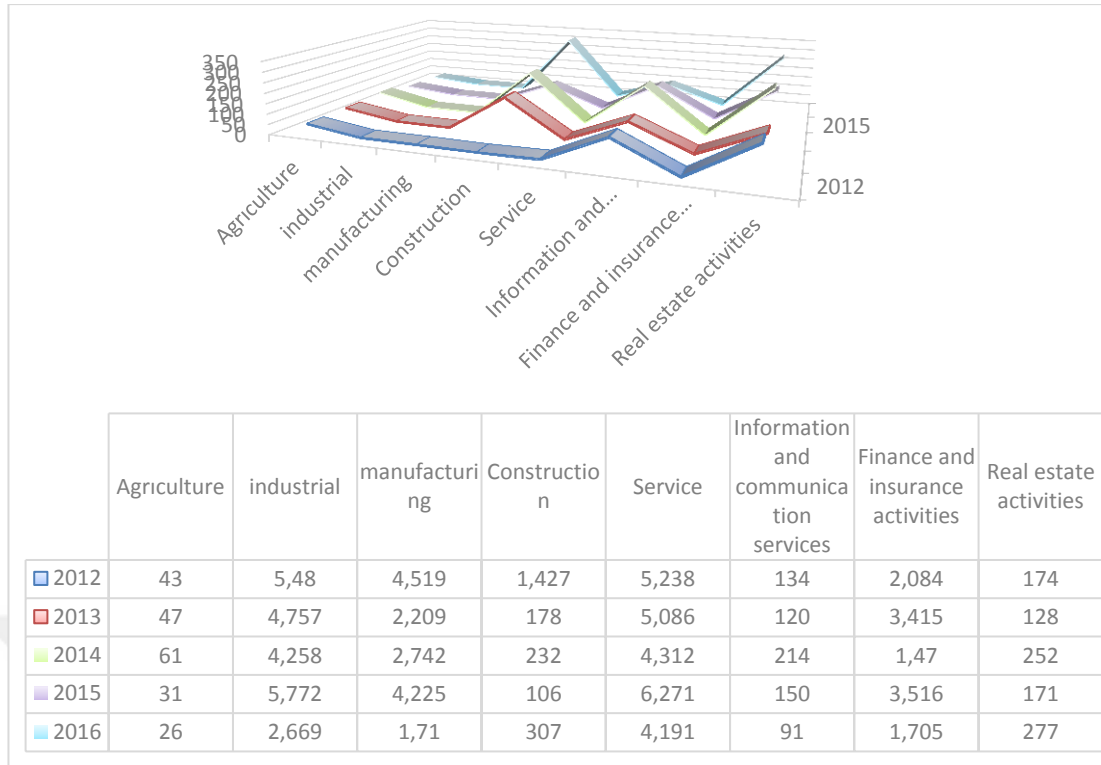


Figure 2.1: FDI Input by Sectors in Turkey

Source: <http://www.invest.gov.tr/01.05.2017>

As a result;

- The manufacturing industry and the services sector are the sectors in which the foreign capital is most interested in sectorial distribution. Especially in the manufacturing industry, more foreign capital investment is being made in the food industry, ready-to-wear industry, chemical industry, iron-steel industry, cement industry, electronics and vehicle industry. The most important reason for this is that the profitability ratios of these sectors are high. As of 2002, the total number of firms in manufacturing industry is 1550. The total capital of 1550 companies is 2,480,442,682,000 TL. The total number of companies operating in the services sector as of 2002 is 4475. The total capital of these companies is 3,468,224,090,000 TL.
- As of 2002, the sector with the highest share of foreign capital in total capital is the agricultural sector with 91.58% capital share. The number of firms in the agricultural sector is 141. This sector is the energy sector with 93.73%, the mining sector with 79.49%, the services sector with 61.60% and the manufacturing industry sector with 58.90%.

- The most foreign-funded firm operates in services sector with 4,475. This sector is followed by 1,550 firms and manufacturing industry, 141 firms with agriculture, 92 firms with mining and 53 firms with energy sector.
- Agriculture, mining and energy sectors are among the sectors in which they showed little interest in foreign investment in Turkey.
- While chemical industry, vehicle manufacturing and supply industry and food industry are the sectors that attract the most investment in manufacturing industry, sub sectors of banking, commerce, communication and tourism in services sector attract more foreign capital.
- Proportionally, in 2002, the highest rate of foreign capital in manufacturing industry was in 1980 with 92%, in services sector with 2002 with 58%.

In 2017, total FDI inflows (\$ 10.8 billion) were net foreign capital inflows of \$ 5.6 billion, other capital inflows of \$ 619 million and real estate purchases of resident foreign residents of \$ 4.6 billion. Capital inflows from real estate purchases account for 43% of total gross capital inflows. This \$ 4.6 billion entry represents a 19% increase compared to 2016.

The services sector, which accounted for 64% (\$ 4.753 million) of total capital inflows (\$ 7,437 million) in 2017, was the sector with the highest inflows. The services sector followed the industrial sector (\$ 2,653 million) with a share of 35.6%.

In 2017, the services sector received the most investment in total, in the sub-sectors; finance and insurance sector (\$ 1.452 million). The transport and storage sub-sector received a second order with an investment of \$ 1.350 million, more than 100% more than in 2016. On the other hand, the manufacturing sector, which received the most investment in 2016, showed a decrease of 44% compared to the year before in 2017 and ranked third with \$ 1,261 million (<http://www.worldbank.org/05.05.2018>).

3.2 The Sectorial Breakdown Of Foreign Investment In Turkey

Table 3.2: Breakdown of FDI Inflows to Turkey by Years

Years	Capital (Net)	Input	Out	Other (Net)	CapitalReal (Net)	estate
1980	97.0	-	-	-	-	-
1990	1.861.20	-	-	-	-	-
2000	3.060.13	-	-	-	-	-
2001	2.738.58	-	-	-	-	-
2002	617	622	-5	520	-	-
2003	556	564	-8	16	998	-
2004	888	986	-98	554	1,343	-
2005	8,053	8,454	-401	137	1,841	-
2006	16,876	17,553	-657	387	2,922	-
2007	18,394	19,137	-743	727	2,926	-
2008	14,712	14,747	-35	1,855	2,937	-
2009	6,170	6,252	-82	459	1,782	-
2010	6,203	6,238	-35	341	2,494	-
2011	13,868	15,859	-1991	-5	2,013	-
2012	-	-	-	-	-	-
2013	9.936	10.523	587	578	3.049	-
2014	8.371	8.632	261	427	4.321	-
2015	11.713	12.077	364	2.133	4.156	-
2016	6.913	7.534	621	-	-	-
2017	5.568	7.437	1.869	619	4.643	-

Source: TCMB

Table 3.3: Sectorial Distribution of International Direct Investment Inflows

Sectors (million \$)	2013	2014	2015	2016	2017
Introduction to Capital	10.523	8.632	12.077	7.534	7.437
1. Agriculture	47	61	31	38	31
2. Industry	5.390	4.258	5.774	3.067	2.653
Production	2.843	2.742	4.227	2.241	1.261
Electricity, Gas, Steam	1.794	1.131	1.338	676	943
Mining, Quarrying	717	382	207	148	448
Water Supply, Waste Management	36	3	2	2	1
3. Services	5.086	4.313	6.272	4.429	4.753
Finance and Insurance.	3.415	1.470	3.516	1.766	1.452
Transportation and Storage	364	594	1.524	635	1.350
Build	178	232	106	291	627
Information and Communication	120	214	150	91	557
Wholesale and Retail Tic.	379	1.137	599	688	501
Human Health and Social Comfort.	106	204	58	274	62
Capital Exit	587	261	364	621	1.869
Other Capital (Net)	578	427	2.133	2.540	619
Real estate (Net)	3.049	4.321	4.156	3.890	4.643
Total	13.563	13.119	18.002	13.343	10.830

Source: TCMB. (Including purchases of real estate by foreigners)

FDI inflows in the Services sector increased by 7% to \$ 4.753 million compared to 2016. Looking at the sub-items; Finance and Insurance Activities decreased by 18% compared to 2016, but with 30.5% share and \$ 1.452 million entry, it was the sub-sector that received the most FDI. The Transportation and Storage sub-sector, on the other hand, accounted for 28.4% of the total, with \$ 1.350 million being the second largest sub-sector with a significant increase of more than 100% compared to the previous year. These two sub-sectors in the field of services; 13.2% for Construction, 12% for Information and Communication and 10.5% for Wholesale and Retail (<http://www.ilo.org/16.04.2017>)).

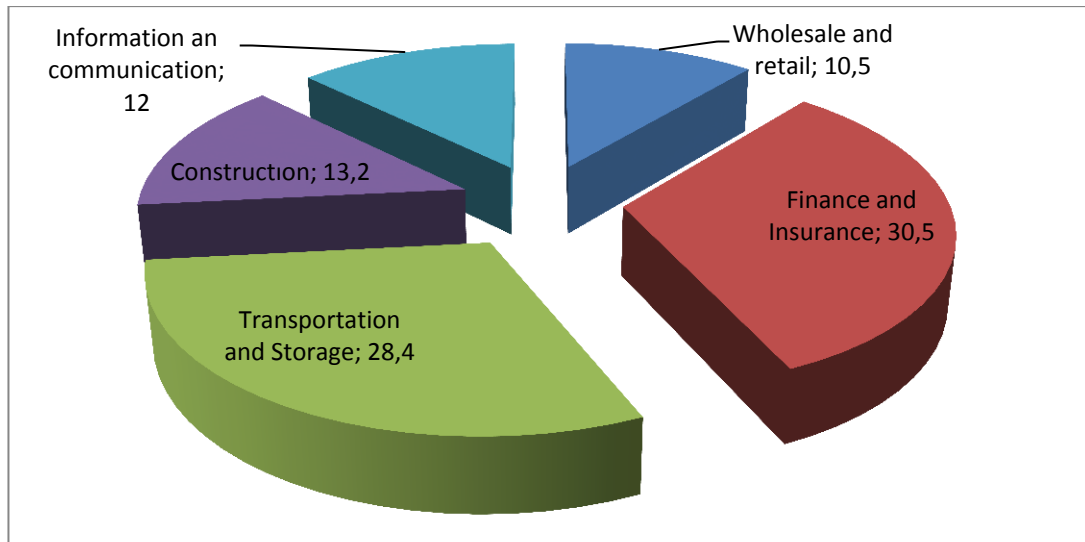


Figure 3.1: Distribution of International Direct Investment Inflows in the Services Sector in 2017

Source: TCMB

Compared to the past year, inflows to the industrial sector decreased by 13.5% to \$ 2.653 million. When the sub-items of the industrial sector are examined; FDI inflows to the manufacturing sub-sector registered a substantial decline of 44% to \$ 1,261 million compared to 2016, while the manufacturing sub-sector was the industry sub-sector with the largest FDI inflow in 2017 with a 47.5% share. In the Electricity, Gas and Vapor sub-sector, an increase of 403% compared to the previous year was recorded at \$ 943 million, followed by a 3-fold increase in the mining and quarrying sub-sector with \$ 448 million in FDI inflows. The shares of both subsector industrial sector entrances are 35.5% and 17% respectively.

When looking at the historical development FDI in Turkey, the adoption of the industrialization strategy for inward until the 1980s, and such failure of the act to promote 6224 as foreign capital entered into force January 18, 1954, because of political and legal reasons, a favorable environment for FDI cannot be created. In order to overcome this situation, many regulations have been made in order to encourage FDI in the post-1980 period (Eren, 2006: 205). The most important of these arrangements is the "Foreign Direct Investment Law" numbered 4875 which entered into force on 17 June 2003. With the said law, the permission and approval system was abolished in the realization of foreign direct investments and the information system was introduced. With this law,

the bureaucratic impasse, the biggest obstacle in front of foreign investments, has been eliminated.

The capital inflow in the FDI inflow item reached 7.4 billion dollars. In 2017, \$ 1.4 billion of the \$ 7.4 billion of FDI inflows came from the activities of financial intermediaries and \$ 1.35 billion from the transportation, communications and storage services sectors. In the period in question, 65 percent of the capital inflows came from EU countries. There are 5 thousand 930 companies with international capital established in 2017, 3 thousand 671 of near and Middle Eastern countries, 897 of EU countries and 424 of other Asian countries (<http://www.businessht.com.tr/07.05.2018>).

2018 end of February as the International Investment Position (UIP) data, Turkey's foreign assets, 2.4% by the end of 2017, an increase of 233.6 billion US dollars, while liabilities rose by 2.9% year on year to 702.2 billion US as a result. Turkey's net defined as the difference between assets and foreign liabilities abroad UIP, while -454.5 billion US dollars at the end of 2017 stood at USD -468.7 billion at the end of February 2018. ([Http: // www.tcmb.gov.tr/01.05.2017](http://www.tcmb.gov.tr/01.05.2017)).

