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# HISTORICAL DEVELOPMENT OF FOREIGN DIRECT INVESTMENT IN TURKEY

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**ABSTRACT**

***This paper explores specifically the historical progress of foreign direct investment (FDI) in Turkey beginning with the later period of Ottoman Empire. The Republician era is divided into six periods: the foundation years of 1923-1930; etatism period of 1930-1950, liberalism movement of 1950-1960, planned years of 1960-1980 and the post-1980 period which marked the transition towards free market economy. In the analysis of these periods, particular attention is given to underline the attitudes towards and the perspectives about FDI, within the context of the prevalent economic and political approaches of each period.***

## 1. INTRODUCTION

Looking back down the road Foreign Direct Investment (FDI) traced in Turkey from the late years of Ottoman Empire on, it will be discerned that FDI has followed somehow mercurial way. But aware of the contribution of foreign capital to the economic development as being a sine quo non factor, the policy makers, sometimes reluctantly, have taken steps to encourage the inflow of FDI. With the special emphasis on the prevailing attitudes of the governing bodies toward FDI as well as the reflection of those attitudes on the terms of directions of policy actions pursued, this study will initially explore the situation of FDI in the late years of Ottoman Empire. The analysis, then will switch to the new epoch that began with the proclamation of Turkish Republic in 1923. Prorepublician era will be investigated separately within the six subsequent periods of 1923-1930, 1930-50, 1950-60, 1960-80 and post-1980.

## 2. OTTOMAN ERA

FDI in Turkey can be traced back to 1800s. Characteristics of the foreign investments in Turkey during 1800s and early 1900s show a great resemblance to the ones in the typical colonised countries (Alpar, 1976). In this period, foreign investments mainly took place in the infrastructure of railroads, harbours, transportation and electricity and water utilities as well as the service areas of banking and insurance. And most of these investments was financed through the sale of the-foreign-government-guaranteed bonds in the European markets.

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As for the banking industry, foreign-owned concerns had a predominant role, among which the Ottoman Bank (with joint French and Biritish capital), the Credit Lyonnais and the Deutsche Bank were the most notable ones. As argued by Hale (1981), these banks played a major part in rising loans for the government, while the Ottoman Bank had a monopoly of the note issue.

When it comes to the mining industry, between the period of 1870-1911, out of 238 mining rights, 107 were granted to Turkish entities, with the other 67 and 109 to minorities and foreigners respectively (Okcun, Quoted in Eralp, 1983). The activity was nevertheles limited to the exploitation of coal deposits at Zonguldak, and boracite and chromite in western Anatolia; and in 1911, over 75 percent of mineral production by value was drived from foreign owned mines (Hale, 1981). Turkey at that time was the only country in the world producing chromite, but these chromite ore deposits were run by the famous British company, J.J. White. (Alpar, 1976).

Coal operations that started in 1882 in Eregli with joint French and Italian capital, and the Ottoman Locomotive Company which was established in 1889 with German capital to carry out the Baghdat railroad project were among the most important FDIs. By the year 1910, 59 percent of FDIs within the Turkey's borders were in railroads, 11% industry, 19% bank-insurance, 6% mining, 5% electricity-water utilities, 5% harbours, and 4% trade (GDPI, 1990). As Karluk states (1976), the values of French and British direct investment in Turkey by 1914 had reached 3.3 billion frank and 24 million sterling respectively.

The reason of the limited scale of FDI especially after the second half of 19th century could be said to be the consequence of the trade agreements signed with the European countries. According to these trade agreements, Ottoman Empire would allow the importation of every kind of goods and levy 5 percent customs tax on imports even though this tax on exports was 12 percent. Foreign products, therefore, through exports found and easy access to the Empire, weaking the competitive edge of domestic industries.

One of the characteristics of the foreign companies operating especially on infrastructure investments was to have lucrative privileges and to produce exorbitant profits. For example, as Alpar (1976) indicates, during the period of 1864-1913, Aydin Railroad Corporation transferred 11 Million sterling of profits, which was nearly half of the all British investments (23 million pounds) in the Ottoman empire until 1914.