When assets sub-items are analyzed, reserve assets increased by 6.3% compared to end-2017 and realized as USD 114.6 billion while other investments decreased by 3.1% to USD 74.6 billion. Among the sub-items of other investments, the effective and ineffective deposits of banks in foreign currency and Turkish lira amounted to USD 33.3 billion, decreasing by 4.8% compared to end-2017. When the sub-items of liabilities are examined, direct investments (capital and other capital) have increased by 0.1% compared to end-2017 and realized as USD 181.7 billion, due to changes in market value and exchange rates. Portfolio investments have increased by 5% to USD 186.2 billion compared to the end of 2017. The share of non-residents' stocks stood at USD 54.6 billion with an increase of 5% compared to the end of 2017, while the value of foreign exchange holdings (GSDS) in foreign ownership increased by 4.4% to USD 32.3 billion,) was realized as USD 46.9 billion with an increase of 5.7%. In the same period, other investments increased by 3.3% to USD 334.3 billion compared to end-2017. Foreign residents' deposits of domestic residents of non-residents increased by 3.9% to US \$ 37.8 billion compared to end-2017,

while TL deposits increased by 13.7% to US \$ 14.9 billion. The total credit stake of the banks increased by 1% to US \$ 94.8 billion while the total credit stake of the other sectors increased by 4.4% to USD 112.6 billion (<http://www.invest.gov.tr/01.05.2017>).

The construction sector, which has mobilized about 250 sub-sectors, performed well in 2017 and grew by 10.2 percent in the first nine months. The sector expected to protect its vitality is expected to continue its growth momentum in 2018 with public investments and urban transformation (<http://www.dunyainsaat.com.tr/07.05.2017>).

It is expected that the Turkish cement sector will continue to grow in parallel with growth and export capacity in the construction sector. It is planned to reconstruct approximately 7 million dwellings within the scope of urban transformation in the last period, until 2023 (<http://ticaretgazetesi.com.tr/07.05.2018>). In addition to housing demand and urban transformation, the investment of major projects such as the 3rd Airport, Eurasia Tunnel and İzmit Gulf Transit also make a significant contribution to the demand for cement. Therefore, it is believed that the cement industry will maintain its vitality in the coming period, both in domestic and international markets, despite the excessive fall in export prices. In addition to receiving domestic demand, the sector is also in the first place in the world market for exports. Construction investments in Georgia, continued exports to Israel and the potential for volume increase in products sold to the US and Africa are also significant potential for the sector.

It is noted that in 2018 sector actors will continue to invest in new plant acquisitions, existing plant modernization and increasing productivity. "The main objective of the sector in the upcoming period will be to make the infrastructure of the sector stronger by emphasizing investments oriented towards productivity. In 2016, the clinker capacity utilization rate of the sector was 87 percent and the cement capacity utilization rate was around 60 percent. In this context, it is aimed to increase the capacity utilization ratio as well as the production capacity and to make an additional contribution to the healthy growth of the sector in 2018 (<http://www.insaatdunyasi.com.tr/07.05.2018>). It is thought that the cement industry, which has been operating for over 100 years in

Turkey, will continue to increase its contribution to Turkey's economy in the coming period in line with the targets of 2023 especially as it was yesterday and today.

3.3 Sectoral Structure of Turkey's Economy

3.3.1 Manufacturing industry

The manufacturing industry plays an important role in the economy, with both added value and exports. Sometimes it has been influenced from the economic crises which have been experienced in the world and in the country sometimes and little, but it still maintains its place and importance in Turkey economy. The sector, which was more affected by crises at the end of the 1970s and 1980s, was less affected than the crises of 2001 and 2008 compared to previous crises. This is a sign of the strength of the manufacturing industry in Turkey country. The manufacturing industry sector has grown more in line with the January 24th decisions and the 1989 financial liberalization. But the share of manufacturing industry in exports continues to increase, while its share in GDP is steadily declining. When look at value added, there is not a very high increase between 1998 and 2009. We can also see this from the added value per capita. If the added value per capita is low, it is concluded that the manufacturing industry produces the products with low technology and therefore the production costs are high. When the negative effects of the crisis years are left aside, can say that the amount of value-added increases together with realized fixed capital investments. The amount of export is increasing due to the fact that fixed capital investments increase production. Fixed capital investments are not only a source of exports, but also an important factor increasing the country's production, the general welfare level of the country and the level of technology used by the country (www.iktisadi.org/07.03.18).

From 1998 to today, when looking at the distribution of GDP by sector in Turkey, the lowest of the transportation and warehousing sector share in GDP, it is noteworthy that in the manufacturing sector with the highest industry. On the other hand, the share of agriculture and forestry in GDP has declined over the years. The rate of change of sectors has changed remarkably in the crisis years.

Table 3.4: Share of Sectors of economic activity At GDP (A21) 1998-2017

Years	Agriculture, forestry, animal husbandry, mining, quarrying, electric gas and steam systems, sewerage improvement, etc.	Manufacturing Industry	Construction, Wholesale and Retail Trade, Transportation and Warehousing	Services
1998	15.2	22.3	27.5	27.1
1999	13.3	20.1	25.4	32.5
2000	12.9	18.8	26.3	31.6
2001	12.0	17.8	25.7	33.7
2002	13,4	16,9	26,6	31,3
2003	13,0	17,1	26,7	30,9
2004	12,3	16,9	27,5	30,7
2005	12,1	16,9	27,3	31
2006	10,9	17,1	28,2	31,3
2007	10,4	16,8	28,4	33
2008	10,6	16,3	28,6	33,6
2009	11,4	15,2	25,1	37,5
2010	12,4	15,1	25	35,4
2011	11,5	16,5	26,1	33,8
2012	11,2	15,9	26,9	34,4
2013	10,1	16,2	27,1	34,1
2014	9,9	16,8	27,5	34,3
2015	9,9	16,7	27,5	34
2016	9.5	16.9	27.9	33.9
2017	9.0	17.01	28.0	33.0

Source: TUIK data

Table 5 lists the share of GDP by economic activity between 1998 and 2017. When looking at the table, was seen clearly that the sector with the highest share in economic activity is the services sector. One thing I need to pay attention to is the continuity that has been realized at these rates for years.

Because when looking at the services sector, can see that there is a constant increase. When looking at the other sectors, can see that the manufacturing industry sector is not as much as the share of the services sector, and the share ratios in this manufacturing industry have decreased constantly, contrary to the services sector. Then agriculture, forestry, mining and so on. When looking at the sectors was seen the sectors with the lowest share in GDP. Finally, when we look at the construction, transportation and storage sector, the services sector is less but the agricultural and forestry sector has a much higher rate. If looking at this, tending to decrease overall in spite of some years of lack of stability.

Capacity Utilization Rate in the Manufacturing Industry, which shows how much of the total production capacity is used at a business or country level. It can also be defined as the ratio of the actual production capacity to the potential production capacity. Since it is not possible to continuously produce with full capacity, sometimes producers can produce with incomplete capacity. For example, a workplace can actually produce 100 units of merchandise, while a 40-unit production console means that this workplace is running at 40% capacity. The increase in the capacity utilization rate indicates an increase in demand or demand in the economy or business. Capacity Utilization needs to be increased with new investments in cases where the demand capacity is exceeded. (<http://piyasarehberi.org/11.03.2018>). A low capacity utilization rate indicates a decrease in demand, slowing production in the economy or business activities.

3.3.1.1 Textile sector

Production of Textile and Ready-to-Wear is from the need of mankind to dress. This sector, which consists of small units, has met the needs over time and has grown into a large industrial area by showing growth in accordance with the students. The sector in which developed and developing countries coexist in the world aims to increase the share of world markets by providing diversification of the market and to maintain this increase trend (Gürlelel, 2002:23).

The textile and apparel industry is an industrial sector that plays an important role in the economic development process of developing countries due to their being a basic consumer goods, relatively low capital requirement, employment

opportunities, added value created in the production process and export opportunities (Akçagün, 2011:8).

The textiles and ready-to-wear sector is in the first place despite the weight of advanced technology sectors in the added value orders created in developed market economies (Akçagün, 2011:9). Therefore, competition in the world is the industry in which living the most. At the same time, this sector is the most protected sector by both developed and developing countries with tariffs and non-tariff barriers. Developing countries provide incentives for sectors that provide low capital and high employment while developed countries protect their domestic markets against foreign competitors in order to protect the employment provided by the industry and apply policies that encourage the use of new technologies and production methods in the sector.

It is observed that in order to have international competitiveness, it is necessary to focus on consumer-oriented competition factors such as product quality, created value added and fashion-brand. As a matter of fact, the competitive conditions for price, quantity and mass consumption in the 1980s are gradually being replaced by competition conditions for quality and individual consumption (Nebioğlu, 2011).

Developed countries in the textile industry, which is reconstructed in the world; design, fashion creation and marketing activities in its own way, shifting the production process to developing countries where cost is low (Çalışkan, 2006:2). For this reason, the textile and garment industry play an important role in the economic development of emerging economies with cheap labor, which are experiencing capital constraints (Ongüt, 2007:3).

The most important event affecting the world textile and garment trade was the entry of China as the 143th member of the WTO on December 11, 2001. With this membership, China became a member of the WTO "Textile and Apparel Treaty" and since 2005, textile and apparel exports have increased considerably with the abolition of quotas.

At the same time, China, which has a population of 1.3 billion, has also become a major market. With the demise of the quotas in 2005, there has been a fierce competition in both the supply and demand of the world ready wear market.

Due to the worsening economic conditions, US, Germany and Japan have begun to increase the price of consumer purchasing decisions in major countries. Especially, consumers demanding a certain quality product at lower prices have created a serious price pressure on garments. On the other hand, the diversification of firms operating in the retail sector, the increase of numbers and the expansion of their activities exacerbated the price competition in garment products.

The Textile and Ready-to-Wear Industry is an industrial sector that plays an important role in the economic development process of developing countries due to the employment opportunities it provides, the added value created in the production process and its high share in export revenues. The textile and garment industry, which has marked the industrialization process of the developed countries in the 18th century, now plays a similar role in the economic development of the developing countries (Türk Tekstil Sanayii İşverenleri Sendikası, Turkish Textile Industry Employers' Union, 2001:85).

3.3.1.2 Automotive sector

The automotive sector in Turkey started production in mid-1950 and production has accelerated since the mid-1960s. After the production of some prototype vehicles in the 1950s, the first assembly line was established in 1954 for the installation of jeeps and pickup trucks, in 1955 for trucks and for buses in 1963. In the following three years, assembly plants producing passenger cars (Tofaş Fiat, Oyak-Renault, and Otosan-Ford). In 1966, the automotive industry started to install its own models and Otosan produced automobiles Anadolu at that time. Two major automobile manufacturers, Tofaş and Oyak-Renault, have established manufacturing lines in 1971 with Italian and French licenses (www.vakifbank.com.tr/21.02.2018).

As the world automobile production in Turkey, represents the weight in the production of automotive industry products. Until 1999, although the production of tractors was second, after this year, he left his place to produce trucks. Especially since 2000, the production of trucks is seen to increase rapidly.

In addition to the European and American automotive giants, Turkish automakers have entered the market with their investments in the Turkish

automotive market Mitsubishi in 1987, Toyota in 1994, Hyundai in Honda and South Korea in 1997 (<http://www.ito.org.tr/16.04.2018>).

In 1996 and 1997, there was a significant increase in the production of automotive industry due to the increasing domestic student. However, the Asian Crisis that started in the Far East countries in the middle of 1997 and the crisis that spread to Russia in 1998 negatively affected the Turkish automotive industry as of the last quarter of 1998. Since mid-1999, the effects of this crisis on the automotive sector have begun to gradually diminish (Bedir, 2002:3).

The automotive sector is also closely related to the marketing, dealer, service, fuel, finance and insurance sectors which provide raw materials and auxiliary products and final products to the consumers, which is the industrial sector which provides the most important support for the development of the defense industry. High standards for environment and safety in developed markets and consumer demand lead to intensive technological development in the automotive industry. As a result, customer preferences and anticipations vary greatly and all product segmentation is changing. Automotive industry in Turkey, owned by well-trained human power, depending on the research and development has increased significantly and has achieved a great success especially in the harmonization of international regulations. Increasing responsibilities in the fields of design, project development and product development, subcontractors have begun to attach more importance to technology, human resources, knowledge and quality as main industry (Türkiye Vakıflar Bankası Sektör Araştırmaları Serisi, Series Turkey Foundations Bank Sector Research, 2003).

The automotive sector is a registered and reliable source of tax due to its production and commercial activity. However, unstable domestic market conditions, excessive imports, overcapacity, problems arising from a large number of firms, inadequacy of financing tools especially for supporting subsidiary companies, complex system of high sales tax system, lack of national strategy, development of automotive industry and more contribution to the country's economy as a concrete obstacle in the face of Apart from these, the troubles created by the economic crises have affected the automotive industry, which is a driving force for our economy, in a negative way and led to the

continuation of the sectorial development within the framework of export oriented industrial strategies (Kılıçkaplan,2006).

3.3.2 Construction sector

The construction of the infrastructure required by the new technology, the means of transportation, the construction of communication networks and buildings is always the focus of the construction industry. As a world in which the difference of time and space disappears, it is desired that the activities in the construction sector should be organized in global dimensions. The inter-country cooperation seems to be accepted in the central countries of thought capitalism that it is not possible to utilize the maximum scale of the new technology without cooperation between firms, and a new world economic order is established in which international cooperation is established and free market economy becomes operative.

During the 1980s, the world economy should represent an important policy for many years to transform the economy and Turkey. The Neo-liberal policies that Williamson referred to as the Washington Consensus are members of the Commonwealth of Independent States, which was imposed by the international organizations of capitalism, the IMF and the World Bank, and the breakdown of China, India and the Soviet Socialist Republics of Asia, Latin America, (Rodrik, 1996: 9). Developed countries want to take advantage of the possibilities offered by the new technology and push the computer keys to organize the capital to travel safely around the world without the hindrance. Thus, international finance will enter countries where capital capital is the shortest, get high returns, contribute to the financing of investments in the countries it enters, and increase world welfare. The real estate and housing markets are among the areas that attract the most attention to finance capital.

2017 realized 15 percent share of the construction sector in the global economy, the rate at the level of 9 percent in Turkey. The construction sector is vibrant in emerging economies due to the growth of the country's economy, the impact of government policies and investment potentials. By 2025, the total share of the construction sector in the economy is estimated to reach 10 percent in

developed countries and 17 percent in developing countries (<https://assets.kpmg.com/2018/01/>).

Low interest rates and stable commodity prices in Asia Pacific and North America indicate that the construction sector will enter 2018 solidly. Growth and stability for the US and Canada are also foreseen. The revenue allocated to major infrastructure projects and residential construction may increase by 4 to 6 percent. In Latin America, I anticipate that the recession will continue in 2018 due to project cancellations in the construction sector due to budget cuts and various corruption scandals (<https://assets.kpmg.com/2018/01/>).

China will continue to maintain its mobility in the construction sector by maintaining its growth momentum in the same way with the new normal growth rates.

When I look at the relationship between the construction sector and economic growth since 2013, I see that the sector is developing steadily, apart from the downturn in the second quarter of 2014.

The year 2013 was a year in which industry expectations increased. With the increasing geopolitical risks and the upward movement of foreign currencies, 2014 was a year of contraction both economically and socially. Turkey's economy in 2015 caught the 6 percent growth rate. This growth was the result of private consumption expenditures and public spending. With economic growth, the growth performance of the construction sector was 4.9 percent. In all quarters of 2016, the construction sector has grown above the economic growth.

In the first two quarters of 2017, the growth of the sector was realized as 5.6 percent and 5.5 percent. According to the results of the third quarter, the sector achieved the highest growth rate of the last 3 years with 18.7 percent. With this figure, the construction sector, which was ahead of industry growth, also increased its investments by 12 percent in the same period (www.tuik.gov.tr).

Despite the positive picture in 2016 and 2017, the sector expects 2018 to be more cautious. The sector has increased housing production and housing sales especially in the last two years. In particular, slowing down the rate of stock meltdown in projects that address the upper income level shows that the sector

is approaching saturation point in this segment. If the demand imbalance continues in 2018, the sector will lose its growth momentum in 2016 and 2017.

With the Medium Term Program (MTP) for the 2018-2020 period, it is aimed to increase the quality and speed up the processes by transferring bureaucratic permits, approvals and transactions for investors and businesses to the electronic medium in order to improve the business and investment environment. In this context, among the sectors that will shorten the bureaucratic processes, there is also construction. The program also includes shortening construction permits and permitting construction permits with a single signature. In addition, the "Environmental Impact Assessment (EIA)" decision will be finalized in 2 months following the complete submission of the investor's report to the relevant ministry.

In Medium-term program, it is aimed to complete the infrastructure of geographical information systems that will enable determination of potential investment areas and easier settlement of investments with investors. Infrastructure projects will be developed to enable local governments to allocate investments for different sectors (assets.kpmg.com).

Promoting and accelerating investments in Southeast and Eastern Anatolia is one of the most important topics in the construction sector. With the incentives, it is planned to build about 67 thousand residences in Eastern and Southeastern Anatolia including industrial and service buildings, and to spend the lives of drinking water, sewage, transportation and irrigation projects. These studies are expected to create jobs in the region, boost regional prosperity and compensate for the possible slowdown in private sector construction spending.

4. FOREIGN INVESTMENT IN THE CONSTRUCTION SECTOR TURKEY AND ITS IMPACT ON ECONOMY

4.1 Historical Process of Construction Sector in Turkey

During the period of development during the Republican era, the first important steps in the field of construction began in Ankara, which will be the capital city in 1920s. In Ankara, despite all the difficulties, lack of transportation and materials, the surrounding area has been rebuilt in accordance with the traditional building style. The materials used were primitive materials such as wood, mud brick, coarse-grained stone, even these were not adequately provided.

The development of rapid and planned development of industry in Turkey, the importance given to agriculture and transport sectors, made the establishment of the Turkish Construction Sector. (www.intes.org.tr/ 15.04.2018).

The first construction activities of this period are seen in road construction in the transportation sector. However, the inadequacy of the trained technical staff caused the work to walk for a while in foreign firms, experts and consultancy.

From the beginning of the Republican era until 1950 to 1960, the largest weight in the construction sector is infrastructure and public works construction. In the meantime, there have been large incidents in construction sites in the period. Again DSİ, T.C. Large-scale, state-sponsored organizations that invest in technical power such as highways have been established and the investments they have made have given an impetus to the construction sector. This speed continued until 1960's (T.C.Bayındırlık ve İskan Bakanlığı, Ministry of Public Works and Settlement 1987:2).

The volume of DSİ investments in the 60s is quite large. The technical workforce that grew up in the 1970s has shifted to private sector and a very important technical staff member has emerged in the public sector. On the other hand, the shift of private sector activity to industrial sector and the widespread

of investments have increased the production of factory type buildings, which has enabled the development of prefabrication system in construction technology.

Socio-economic changes, urbanization and acceleration of migration to cities in country have given an important dimension to the construction industry in terms of housing production. However, the fact that the need to meet this requirement, which had arisen without the possibility of a planned production transition, became the sole purpose of profitability in housing production and unplanned and poor quality housing productions in the cities became widespread. Despite this negative outlook, it is also true that housing production has contributed significantly to Turkey's economy, employment and investment (Eronat, 1972:69).

One of the leading economic activity areas in the social and economic transformation in the world, which started in the 1990s and accelerated in the 2000s, has been the construction sector. One of the country's rapidly growing sector all over the world, just save the most striking development is Turkey. Especially when considering the last 10 years, Turkey's economy largely determined by the construction activities, hence this sector "locomotive" showed a development has become. One of the most basic reflection of this situation, Turkey's been a return to the construction site of all the city, both local and central authorities, and the private sector have been instrumental rather be a busy area that records continuous growth of the construction industry in the operations process. This has been an important reflection of the vast majority of the population, and the construction sector encompasses a wide range of economic hinterlands, from hundreds of thousands of people employed, to cemented demure, white goods to furniture, from various professions such as molders, carpenters, plumbers and electricians at various stages of construction activities. Therefore, the sector has become an increasingly important economic area that affects millions of people. The "locomotive actors" of this area, which functions as the "locomotive sector"(Koç, 2008), have become the contractors who have been the most influential and even determining the functioning of the sector. Contractors, the main actors of the construction sector, which contributed to the growth of the economic policies implemented by the public,

seem to be more intensive in particular in some geographies than others, and moreover, the prevalence of occupational contracting is more prevalent in some regions. One of the geographical regions in question is the Black Sea region, especially Trabzon is one of the prominent cities in this issue.

The sector, which grew by 5.6 in the first quarter of 2017 and 5.5 in the second quarter, achieved the highest growth rate of the last three years with 18.7 percent in the third quarter. With this figure, investments in the construction sector increased by 12 percent, ahead of industrial growth (<https://home.kpmg.com/tr/14.04.2018>).

The sector continues to contribute to employment. In August 2017, 28 million 828 thousand people are employed in Turkey 2 million 279 thousand worked in the construction industry.

In the first three quarters of 2017, the number of apartment-based building licenses exceeded 1.1 million. Completed after the license, building permission was received from 568 thousand 162 people. On the other hand, the increase in sales in 2016 has continued since the second month of 2017. In particular, there was a serious rise between July and September. By the end of November 2017, housing sales increased by 6.5 percent to 1 million 276 thousand compared to the previous year (KMPG/ Sektörel Bakış, Sectoral Overview 2018).

4.2 Construction Industry

With the added value and employment opportunities it has created, the Construction Sector, which has often undertaken a leverage role for the country's economies, has a separate prescription. Because nowadays 'construction' is evaluated not only for the construction of the environment but also for the whole activities which contribute to maintenance, repair and operation. Construction production is no longer perceived only as the production of construction; environmentally friendly, social responsibility, social life, direct social influence, transparent and sustainable production.

Largely based on national construction capital Turkey Construction Industry, employment and production processes due to concerns the hundreds of occupations affected significantly. The sector, which has great experience and

potential in national and international fields, is called as 'the locomotive sector' with its ability to mobilize more than 200 sub-sectors and its 'sponge sector' as a major source of employment.

Almost all the production of the construction sector is regarded as 'investment property'. Considering the contribution of the other sectors which provide inputs to the sector and continue their activities depending on their developments in this sector, it is seen that the share of the construction sector in GNP is about 30% (www.istekobi.com.tr/ 17.04.2018).

The sub-sectors in which the industry is heavily interacting can also be listed as follows: Domestic contracting services and documentation, foreign contracting services, technical consulting services, real estate, finance, business and construction machinery, construction materials industry.

On the other hand, construction materials can be examined in the following headings: Cement, ready mixed concrete, prefabrication, ceramic, brick and tile, pumice and pumice, gypsum, lime, gazebos, glass, iron, pipe, aluminum, natural stones, insulation, roofing materials, heating-cooling-ventilation, elevator, lighting, kitchen and bathroom, furniture.

4.2.1 Infrastructure road and bridge constructions

The path that has features that can be dealt with unintentionally as a measure in the progress of human societies and the development of civilizations is a work that adds to nature in the adventurous life of mankind. A person who does not hesitate to put forward his weakness against nature in the beginning prevails in nature to the extent he develops and reveals his desired pathway.

Anatolia, which has served as a natural bridge between the two mainland regions, has assumed the same function in providing transportation between the world trade centers and has continued its importance for centuries with the connection of the roads extending in the east and west direction and settling in certain gateways and plains with the effect of its geographical position (Akgüç, 1982:16).

Founded in 1923, the Republic of Turkey 4000 km. 18 350 km in good condition. The road network took over. In the first years of the Republic,

railway construction, which was considered as the most modern technology in the period, gained importance but after a while the railway was not enough alone and the highway was needed for transport on the end of the system and in 1929 the Nafia Ministry of Public Works and Settlement and with the road law enacted, road construction work was accelerated (www.ibb.gov.tr/-158-17.04.2018).

During the period of development during the Republican era, the first important steps in the field of construction began in Ankara in 1920s. In spite of all the difficulties, lack of transportation and materials, the development has been carried out in accordance with the traditional style of construction. The materials used were primitive materials such as wood, mud brick, coarse-grained stone. Even these were not available in sufficient quantities (Akgüç, 1982:18).

In response to the Nafia ministry, the Ankara government formed a watch over a similar structure. It was not possible to make any deposit for the roads, only maintenance and repair work was carried out. In order to support the financial situation, it has been introduced as a "road obligation" to work for road construction for road taxpayers who do not have financial power.

The first railway in Turkey on September 23, 1856 was a privilege given to a British company, built between İzmir-Aydın, 130 km. The construction of this length line was completed in 1866.

Before the Republican era, 4000 km of the railways built and operated by various foreign companies remained within the national borders drawn by the republican province.

The highway was seen as a system to feed and integrate the railway in the transportation policies applied until 1950. However, at a time when roads should be developed to support and complement the railways, the construction of roads quickly began. As a consequence of the transport policies created in this framework, roads have become a dominant position within transport subsystems, and maritime and railway transport systems have not been developed. During the twelve-year period between 1950 and 1962, only 458 km of railway was constructed.

As a consequence of the highway-weighted transport policies implemented after 1950, the length of the road increased by 80% between 1950 and 1997, while the length of the rail increased by 11%.

The investment shares within the transport sector have been around 70% for the highway and 15% for the railway since the first five-year development plans.

The General Directorate of Highways started construction of the remaining 650 kilometers with its budgetary allowance. Its own machine parks and roads using its workers have completed its infrastructure. However, for the part to be built by the contractor or the subcontractor company, the tender must be done.

4.2.2 Dam construction in turkey

Dam construction is one of the key construction areas in Turkey since water is an indispensable element for people and all living things to continue their lives. It is always important for man to reach the water. For this reason, settlement has always developed around the water. When the possibilities of using water were reduced, great migrations were experienced. Water sources used primarily for drinking water supply have also started to be used to generate energy over time. By means of water structures, instead of being settled near the water, humanity has conveyed the water to its own centers of life and directed the water towards its own needs. Water storage facilities, ducts and dams are therefore of great importance (DSİ, Devlet Su İşleri) State Marine Affairs) 2018) www.dsi.gov.tr/18.04.2018).