In the analysis of FDI in the Ottoman Empire, impact of foreign debts deserves special importance. Inability of the Ottoman treasury to pay back the foreign debts led to issue of the decree (Muharrem Decree) in 1881, which, for arrangement of the payment of the debts, established the Public Debt Administration, comprising the representatives of the debtor countries (Gazioglu, 1982). This administration took over the collection of revenues from monopolies on tobacco and salt, stamp duties, and taxes on liquor, fisheries and silk. Establishment of the administration by which the control of an important part of the government machinery taken over by foreigners exemplified the economic bankruptcy of Ottoman Empire. The foreign members of the administration were at the same time the representatives of the foreign companies. In 1887, 35 percent of the budgetary incomes was handed to the committee and in 1909 the management of the monopolies was in the hands of the administration (Alpar, 1976). Although the administration had been set up with the intention of ensuring the swift payment of foreign debts, the new debts incurred to repay the old ones stipulated more heavier obligations for Ottoman empire. And every struggle to quit this burden meant nothing but more foreign capital and more foreign companies operating under the guarantee of the administration.

Liquidation of foreign debts inherited by Ottoman empire and the abolishment of all privileges granted by the trade agreements took place only after the establishment of the new Turkish Republic.

## 3. REPUBLICIAN ERA

With the proclamation of the new Republic in 1923 following the independence war, Turkey was founded on the social and economic heritage of the Ottoman Empire. Inheriting a heavy burden of debt and nearly collapsed economic structure, Turkey initiated political and economic development process. Historical survey of this process indicates several distinct periods. The period of 1923-1950, as Canevi (1994) asserts, witnessed the founding of the republic and the rebuilding of the war-torn country through "etatism" within a single-party political system. During the 1950s, in economic management a first wave of liberalism was experienced. But with the first of two coups d'état and introduction of the concept of five year indicative development plans, the year 1960 marked the beginning of the import subsitution period which lasted until 1980. Faced with the most severe economic crisis in the history of Turkish Republic (Saracoglu, 1987), which was caused mainly by heavy debt and reflected in the chronic hyper inflation, on January 24th 1980 the Government initiated fundamental reforms in the orientation of economic policy that represented abandonment of traditional import substitution strategy in the favour of outward oriented growth.

### 3.1. The Period of 1923-1930

With the proclamation of the Turkish Republic, Turkey inherited a heavy burden of debt and collapsed economic structure of the Ottoman empire. In spite of the nationalisation of some strategically important companies, the new regime was not unfavourable toward the external environment and in particular toward foreign capital. In the February of 1923, some 1,100 delegates representing farmers, traders, industrialists and labourers assembled in Izmir for the Republic's first Ecomomic Congress, which was supposed to formulate proposals to the government in the economic sphere (Hale, 1981). At this congress, where the main economic role was granted to private enterprise (Hershlag, 1988) primarily two crucial policy issues, namely the role of the government and the role of the foreign capital in the development of economy were debated in length.

The position of the new regime toward foreign capital was articulated by Ataturk, the founder of the regime in his opening speech to the Congress as following:

"One is apt to believe that we are against foreign capitalists. This is an error. On the contrary we want their corporation. In consequence, we declare ourselves to be ever ready to accord the necessary guarantees provided that they submitted to our laws. We want foreign capital to come to add to our efforts and to the wealth of our country not yet exploited. But we do not admit as in the past that the government remain with folded arms as guardians of this capital. As in the case of all civilised nations we are not able to agree that. We can not permit that this country should become a city of slaves (Eralp, 1983)."

The Minister of Economics, Mahmut Esad, also asserted the favourable attitude of the government and declared:

"We will not hand over Turkey, or the Turkish economy, as a country of slaves to foreign capital. However... we are prepared to recognise every kind of facility, even more that than shown by other nations, to foreign capital willing to live and earn in a legitimate manner, on condition that it conforms to our laws and regulations and is not granted more privileges than Turks...(Hale, 1981)"

Also the attitudes of the domestic capital groups with regard to foreign capital was not different from the attitudes of the government. At the congress, the Istanbul Turkish Commmerce Union emphasised the following:

"Although it is evident that we can not stay aloof from foreign capital, provisions should be formulated so that foreign capital should enter the country in harmless ways. We should avoid the establishment of close ties between foreign capital and the government which might result in foreign capital acquiring monopolistic privileges" (Okcun; Quoted in Eralp, 1983).

In spite of the constructive attitude of the government to the foreign capital, as the excessive privileges of the previous capitulations were not any more available, in the first years of the republic foreign companies had initiated only a limited amount of investment in Turkey. As the Table.1 shows, nonetheless, the amount of paid-in-capital of the domestic and foreign firms in 1929 were nearly the same.