The systematic management of the Anatolian water, an organized and continuous treatment of the water works) begins with the establishment of Umuru Nafiye Directorate General (General Directorate of Public Works) in 1914. After World War I, the emergence of the danger of drought in Anatolia revealed that water works should be given more importance. From the beginning of the Republican era until the 1950s and even 1960s, the biggest weight in the construction sector is infrastructure and public works. In the meantime, there have been large incidents in construction sites in the period. Again DSİ, T.C. Large-scale, state-sponsored organizations that invest in technical power such as highways have been established and the investments they have made have given an impetus to the construction sector. This speed continued until 1960's. The

volume of DSI investments in these years is quite large. The technical workforce that grew up in the 1970s has shifted to private sector and a very important technical staff member has emerged in the public sector.

The establishment of the Municipal Development Board after the Municipalities Bank opened the front of the foundation of Iller Bank with the Law no. 4759 in 1946. Initially, the work on city and local water supply, which started with the foundation of the Municipal Reconstruction Science Board, showed great improvements during the Iller Bank period.

In Turkey where drinking water is provided, new works have not been entered in this issue until sufficient water usage habit which is indispensable for sewerage network is born. The value of the environment and the introduction of new legislation and structures in this regard affected the sewerage investments of the Iller Bank and the construction of treatment plants and deep sea discharge facilities have been on the agenda since 1980. Starting from the second half of the 1980's, the emphasis was placed on the construction of the treatment plant and the most complicated level of treatment facilities has been constructed in Turkish engineers and contractors and it has been reached to the stage of service (www.intes.org.tr/17.04.2018).

Public spending, while being sensitive to inflation, cannot be said for public incomes. This situation further increases the deficits of the public budget, causing price increases again in the next period. This vicious circle thus gives the inflation continuity to the process. However, if the government moves towards more productive areas instead of low infrastructure investments, it will be possible to increase more national income and lower inflation by lowering interest rates (Çiller, 1989:158).

The total planned irrigated area, 20% of the total economically irrigable areas in Turkey, and the total annual electricity production of electrical energy economically realizable potential in Turkey is equivalent to 22%. Dams are important energy storage in Turkey. In Turkey, the company received so far 125 hydroelectric plants produce 42.2 billion kilowatt hours of energy per year (Çelik, 2007:19).

4.2.3 Housing constructions

The construction sector, which is composed of about 80% of the housing construction, is the second largest sector after the agricultural sector in terms of value added and employment creation. The housing and construction sectors have a holistic structure that is intertwined. The fact that housing production in the construction sector constitutes more than 3/4 of total production reveals economic value of housing production as well as economic importance of this sector (Yazgan, 1981:432).

The other side is the one that produces construction material that gives input to it; 60.4% of these inputs are industrial products, 33.1% are services and 65% are agricultural and mining products. When combined with more than 300 industrial lines, the sector's economic advantage is more clearly defined.

From 1923 to 1950, population and urbanization rate is slow. In other cities outside Ankara, there is no housing problem. The country is under one-party administration and housing presentation styles are not diversified. After 1950, the pace of urbanization began to rise, housing presentation styles and institutional structures became unable to meet the housing need required by the speed of urbanization. In the meantime, a political settlement was sought in a multi-party period, and in 1958, after the establishment of the Ministry of Urban Development, it was given to the responsibility of the Ministry to solve the problems of housing and urbanization. Real estate capital gains in the period between 1967 and 1963 have been taxed, rent and squatter laws issued by Turkey Real Estate Credit Bank loans to social housing applications (Borota, 2002:9).

After 1965, build-sell production and slum production accelerated. These forms of presentation have brought cities with high intensity and major problems to the scene. The housing problem grew, and in the 1970s gradually the forms of mass housing began to emerge. However, they have not been institutionalized and cooperatives have become the most important housing producers. In the 1980s, not only in the urban areas of Turkey, where the conversion has been years in all areas of social life. Some institutions emerged in the mid-1950s on housing and urbanization, either changing form or disappearing.

4.3 The Effects of the Construction Industry on the Country Economic Growth

With the increasing population, the world is changing and developing rapidly. With this development, the construction sector has become a key sector to meet the increasing human needs. Turkey is a developing country with an increasing need for it, and as it is in other countries, the main axis of its development is inevitably "construction". The first step in the infrastructure, energy generation facilities, roads, airports, urban spaces, factories, hospitals and all other vital spaces and the infrastructure that can make those spaces available is "construction". Today, 'construction' is evaluated not only for the construction of the environment, but also for the whole of activities that contribute to maintenance, repair and operation.

The Turkish Construction Sector has a locomotive function, moving more than 200 sub-sectors connected to it. In addition, it affects employment and production processes considerably because it involves hundreds of professions and is based on national capital to a large extent. Today, it is seen that the share of the Turkish construction sector in the GNP, which is undertaking more complex and large-scale projects both in Turkey and abroad, is about 30% considering the contributions of other sectors which provide inputs to the sector and sustain their activities depending on their developments in this sector. In addition, the Construction Sector has a pre-requisite for many countries, as it often assumes a leverage role for the country's economy with the added value and employment opportunities it creates (www.ekonomidunya.com).

4.3.1 The impact of the construction sector on the country economy

If looking at the whole world; continued low interest rates and stable commodity prices in Asia Pacific and North America indicate that the construction sector will enter 2018 solidly. Growth and stability for the US and Canada are foreseen. The revenue allocated to major infrastructure projects and residential construction may increase by 4 to 6 percent. In Latin America, anticipating that the recession will continue in 2018 due to project cancellations in the construction sector due to budget cuts and various corruption scandals. China will maintain its mobility in the construction sector by maintaining the same growth rate as the new normal.

Since 2013, the relationship between the construction sector and economic growth was seen that the sector is developing steadily, apart from the downturn in the second quarter of 2014. The year 2013 was a year in which industry expectations increased. With the increasing geopolitical risks and the upward movement of foreign currencies, 2014 was a year of contraction both economically and socially. Turkey's economy in 2015 caught the 6 percent growth rate. This growth was the result of private consumption expenditures and public spending. With economic growth, the growth performance of the construction sector was 4.9 percent. In all quarters of 2016, the construction sector has grown above the economic growth. In the first two quarters of 2017, the growth of the sector was realized as 5.6 percent and 5.5 percent. According to the results of the third quarter, the sector achieved the highest growth rate of the last 3 years with 18.7 percent. With this figure, the construction sector, which was ahead of industry growth, also increased its investments by 12 percent in the same period (<https://assets.kpmg.com/17.04.2018>).

Despite the positive picture in 2016 and 2017, the sector expects 2018 to be more cautious. The sector has increased housing production and housing sales especially in the last two years. In particular, slowing down the rate of stock meltdown in projects that address the upper income level shows that the sector is approaching saturation point in this segment. If the demand imbalance continues in 2018, the sector will lose its growth momentum in 2016 and 2017 (<http://intes.org.tr/17.04.2018>).

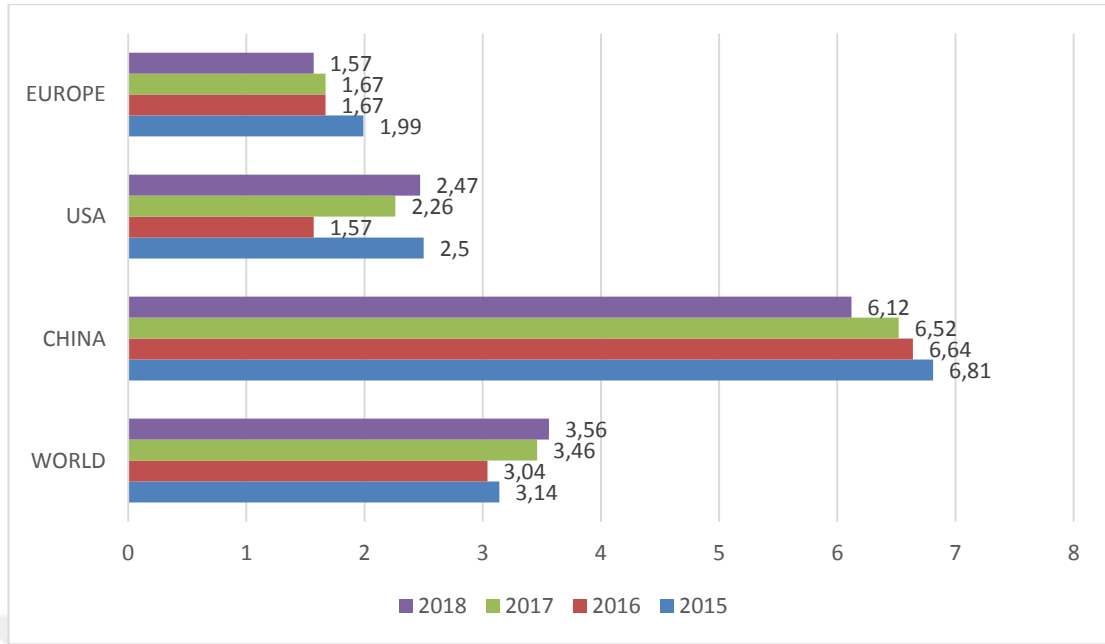


Figure 4.1: World construction sector growth (%) (Source: Euler Hermes)

Source: TCMB

4.3.2 The impact of construction sector on G.N.P.

It is estimated that the size of the construction sector in the world economy is around US \$ 3.5 trillion, which accounts for about 8% of the world's total GNP (Özdemir, Kılıç, 2011:43). In the next 10 years, it is predicted that the construction sector will grow by 67% globally and the production of 7.2 trillion dollars will reach 12 trillion. China, India and the United States are expected to account for 54% of this increase.

Within the 2009 figures, it is predicted that emerging economies, which account for 46% of the global construction sector, will have a 55% share by 2020 (Global Construction Perspectives, 2011). Figure 5. shows the global construction volume according to countries as of 2009, while Figure 6. shows the 2020 forecast.

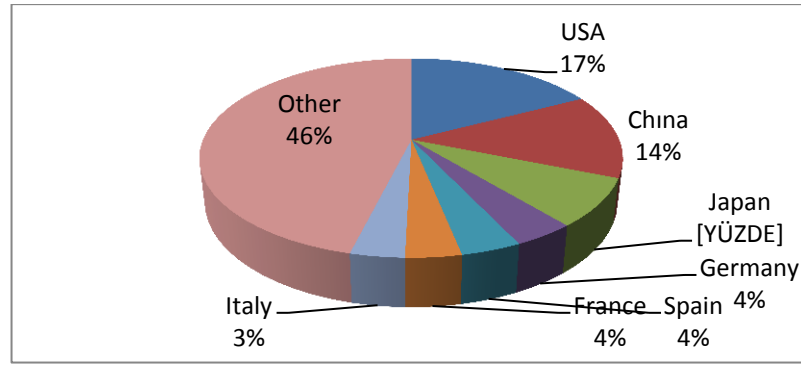


Figure 4.2: Global Construction Habits by Country – 2009

Source: Türk Yapı Sektörü Raporu, 2010

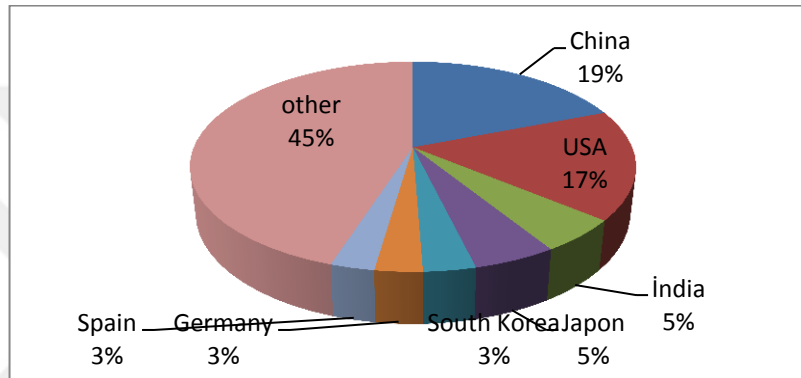


Figure 4.3: Global Construction by Country - 2020

Source: Türk Yapı Sektörü Raporu

According to Table 2, the biggest growth rate in the construction sector is observed in 2010. The share of the construction sector in GDP is significant. However, the sector has not got enough share from national income. The contribution of the economy to the economy is on a downward trend.

Turkey, especially in the building industry is evolving and growing continuously during the 1980s. As a result of this growth and development trend in the sector, it is seen that construction expenditures of both the public and private sectors are seen to increase when a considerable part of the GDP increase in the construction industry grows in the aftermath of the year 2000. Nevertheless, the crisis that broke out in February, 2001, started as a monetary and banking crisis and spread rapidly across all sectors, including the construction industry, and turned into a deep economic crisis. As a matter of fact, the economy shrank by 3.4% in 1999, 6.8% in 2000, and shrunk by 5.7% in 2001. In 2002, economic growth, which had a new trend in the positive

direction of 6.2%, continued until the last quarter of 2008. Since then, the economy has shrunk over four quarters and has entered a growth phase again (Kaya, 2013:4).

2017 realized 15 percent share of the construction sector in the global economy, the rate at the level of 9 percent in Turkey. The construction sector is vibrant in emerging economies due to the growth of the country's economy, the impact of government policies and investment potentials. By 2025, the total share of the construction sector in the economy is estimated to reach 10 percent in developed countries and 17 percent in developing countries (KMPG, 2018).

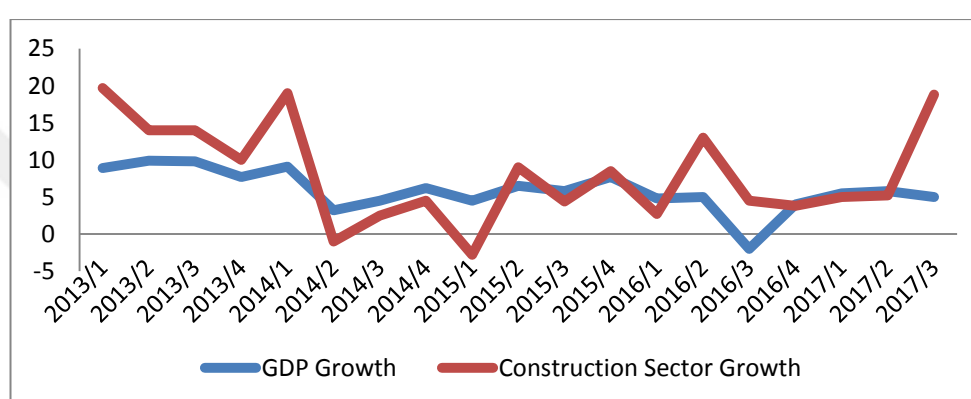


Figure 4.4: GDP growth and construction sector growth, 2013 – 2017 (Source: TÜİK, Periodic Gross Domestic Product)

Source: TÜİK

Table 4.1: General and Sectorial Development Rate (İNTES, 2011)

Years	Overall growth rate (%)	Construction sector development rate (%)
2002	6.2	13.9
2003	5.3	7.8
2004	9	14
2005	8.4	9.3
2006	6.9	19
2007	4.7	5.7
2008	0.7	-8.1
2009	-4.8	-16.1
2010	9.2	18.3
2011	8.5	11.2
2012	2.2	0.6
2013	4.4	7.4
2014	2.9	2.2
2015	4	6
2016	2.9	4.8
2017	7.4	8.9

Source: TÜİK

According to the data of the DIE, in the third quarter of 2004, the GDP growth rate was 4.7% and the GDP growth rate was 4.5%, compared to the same period of the previous year (www.intes.org.tr).

Under these circumstances, I can clearly say that despite the growth in the economy, it is still the locomotive of the construction sector.

Table 4.2: Construction Sector and GDP Growth Rates

	Periods	GNP Growth Rate	Construction Sector Growth Rate
2000	Quarter 1	70,8	67,9
	Quarter 2	64,5	58,6
	Quarter 3	59,5	49,0
	Quarter 4	48,3	39,0
2001	Quarter 1	42,6	56,1
	Quarter 2	46,1	61,8
	Quarter 3	48,9	68,5
	Quarter 4	54,3	65,1
2002	Quarter 1	45,4	42,6
	Quarter 2	44,8	37,0
	Quarter 3	39,3	29,4
	Quarter 4	33,2	29,8
2003	Quarter 1	27,9	23,0
	Quarter 2	24,2	18,4
	Quarter 3	22,8	8,40
	Quarter 4	23,6	7,08
2004	Quarter 1	23	8,01
	Quarter 2	23,7	9,35
	Quarter 3	19,3	7,94
	Quarter 4	17,7	8,95
2005	Quarter 1	15,7	7,99
	Quarter 2	15,2	7,72
	Quarter 3	14,2	8,16
	Quarter 4	19,3	10,12
2006	Quarter 1	17,3	10,55
	Quarter 2	17,3	9,65
	Quarter 3	17,7	10,86
	Quarter 4	10,1	8,60

Table 4.2: (con) Construction Sector and GDP Growth Rates

	Periods	GNP Growth Rate	Construction Sector Growth Rate
2007	Quarter 3	9,4	7,12
	Quarter 4	10,5	8,39
2008	Quarter 1	15	9,15
	Quarter 2	17,4	10,61
	Quarter 3	13,2	11,13
	Quarter 4	7,3	10,06
2009	Quarter 1	-3,1	7,89
	Quarter 2	-3,3	5,73
	Quarter 3	1,2	5,27
	Quarter 4	6,3	6,53
2010	Quarter 1	13,7	9,56
	Quarter 2	15,5	8,37
	Quarter 3	17,2	9,24
	Quarter 4	17,3	6,40
2011	Quarter 1	21	3,99
	Quarter 2	20,7	6,24
	Quarter 3	19,8	6,15
	Quarter 4	19,7	10,45
2012	Quarter 1	14,6	10,43
	Quarter 2	13,6	8,87
	Quarter 3	11,2	9,19
	Quarter 4	11,4	6,16
2013	Quarter 1	15,8	7,29
	Quarter 2	15,6	8,30
	Quarter 3	15,7	7,88
	Quarter 4	14,3	7,40
2014	Quarter 1	17	8,39
	Quarter 2	10,3	9,16
	Quarter 3	11,7	8,86
	Quarter 4	13,5	8,17
2015	Quarter 1	10,3	7,61
	Quarter 2	15,6	7,20
	Quarter 3	15,1	7,95
	Quarter 4	16	8,81
2016	Quarter 1	13,3	7,46
	Quarter 2	12,1	7,64
	Quarter 3	5,5	7,28
	Quarter 4	15,6	8,53
2017	Quarter 1	15,3	11,29
	Quarter 2	16,7	10,90
	Quarter 3	24,4	11,20
	Quarter 4	19	11,92
2018	Quarter 1	21,9	10,23

Source: Turkey Statistical Institute

In the first quarter of 2008, the global economic crisis started to be felt in the construction sector, but as the result of the rapid depreciation of the Turkish

Lira especially against the foreign currencies in the last quarter of 2008, I see that the Turkish economy is in a stagnant condition as in the construction sector. However, the slowdown in GDP after the second quarter of 2008 is also clearly seen in Table 4. The economy, which grew by 7% in the first quarter of 2008, declined to 2.6% in the second quarter of the same year and to 0.9% in the third quarter. In this sense, it would not be wrong to say that the effects of the construction sector on GNP, which directly or indirectly affected the country's economy by 20%, were seen after a quarter. In other words, the slowdown in the construction sector is an important indicator of the economic slowdown and the crisis.

It is also seen that the construction industry has quickly recovered from the effects of the Global Economic Crisis, especially after the third quarter of 2009. The construction sector, which shrank by approximately 21% in the second quarter of 2009, has recovered rapidly from the effects of the Global Economic Crisis, reaching a growth of approximately 22% in the second quarter of 2010. The fall in mortgage interest rates as a result of pulling the central bank's benchmark interest rates from 15, 75% to 6.25% in parallel with the fall in inflation expected due to the construction sector's rapid recovery after the recession after the crisis. As seen in Table 3, the monthly minimum mortgage interest rates decreased from 1.30% in the first quarter of 2008 to 0.59% in the last quarter of 2010. As seen in Table 2 above, the construction sector reached a growth rate of approximately 22% in the second quarter of 2010 as a result of the decrease in interest on housing loans and the increase in total loan amount from TL 30 billion to TL 50 billion (ITES, 2011).

Another important point that attracts attention in the construction sector is; sector loans. Even in the last quarter of 2008, when the impact of the Global Economic Crisis on the country's economy and sector increased, there was an increase in foreign loans used by the construction sector. The positive development here is to reduce the amount of foreign credit used by the construction industry to the pre-crisis level in the first quarter of 2007, continuously decreasing after the second quarter of 2009. In this sense, the foreign loans used by the sector decreased from 8,230 million dollars in the second quarter of 2009 to 8,640 million TL in the second quarter of 2010, by

8%. In the second quarter of 2009, commercial loans used by the sector increased by 13% to TL 31,919 million in the second quarter of 2010 from TL 28,243 million. Therefore, I can say that the construction sector substitutes foreign loans used for growth with domestic commercial loans.

In addition, when I look at the maturity distribution of the foreign borrowing of the construction sector, as of November 2009, a significant portion of the foreign debts of USD 8.180 million, i.e. USD 2.887 million, consists of the debts with a short period of one year.

4.3.3 Sectorial growth in construction

With the added value and employment opportunities it creates, the construction sector, which often undertakes a leverage role for the country's economies, has a separate precaution. Because nowadays 'construction' is evaluated not only for the construction of the environment but also for the whole activities which contribute to maintenance, repair and operation. Construction production is not only perceived as production of construction, but also means environmentally friendly, social responsibility, social life, direct impact on the social structure, transparent and sustainable production (Ergül, 2007:227).

The construction sector is also of great importance for the global economy. Considering the 'growth problems' experienced in the world, it is necessary to increase employment and watch carefully in order to activate other sectors.

The construction sector is highly parallel to economic activity around the world, and overall growth in the sector is above the rate of economic growth.

In 2013, the construction sector in the world is at a level of US \$ 7.2 trillion, which is expected to reach US \$ 15 trillion by 2025. At present, the share of the construction sector in the global economy is around 10-12%. By 2025, the share of the construction industry in the economy is estimated to be 16-17% in developing countries and 10% in developed countries (İş Bankası, 2016:1).

Therefore, it is obvious that the Turkish construction sector's share of GDP may increase further in the coming years. Emerging countries' share of the global construction sector output is 35% by 2013. It is estimated that the share will be

over 60% by 2025 in the market led by China and India (Sezgin, Aşkara, 2016:12).

With regard to the global construction sector in 2016, the following aspects have been observed (Hermes, 2017:1);

- Slight recovery in the sector continued in 2016
- It is predicted that the global market will increase by 2.8% in 2016 and the driving forces behind this will be Europe and North America, compared to 2.4% in 2015.

However, it is also possible that downside risks may jeopardize this scenario. These:

- There are expected stronger problems in emerging markets, especially in terms of commodity exporters, and this limits public investments
- Increasing interest rates on companies' debts due to increased interest rates and the fact that the dwellers are not willing to buy new housing
- Geopolitical and related risks to the construction activities in some regions.

If summarize the global construction sector expectations for 2017 as follows (Hermes, 2016:13);

- Following the global growth of 3.4 percent in 2016, this ratio is expected to be 3.5 percent and 3.5 percent in 2017. In addition, there is a fundamental shift in the sector. Growth in emerging markets is expected to decline to 4.2 percent in 2017, which was 8.8 percent in the last 10 years. In developed economies, on the other hand, the growth rate of -0.9 percent in the last 10 years is expected to increase by 2.5 percent in 2017.
- With the slow recovery in developed markets, it is expected that stability will be achieved in the middle of the world production in the construction sector.
- If price risks increase due to possible interest rate increases, the purchasing decisions of the dwellings and the impact on the investment capacity of the companies should be followed carefully in 2017.

- It is one of the points to be watched that in developed countries, infrastructure will increase and investments in commercial real estate will increase, and developing countries will have a relative loss of growth.

4.3.4 Foreign investment in the construction sector in turkey

Turkey based on both population and is an ideal country to invest 80 million thanks to the quality and young workforce. Moreover, the incentives provided to foreign investors, tax reductions, such as free land allocation are also easily makes it attractive to invest in Turkey.

Construction and real estate sectors are the most important sectors that keep the Turkish economy alive. Due to increasing population and urban renewal projects across the country, especially real estate and construction sector in Turkey it is very much alive. For this reason, can say that the construction and real estate sectors will be attractive options for investors for a long time.

6% of housing sales in Turkey were made to foreign investors as of September 2017. This figure is expected to increase gradually. In addition, there is currently no requirement for a residence permit in order to purchase real estate in Turkey by foreign investors. Investors who buy at least \$ 1 million of real estate are also entitled to Turkish citizenship (<http://www.insaatdunyasi.com/17.04.2018>).

The world construction claim leads the developed contractors to enter the contracting business on the international scale by going out of their national borders. It is observed that Turkish contractors have gained a significant share in the African and European construction markets, especially in the Middle East, when the firms from the list of "the biggest 225 contractors in the world" published by ENR in 2009 were analyzed from international contracting works. However, the contractors of the countries / regions such as Europe, Korea, China, and Japan also have a significant share in these markets (TOBB, 2011). Considering the potential of the construction sector in these regions, it will be important to cooperate with other foreign contractors as well as with the Turkish contractors in the region in order to increase the exports of construction materials.

The number of companies registered in Turkey, which is 153 Contractors Association. Large international projects of technical infrastructure and in the direction as well as the financing needs of the experience given that received by large construction groups, in the long term in Turkey, even though contractors from consolidation is inevitable, in the near term is not expected consolidation. The notion of consolidation in the near-term will also be reflected in the distribution channel, and small medium-sized dealers will continue to be built in distribution channels (TOBB, 2011:29).

Unlicensed and illegal, 67 percent of the building stock of around 16 million in Turkey, 60 percent of which consists of residential aged over 20, it is stated that 40 percent of the need of strengthening against earthquakes (Hürriyet İnşaat Zirvesi, Hürriyet Construction Summit,2010). For this reason, the construction of new technologies should be under the supervision of professional competence, even if it is my intention.

Table 4.3: House sale in Turkey

Years	Total House Sale	Total Mortgage	Ordinary Sales	Sales to the foreigners
1980	-	-	-	335
1985	-	-	-	55.483
1990	-	219.737	-	-
1995	-	215.613	-	-
2000	62.094	245 155	-	1.050.000
2005	51.216.071	-	-	3.830.000
2008	427.105	-	-	427.105
2009	555.184	22726	532458	555.184
2010	607.098	246741	360357	85.676
2011	708.275	289275	419000	119.000
2012	701.621	270136	431485	-
2013	1.157.190	460112	697078	12181
2014	1.165.381	389689	775692	18959
2015	1.289.320	434388	854.932	22830
2016	1.341.453	449508	891.945	18189
2017	1.409.314	473099	936.215	22234
2017(6)	132.972	253099	-	11321
2018(6)	769.910	232.210	537.700	14674

Source: TUIK

When looking at TUIK data, there is a serious acceleration in the construction sector I see that it has a positive effect on the economy (TUIK, 2016).

Especially in the last quarter of 2016 the construction sector grew by 3.7% and 0.3 points in the upward direction were found to be effective. The rate of growth achieved by the sector has also affected the GDP in a positive way. Growth rate of the sector was realized as 7.2 percent.

KPMG, the photo of the locomotive sectors of the construction industry KPMG in Turkey Turkey's economy pulled Construction Sector Outlook 2018 report. KPMG Turkey Construction Industry Leader Ismail Ünal, pull out that housing sales in the first eleven months of 2017'n increased by 6.5 percent on an annual basis, land registration fees and drew attention to the role of KDV reductions in the demand. Ünal, "Sector sustained the growth momentum in 2017. During the past year, the construction sector reached record numbers. Government incentives played an important role in this tableland. If the supply-demand imbalance affecting the sector continues in 2018, the acceleration of growth caught may be lost. "Ünal's sector report points out the following figures (<https://home.kpmg.com/17.04.2018>):

- The construction sector continues to grow. In 2017, the sector continued to grow at a faster pace than economic growth in all quarters of 2016. The sector, which grew by 5.6 in the first quarter of 2017 and 5.5 in the second quarter, achieved the highest growth rate of the last three years with 18.7 percent in the third quarter. With this figure, investments in the construction sector increased by 12 percent, ahead of industrial growth.

4.3.5 Employment Impact of Construction Sector

Employment is generally directly related to the growth in the economy and can fluctuate accordingly. The decline in the rate of growth seen in almost all of the world's economies has been felt well by the year 2013. However, especially after the crisis of 2008, the Turkish economy has been very successful in increasing employment¹⁰³. Between 2005 and 2016, employment was the sector of employment, followed by construction, industry and agriculture.

It is a fact that the construction industry has increased employment very quickly owing to its multiplier effect. The final demand of the construction sector is increasing the employment of close to 48.000 thousand people in the whole economy by one billion TL in 2002 prices. More than 60% of these are directly

in the construction sector and the other sectors that are unchanged affected are Trade (11%), Other Non-Metal Manufacturing Sectors, Metal Products (4.5%), Agriculture (2.9%) and Transportation Sector (2% , 3) (Kaya, 2013:33).

It is useful to analyze employment and the interaction of sectors in a holistic way. The construction sector supports both the creation of added value and the employment by industrial enterprises that act with prestige. For this reason, the industrial sector and the construction sector are largely complementary to each other.

It has the ability to provide employment to people of all educational levels with a wide age group as per the sectorial structure. The construction sector, which is a feature that increases employment for white and blue cats, has created more jobs in recent years than the agricultural and industrial sectors. However, it should not be overlooked that the sensitivity of the construction industry to growth can affect employment to the same extent.

The construction sector, which is one of the important sectors of the economy, and the employment created is very valuable. In winter periods when the seasonal effects of the industry are intense, the contribution of employment can be lower. Although the construction industry has been fluctuating in the last few years, in 2005, the sector that provided job opportunities to 1 million people became employment in 2 million people by the year 2015. Providing an increase of 100% load in ten years proves both the dynamics in the sector and how important it is for the economy (TUIK, 2017).

4.4 Importance of the construction sector in Turkey

With the added value and employment opportunities it has created, the Construction Sector, which has often undertaken a leverage role for the country's economies, has a separate prescription. Because nowadays 'construction' is evaluated not only for the construction of the environment but also for the whole activities which contribute to maintenance, repair and operation. Construction production is no longer perceived only as the production of construction; environmentally friendly, social responsibility, social life, direct social influence, transparent and sustainable production.

Largely based on the national capital to Turkey Construction Industry, employment and production processes due to concerns the hundreds of occupations affected significantly. The sector, which has great experience and potential in national and international fields, is called as 'the locomotive sector' with its ability to mobilize more than 200 sub-sectors and its 'sponge sector' as a major source of employment. Almost all the production of the construction sector is regarded as 'investment property'. Considering the contribution of the other sectors which provide inputs to the sector and continue their activities depending on their developments in this sector, it is seen that the share of the construction sector in GNP is about 30% (TÜİK, 2016).

The sub-sectors in which the industry is heavily interacting can also be listed as follows: Domestic contracting services and documentation, foreign contracting services, technical consulting services, real estate, finance, business and construction machinery, construction materials industry (www.tuik.gov.tr/02.03.2018).

On the other hand, construction materials can be examined in the following headings: Cement, ready mixed concrete, prefabrication, ceramic, brick and tile, pumice and pumice, gypsum, lime, gazebos, glass, iron, pipe, aluminum, natural stones, insulation, roofing materials, heating-cooling-ventilation, elevator, lighting, kitchen and bathroom, furniture (İMSAD/10.03.2018).

The construction sector has a great contribution to the country's economy with the reason that it has a very wide market both at home and abroad. Turkey's economy is drawing attention as a growing economy. Turkey, in a very easy way out of this economic crisis and the global economic crisis took place in the least affected country. In growing economies, there are different areas where economies grow. Significant progress has been made especially in the tourism, trade, investment and construction sectors in Turkey, thus contributing greatly to the development of the country's economy. In terms of the construction sector, building licenses must first be looked at in order to better understand the place and role of the economy.

Economic developments have seen considerable progress with the developments in construction news. This situation makes it possible to invest considerably

both in the country and abroad, and to grow economically. The Turkish construction sector began to develop especially after 1945, after World War II. Between 1950 and 1970, a significant growth was achieved, especially with support from the United States. The general name of these aids is called Marshall Aid. Construction companies were established throughout the country after these assistance and great steps were taken on behalf of the real estate. However, because of the crisis in 1973, starting with the Cyprus problem between Turkey and Greece have stopped the construction sector development. The reason why the construction sector stays in this period and the country's economy has been negatively influenced by this situation (İMSAD, 2016).

When the sub-sectors that support the development of the Turkish construction sector are examined, it is seen that these sectors have a considerable priority in the development of the construction sector. Especially construction materials, engineering and architectural services and the construction sector are developing thanks to these sub-sectors. The construction sector should not be separated from these sub-sectors and should be evaluated as a whole.

4.5 The effects FDI of Turkey Construction Sector

The construction sector is highly sensitive to economic activity. Production in the sector is generally in line with economic activity. However, in the course of recent activities in the sector, the internal dynamics of the market play an important role.

Real growth in the construction sector was above the GDP growth in 2016, which was 5.2% year-on-year at 3.2%. Annual growth in the sector exceeded GDP growth of 10.2% to 7.4% in the first nine months of 2017. In this period, construction investments registered a rapid increase by 16% compared to the same period of previous year. In the third quarter of 2017, the construction sector showed a strong performance compared to the first half of the year, with a rapid increase of 11.1% in economic activity and 18.7% in real terms. In this development, the supportive measures of the public and the low base effect played an important role (Sezgin, 2017:11).

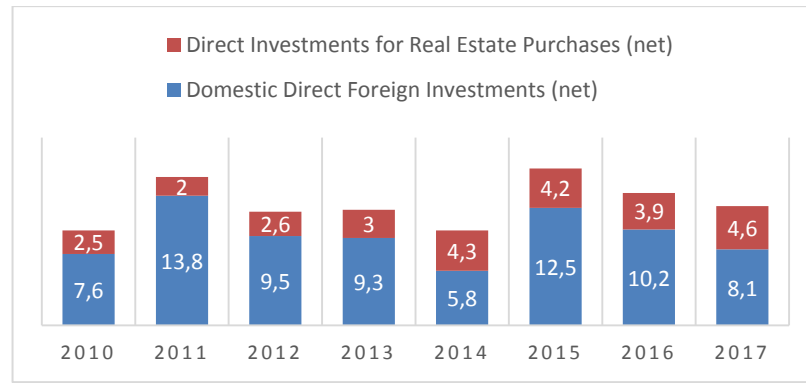


Figure 4.5: Domestic Direct Foreign Investments (billion US dollars)

Source: TCMB

Growth potential in the domestic market in recent years and the relatively high rate of return is caused by the increase of interest for foreign investors in Turkey's real estate market. Factors such as legal regulations, large housing projects and the demand created by immigration are also positively affecting investments in the sector, facilitating the acquisition of property by foreigners in the country. According to the Balance of Payments statement, net foreign direct investment (FDI) in the domestic market amounted to USD 8.1 billion as of 2017, of which USD 4.6 billion was due to net investments for real estate purchases. In this period, the share of real estate purchases in total FDI was 56.6%. This growth was influenced by a 19.4% increase in total direct investment, which was 20.3% year-on-year decline, despite the legal regulations involving recognition of investor citizenship, which provided certain conditions for real estate purchases.

In Turkey, home sales stood at 1.4 million units increased by 5% in 2017, compared to the previous year. Housing sales, which followed a rather volatile course throughout the year, declined year-on-year in the last quarter following the end of September after tax cuts for the sector. With the spread of mortgage sales, about 30% -40% of total housing sales has started to be realized as mortgage. It is observed that mortgage sales are very sensitive to interest rates. With interest rates starting to rise in April 2017 on mortgage loans, the share of mortgage sales in total housing sales has begun to fall. By the end of 2017, this ratio was 34%. While Istanbul, Ankara and İzmir are the most sold houses in terms of periods, it is noteworthy that the sales in İstanbul are fluctuating more than quarters (Sezgin, 2017:17).

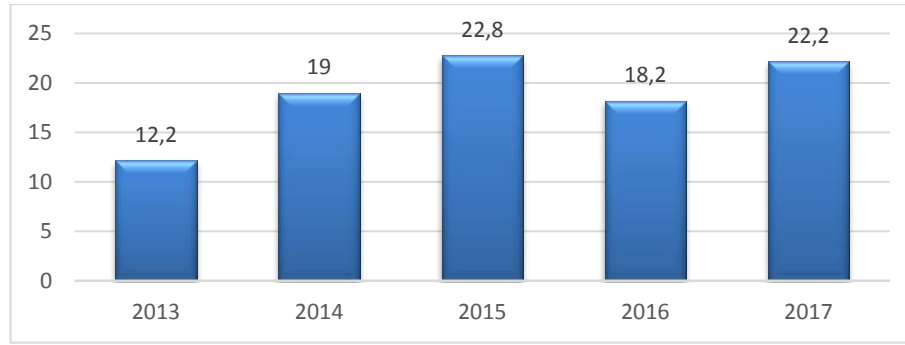


Figure 4.6: The houses sold to foreigners

Source: TCMB

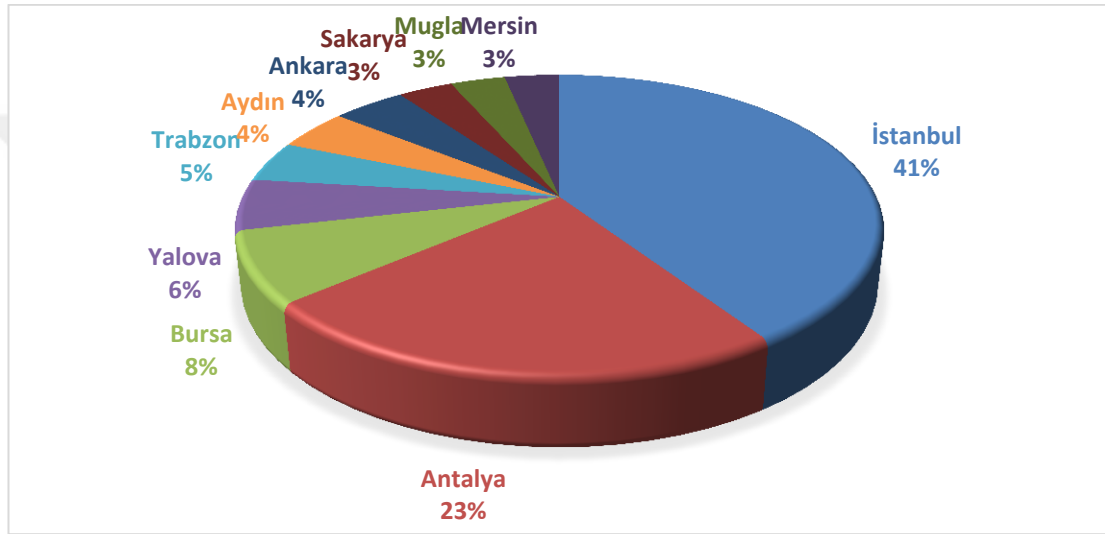


Figure 4.7: Share of Provincial Shares Acquired by Foreigners % (2017)

Source: TÜİK

Housing sales made with foreigners have increased significantly in recent years. 2013 2017 period, while exhibiting increases in housing sales in Turkey bands from 0.7 to 10% on an annual basis, in the same period in the band 20-56% decline in 2016 home sales to foreigners outside showed high increases. This development has been aimed at the improvement of domestic construction sector activities, the growth of the housing market, the improvement of financing conditions, the decrease in housing prices due to foreign exchange depreciation due to the depreciation in TL, the arrangement to remove the reciprocity requirement for foreigners' KDV exception granted to housing sales and housing, provided that certain conditions to ensure the recognition of the rights of citizenship to people buying in Turkey (2017) with geopolitical developments, such as the case of many factors induced migration has been

effective. It is noteworthy that foreign residents are increasingly concentrating on demanding cities in the coastal cities. It is seen that Istanbul and Antalya are in the first two places in residential sales made with foreigners. In the year 2017, while Istanbul occupied the first place in the housing purchases of foreigners with a share of 37%, Istanbul followed by Antalya, Bursa, Yalova and Trabzon.

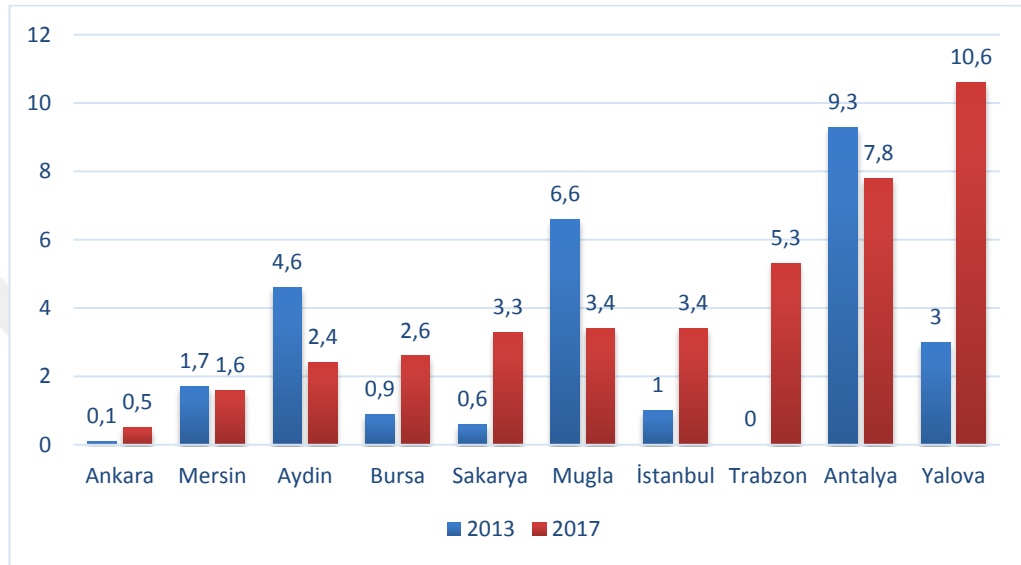


Figure 4.8: Share of Foreigners in Total Housing Sales in Selected Provinces (%)

Source: TUIK

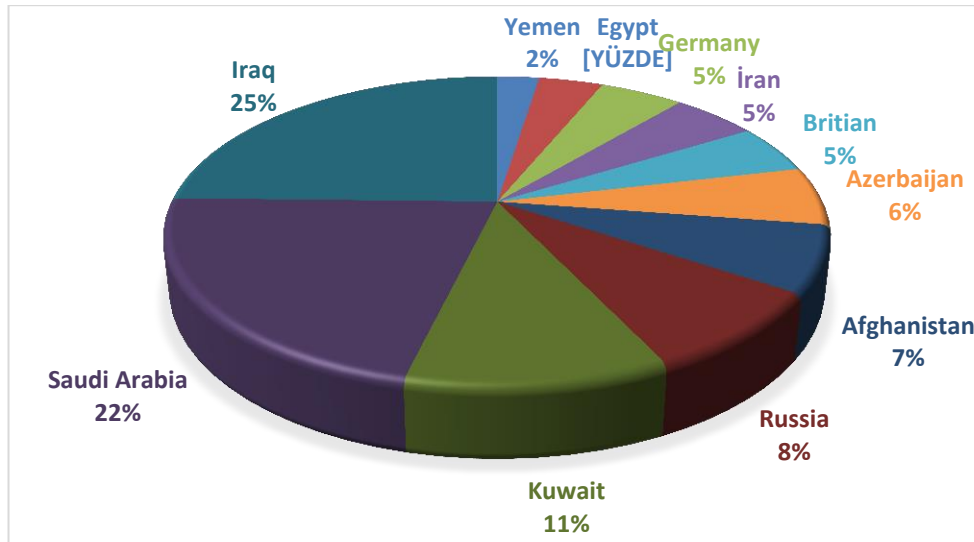


Figure 4.9: Country Shares in Foreign House Sales (2017)

Source: TUIK

As of the end of 2017, 10, 6% of housing sales in Yalova and 5.3% of sales in Trabzon were made with foreigners. In the case of Antalya and Mugla, where more British and German investors are interested, the share of foreign-oriented sales declined compared to previous years. In recent years, the share of Middle Eastern countries has increased and the share of European countries has decreased. While Iraq (17%) had the largest share of sales in 2017, it followed Saudi Arabia (14, 9%), Kuwait (7, 5%) and Russia (5, 9%) respectively. Sales made by foreigners have a very low share of 1.6% of total sales, but they play an important role in housing demand and price developments.

'Turkey in December 2017 IMSAD Sector Report; the construction sector has completed the year 2017 with a growth rate of 8.0 percent. In this rapid growth, it was emphasized that the construction works of the city were influential with the important supports given on the housing side. It is stated that in 2018 the growth in the construction sector is expected to continue with its own dynamics and the ending public support will continue with the innovations (<http://www.jll.com.tr/08.04.2018>).

Building Material Producers Association of Turkey (Turkey IMSAD) 's, prepared by the umbrella organization of the sector as the most important' Sector Report of December 2017; support for the construction sector, financing opportunities for consumers and producers increased in 2017. Despite the decreases in overseas construction contracts, the export of construction materials has been increasing again in 2017 after two years of shrinking, and it has been emphasized that the average growth rate of the construction materials domestic market is 7-8% (<http://www.emlakkonut.com.tr/01.11.2018>).

Growth in the economy and construction sector in 2018 and the predictions that it will proceed with its own dynamics will take place in the report. In 2018, the economy and construction sector will grow by 4-5% and the domestic construction materials market is expected to grow by 4-5%. There is also the expectation that some of the end-of-support will be implemented in 2018 (<https://assets.kpmg.com/01.2018>). In the report; the financing costs for the consumer and producer sides will be more limited in 2018 and the improvements in the foreign markets are expected to support the exports of construction materials.

4.6 Construction Industry Issues

Construction sector; it has an important place in the economic structure because it is directly related to the use of intensive labor force, contribution to socio-economic welfare level and production of hundreds of goods and services. It is also the locomotive of the country's economy in terms of added value and employment. Turkey concerning the construction sector is largely based on domestic capital is hundreds of occupations and employment are positively affect the production process (Koç, 2008:11).

The construction sector, which has a great deal of experience and potential in the national and international arena, is called the locomotive sector with the ability to mobilize more than 200 sub-sectors connected to it. The construction sector is divided into buildings and infrastructure investments, while the building investments consist of residential and non-residential building investments (Koç, 2008:12).

Build; it is also considered as a very wide service sub-sector which covers all kinds of underground and over ground structures that provide collective benefit. The branches of production in the construction industry and housing ownership and in the calculation of national income (Gross National Product (GNP) account) are taken into consideration according to their added values (agricultural, industrial, construction industry, wholesale and retail trade, transportation and communication, financial institutions, self-employment and services, bank services) are separated as two separate production lines or sectors. Within the construction sector, all kinds of housing construction, houses and apartment buildings are included. Usually within the first row of fixed capital investments in Turkey (about 40%) is invested in the construction (Karluk, 2002:13).

The share of the construction sector in the Gross Domestic Product (GDP) varies according to years (Table 5). When the share of different sectors in GDP in selected periods is analyzed, in 2002, agriculture was 13,8%, industry 29,4%, construction 4,6%, services 52,2%; In 2015, agriculture was 6%, industry 28.4%, construction 5,8% and services 59,8%. While the share of agriculture

and industry in GDP is decreasing in this process; the share of construction and service sectors in GDP has increased (Yıllık Ekonomik Rapor, 2015).

Table 4.4: Shares of sectors in GDP in selected years

Year	Agriculture (%)	Industry (%)	Build (%)	Services (%)
2002	13,8	29,4	4,6	52,2
2005	11,5	29,4	4,2	54,9
2014	6,0	28,3	6,0	59,8
2015	6,0	28,4	5,8	59,8

Source: Yıllık ekonomik rapor, Annual economic report 2016

There are various indices in order to follow the development of Turkey's construction sector in periods / quarters and years. These indices are; Construction Turnover Index, Construction Production Index, Construction Workforce Input Indices and Construction Materials Industrial Compound Index. In this study, the general situation of Turkey's construction sector was evaluated by examining the changes in these indices over the years.

Survey data, which is the basis for the calculation of Construction Turnover and Production Indices, is obtained by filling in the Construction Sector Quarterly Question Form in electronic form for directly selected workplaces. Field studies or surveys, and over 20 employees located in offices or initiatives, Turkey Statistical Institute in each province in which that province is connected (TSI) Regional Directorate is made (<http://www.tuik.gov.tr/02.03.2018>).

The effects of the season and the calendar prevent temporary observation of the general tendency of the data as they are temporary. It is quite difficult to understand that the vernacular with seasonal movements is caused by the change that occurred in a certain period, by the actual increase or decrease in the past, or by seasonal influences. In order to interpret the monthly / seasonal and annual changes in short-term indicators correctly, the use of the seasonal and calendar effect indicators in the comparisons to be made according to the previous month / turn; the use of the Schedule-Impacted Indicators will provide

a better interpretation of the data in comparison with the same month / period of the previous year.

The Construction Production Index (CPI) is a display used to track and compare the increase / decrease in production in the construction sector over a period or year. IUE is decreasing in the cold and rainy winters, while the weather is warming and therefore the construction is increasing during the spring and summer periods. The Construction Turnover Index is generally decreasing in the first quarter, while the accounting transactions increase in the fourth quarter due to the year-end sag. Therefore, when the seasonal and calendar effects are found in the Construction Revenue and Production Indices, this issue is also published as the Schedule is free from the effect of the season, and it is also free from the calendar effect (TUIK/02.03.2018).

The Construction Labor Force Input Index is calculated in a similar way to the Construction Endorsement and Construction Indices mainly for fixed base year (2010 = 100). For the weights of these indices, 2010 annual Industrial and Service Statistics results are used. Survey data, which is the basis for the calculation of Construction Workforce Input Indices, is obtained by filling the Construction Sector Quarterly Questionnaire in electronic form for directly selected workplaces. Field studies or surveys, and over 20 employees located in offices or initiatives, Turkey Statistical Institute in each province in which that province is connected (TSI) Regional Directorate is done (<http://www.tuik.gov.tr/09.03.2018>).

The Construction Material Industry Index (IMS) is an index created by the combination of activity, trust and expectation measured in the construction material industry and revealing the general condition of the construction industry. This index is published monthly Building Materials Manufacturers Association of Turkey (Turkey IMSAD) is held by (İMSAD, 2016).

This index; Turkey production in the manufacturing industry and economy, investment, industry is a very important share of building materials in the field of employment and exports are determined in the following ways (İMSAD, 2016).

- Close monitoring of developments and expectations,

- The development and anticipation of indexing or digitization,
- The sector representatives should first be shared with the development and expectations, then the sector should be shared with all stakeholders and the economy management and finally with the public,
- To create a continuous and regular information set for all actors within and outside the sector.

Construction Material Industry Index; Construction Material Industry Activity Index, Construction Material Industry Confidence Index and Construction Materials Industry Expectation Index.

4.7 Sustainable Economy for Construction Sector

The frequency of climatic disasters experienced in the world in recent years and the negative effects on the environment have shown that the natural resources to which human life depends depend on the rapid depletion of natural resources and the approach towards a non-irreversible point. In the factories, greenhouse gases emitted into the air by burning fuel in people's homes and transportation vehicles cause global warming and climate change. When nature is being polluted rapidly by people, the unconscious consumption of natural resources has brought about the concern of leaving these resources to future generations. This has increased the interest of the whole world in the concept of sustainability and has begun to shape around the notion of future sustainability. Sustainability means to preserve or abstain from the Latin word for "silence" (Jacques, 2016).

Glossary means 'a method of processing and / or using a source in order not to be consumed, finished and destroyed forever' (Merriam-Webster Inc., 2002). There are many different approaches to the concept of sustainability and this concept has been interpreted in different ways. Speaking of these interpretations; Damage to the environment and rapid pollution of nature brought about the issue of long-term protection of the environment and resources. For the first time, the concept of sustainability has taken place in the World Nature Conservation document, which was adopted by the World Conservation Union (IUCN) in 1982. According to this circumstance; "It is

foreseen that they should be managed in such a way that they can achieve the optimum sustainability of the ecosystem, organisms, land, sea, and atmosphere resources that people benefit, but this is done in such a way as not to jeopardize the integrity of ecosystems and species" (Gezen, 2015:66).

In Pierce (1993:7), sustainability; "That the non-renewable resources are physically rare, that they can replace each other, and that the environmental impacts of using resources are guaranteed and that the wastes cannot exceed the capacity that the Earth can afford." Besides, (Whitelegg, 1993:123) believes that sustainability cannot have any meaning other than being "global" (Hoşkara, 2007). The environmental, economic and social role that the construction sector has in spite of all the environmental problems caused the industry to become indispensable and lead to new ideas in order to develop in harmony with nature. These ideas, gathered under the framework of the concept of sustainable construction, are basically aimed at reducing the resource use in the sector by using construction materials so as to be reusable and costing less energy by considering cost increase and as a result, to produce less waste.

In the international context, it is possible to come across the work of the International Council for Research and Innovation in Building and Construction (CIB) only in the last decade (Yılmaz, 2012:89).

Increasing consumption of non-renewable resources, resource transfer to future generations, etc., have led to the determination of new strategies for new planning in the construction sector. The new strategies that have been created in the name of applying sustainability to the construction sector have begun to find their place in the project phase. In order for a project to be sustainable in its entirety, it must be intertwined and harmonized with economic, social and environmental issues at the cost of planning, construction and demolition in a cost-effective, accessible and environmentally conscious manner (Wyatt, 1994:16). As a result of researches on sustainable construction, the main subjects that classical design and construction are based on include sustainable design and construction as well as cost, time and quality, as well as reduction of resource depletion and environmental deterioration and establishment of a healthy structured environment (Kibert, 1994:3).

4.8 Investments invested in the construction sector before and after the 2008 crisis

Turkey's economy since the 1990s has been faced with crises at regular intervals exogenous and endogenous origin. The crises of November 2000 and February 2001 caused serious devastation in the Turkish economy and a number of measures were taken to overcome the adverse effects of the crisis. Significant reforms have been made in the financial sector banking sector, particularly in the context of restructuring programs. In the real sector, unfortunately the same reforms have not been realized. However, a number of reforms in Turkey that the crisis in the global financial crisis emerged in 2008 and as a country that has experienced a very deep crisis experience.

Reduction in demand for housing in Turkey, which began in 2007, the election period and the economic and political uncertainty have also been effective during the recession (INTES, 2011). The economic contraction (4.7 percent), which started in 2007 as a result of all these negativities, continued in 2008 (0.7 percent). GDP, which started to shrink after the first quarter of 2008, fell sharply by 14.7 percent in the first quarter of 2009 and started to grow during the following three periods. Nevertheless, in 2009, there was a 4.8 percent contraction in the economy. In 2010, 8.9 percent growth was realized. Industrial sector grew by 0.3 percent in 2008 compared to the previous year; in 2009, it shrank by 6.9 percent. These figures are -1.5 and -8.6 respectively for the trade sector. The agricultural sector, on the other hand, grew by 4.3 percent in 2008 compared to the previous year, and in 2009 this figure dropped to 3.6 percent. The industry and trade sectors survived the crisis with a growth rate of over 10 percent in 2010.

Table 4.5: Growth Rate of GDP and Sectors (%)

	Construction	Industry	Trade	Agriculture	GDP
2006	18.5	8.3	5.8	1.4	6.9
2007	5.7	5.8	5.3	6.7	4.7
2008	-8.1	0.3	-1.5	4.3	0.7
2009	-16.1	-6.9	-8.6	3.6	-4.8
2010	17.1	12.9	11.5	1.6	8.9
2011	11.5	9		8.2	8.8
2012	0.6	15		7.8	2.1
2013	7.4	5.5		6.7	4.2
2014	2.2	12.45		6.6	30.
2015	1.6	6.8		6.9	4.0
2016	4.8	8.4		6.2	2.9
2017	8.9	8.8		6.1	7.3

Source: www.dpt.gov.tr, 2011

The construction sector, on the other hand, has been affected by the global crisis, which cannot be compared with the agricultural, industrial and commercial sectors. The construction sector, which had a growth record in 2006, fell to seventh place in 2007. In 2008 and 2009, it was the last in the growth order.

The sector shrinking by 8.1 percent in 2008, the expectation of crisis in 2009 decreased by 16.1 percent. With private sector investments coming to a standstill, the sector grew by 18.4% in the first quarter; decreased by 20.9 percent in the second quarter (INTES, 2011:5). The construction sector started to recover in the third and fourth quarters. In 2010, the sector displayed high growth performance. The sector grew by 8.3 percent in the first quarter of 2010 and grew by 20.4 percent in the second quarter. The sector continued its growth momentum in the recent period and displayed a growth performance of 22.1 percent. The construction sector, which grew 17.5 in the fourth period, climbed by 17.1%.

In many countries of the world in the framework of implementation of crisis measures package Although the weight given to public infrastructure investments, 2.2 percent of public investment expenditure in 2009 in Turkey;

and private sector investment expenditures decreased by 22.3 percent, which led to construction being the sector most affected by the crisis. Depending on all these factors, the global crisis rapidly and steadily deepened in 2009 in a wide range of sectors, from the construction sector's decline in construction activity, the decline in construction material production and exports, the inflation of housing stocks, the fall in housing prices, the decline in employment (TMB, 2011: 24).

Negative effects on the employment in the construction sector are given in the table above. According to this, while the number of persons employed in the sector in 2007 was 1.2 million, this figure decreased by 8% in 2008 and decreased by 1.1 million. As of this year, the non-agricultural employment rate of sector employment decreased from 7.8 percent to 7 percent.

During the crisis period, there was no downsizing in total employment. Employment rates, which started to increase in 2009 in the sector, continued in 2010 as well.

In addition to employment, the global crisis has also caused a decline in turnover and production indices in the construction sector. Both construction production and construction turnover index decreased sharply between 2006 and 2009 as the average annual average. The turnover index growth rate in 2007 was 12 percent from 32 percent; the production index decreased from 18 percent to 6 percent. As of 2009, turnover and production indices shrank by 14 and 16 percent, respectively. Revenue and production indices began to recover in 2010. While 2008 was accepted as a year of crisis, in 2009 housing ownership increased by 4.1 percent. Despite the crisis, there are several reasons for this increase: the first of these is the builders' willingness to overcome the tide of revival and cash shortage due to the bullishness of housing stocks, the fall of housing producers, the fall in prices due to the crisis, the tax cuts applied in the first quarter of the year (<http://www.tmb.org.tr/01.05.2017>).

While the rate of growth of housing ownership and the share of GDP are analyzed in the following figure between 2005 and 2007, there is an increase in 2008-2009 and a decrease in 2010. According to this, while the share of housing ownership in GDP was in 2005, it decreased to 4.7 in 2007; after rising to 5.2 in

2009, this ratio declined to 4.8 in 2010. The growth rate of housing ownership, which was followed by movements in the same direction, decreased from 3.6 percent in 2005 to 2.1 percent in 2007; In 2009, it grew by only 1.9% in 2010 after a 2.6% growth in 2009 (<http://dergipark.gov.tr/18.04.2018>).

4.9 Relation of Construction Sector to Other Sectors

Positive developments in the construction also make it possible for sub-sectors to rise. Construction input cement, iron-steel, ready-mixed concrete, construction materials, roof coatings, ceramics, etc. Capacity utilization rates the rates increased.

It seems that the use of ready-mixed concrete in the statutes is on the rise, this mortgage system seems to be going on with the introduction of the system; when compared developed countries, Turkey needs to focus on infrastructure investments and the annual consumption of ready-mixed concrete should reach at least 70 million cubic meters. Examination of the statistics of the Association of Heat, Sound, Sound and Fire Insulators (IZODER) shows that the infrastructure and industrial investments that increase the input of the sector should increase in order for the growth in the construction to be healthy and lasting. When said that the insulation sector is growing together with the construction, it is seen that the insulation sector is always in the growth trend. It would be hard to estimate that the market size of 2 million cubic meters in 2000 will be 4.5-5 million cubic meters at the end of 2005. The construction industry is very interested in the cruise insulation industry (Sekizinci Beş Yıllık Kalkınma Planı, The Eighth Five-Year Development Plan,2001:67).

The paint sector also plans to acquire its growing portion in 2006. Authorities of the Paint Industry Association noted that the growth in the building did not reflect on the surface, but most of the main reason for it was that the foundation of construction was laid in 2005. The developments in the mortgage system are also expected to affect the sector in the positive direction. The painting of the constructions that will end in 2006 will revive the sector. Expected growth rate is 15 percent (Çelik, 2007:23).

Given that the mobility in the construction sector will only get a share in 2006, the sector will grow by 15 percent this year, according to the Advanced Ceramics Coating Materials Manufacturers Association (SERKAP). Since ceramic is a product used in the final stage of construction, its effects on growth will be seen in 2016. This sector, which grew 10 percent in 2005 compared to the previous year, can be predicted to grow 15 percent in 2006. Considering that the average consumption of the ceramic 6 square meters per person in European countries, in Turkey I can assume that this rate could reach 2 square meters in 2006.

According to data from the Rooftop Industrialists and Businessmen Association (ÇATIDER), it is observed that in the first 9 months of 2005 it has grown by 30 percent. I can say that the movement in the housing sector reflects positively on consumption of roofing. Unfair competition and lack of human power are among the most important problems of the sector.

5. CONCLUSION

Since the 1950s, the volume of direct foreign investments increased in the world economy. These investments have begun to be regarded as a necessary and important tool for achieving economic growth and growth targets in all economic circles. It is considered that a steady capital inflow is a serious benefit and contribution for the development dimension for the local economy. The most fundamental factor affecting capital flows and economic factors is the capital gain earned in the decisive position. Besides, the political stability of the country, the owner the level of openness in skilled labor force, education level, technological infrastructure, legal, bureaucratic and economic fields are also important factors for attracting foreign direct investments to the country. For this reason, the relationship between foreign direct investment and economic growth has become quite involved in economic studies.

There is tremendous increase and improvement in bet FDI inflows to Turkey. Turkey's economy had more of inflow a foreign capital investment than the amount before 1980s. Turkey also subject to same concern with the flow of capital where under the influences of factors such as risk and return. However, since both the capital and the host country have different expectations, the optimum solutions have common interests. While the investors look for areas that will provide maximum return for themselves; developing countries seeking to successfully sustain development processes are trying to attract their own funds to the countries they need as they face the bottlenecks of inadequate funding sources, lack of domestic savings, currency shortages and technological constraints. Therefore, overcoming such bottlenecks and continuing the development process make outsourcing a necessity.

Here in this thesis, specifically, how foreign direct investment construction sector contributed to Turkish economy have been analyzed. Fast growth in construction sector contributed more than any other industry in Turkish Economy. Additionally, the foreign direct investment in construction sector

contributed to this extraordinary growth in Turkish economy. According to the Balance of Payments statement, net foreign direct investment (FDI) in the domestic market amounted to USD 8.1 billion as of 2017, of which USD 4.6 billion was due to net investments for real estate purchases. In this period, the share of real estate purchases in total FDI was 56.6%. It was explained that the effects of the construction sector on GNP, which directly or indirectly affected the country's economy by 20%. In other words In this thesis, Turkish economy of the construction sector in direct economic growth over this thesis, based on the results of data Statistical tested the relationship between GDP and foreign direct, the slowdown in the construction sector is an important indicator of the economic slowdown.

The results of this study have also shown that FDI growth in Turkey is stimulated by economic expansion. Having this major finding in the present study, a further research is recommended to be done on through which channels FDI is stimulated in the case of Turkey. The contribution of foreign direct investment has become more visible nowadays in terms of world countries. This added value is not only economic but also contributes in cultural and technological sense. As a country progresses along with economic developments, the development of both foreign direct investment and foreign trade will continue.

The country will also develop in terms of human resources, in this context, all the products and the emerging assets will be raised. Faced with a changing market environment around the world and having to re-examine traditional business relationships, businesses are consolidating their strengths with strategic alliances because they do not have sufficient expertise in key global areas such as construction, production and distribution. These associations ensure that businesses take steps towards becoming a world company.

As a result, considering the contributions to growth of foreign direct investment, Turkey should benefit more from foreign direct investment. However, Turkey will purchase foreign direct investment and mergers it is obvious that economic growth and employment contribution will be higher if it is realized as new investments that create employment, technology and high value added. It should not be forgotten that in order to attract more foreign direct investment,

economic and political stability as well as the favorable conditions and continuation of long-term growth and capital some dynamic effects on attraction should not be overlooked.



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