**Table 1. Domestic and Foreign Capital in Turkey in 1929**
**(1,000 TL)**

| COMPANIES | PAID IN | CAPITAL |
|---|---|---|
| **Foreign Companies** | | **77,913** |
| British Companies | 50,000 | |
| Switzerland Companies | 22,222 | |
| French Companies | 5,691 | |
| **Turkish Companies** | | **78,239** |

Source: Alpar, 1976.

Although the implementation of liberal economic model was tried in the first decade of the republic, lack of essential factors ranging from capital accumulation of private sector to infrastructure and the entrepreneurial skill and experience hindered the private sector activities and compelled government to interfere in the economy. Spreading private ownership of land, appropriating land for landless farmers and migrants, extending state credits for capital accumulation in agriculture and promoting private enterprises were the economic policies introduced and implemented at that time. Despite the developments in this period, as Aktan (1994) points out, the insufficiency of capital accumulation in the private sector and the Great Depression that erupted in 1929 forced the government's direct intervention to the economy.

### 3.2. The Period of 1930-1950

The period from 1931 until the end of the following decade constituted a new era characterised by the dominance of economic strategy called "etatism".

Etatism is understood as;

"the emergence of the state as a pioneer and director of the industrial activity, in the interests of national development and national defence in a country where private enterprise and capital are too weak to do anything effective (Sayan; Quoted in Aktan, 1994)".

Atatürk, similarly described the etatism as follows:

"Etatism... is a system which places on the state responsibility for the national economy to do things quickly, which have not been done throughout the countries in the Turkish motherland by individual or private activity" (Hershlag; Quoted in Aktan, 1994)

According to Hale (1981), the main practical expression of the etatist philosopy was Turkey's first five - year industrialisation plan, which was drawn up in 1933 and put into operation between 1934 - 1938. Essentially, the plan provided for the establishment of a series of industrial plants designed to reduce Turkey's needs for imported consumer and intermediate goods using domestic raw materials, and the state agencies were to be responsible for financing, constructing and managing these plans.

This etatism area witnessed a massive state take - over of the strategically important foreign compaines. The summary data of the nationalisation can be seen in the Table 2.

**Table 2. The Foreign Companies That Nationalised by the Turkish Government**

| Industry | Number of the Firms | Years of Take-over | Value (Million TL) |
|---|---|---|---|
| Railroad and Harbours | 8 | 1928-1937 | 120.5 |
| MunicipalityServices | 12 | 1933-1945 | 27.7 |
| Production and Trade | 2 | 1940-1943 | 2.1 |
| Mining | 2 | 1936-1937 | 4.4 |
| Total | 24 | | 154.7 |

Source: Tezel, 1986.

The experience of difficulties in the use of the railroads both in the World War I and the Independence war just because they were in the hands of the foreigners was the main motive for their nationalisation. Municipality services were fook over from the foreign companies with the intention of running them with the view of public benefit instead of profit making. As of the manufacturing companies, Bomonti beer company and a matches producing company were nationalised.

The outbreak of World War II prevented the implementation of the Second Five Year Industry Plan which emphasised the establishment of mining, electricity power, cement and sugar factories in some provinces. Instead, although Turkey did not enter the war, the resources were shifted to the war industries, causing the fall in production.

It is argued that from the Great Depression until the beginning of the 1950s, Turkey was one of most protectionist countries in the world (Yılmaz, 1986). In the late 1940s, Turkey managed to accomplish a fairly smooth transition to a multi - party system, which brought to power a new party in 1950 with a definite tilt toward liberalism (Celesun, 1994).

### 3.3. The Period of 1950 - 1960

Constituting an important period in the economic history of Turkey, during 1950s etatism was being severely criticised and therefore a liberal programme replaced it. Equating etatism with intervention in the economic sphere against the private sector, the ruling Democrat Party announced that government would not operate in any field except those of which displayed the character of public utility, or which could be considered basic industries and that existing state enterprises would be gradually sold to the private sector (Aktan, 1994).

The new economic programme that was designed to take some gradual steps towards the integration of Turkish economy into world markets (Yilmaz, 1986), aimed in particular, as Canevi (1994) puts forward, at fostering " agricultural and industrial production, improving basic infrastructure, and integrating the rural and urban sectors into a single market economy.

Contrary to the ruling party's views of the elimination of the state's role in economic activites and establishing the appropriate kind of environment where the private sector would flourish, the opposition party of period Republican People's Party (PRP), strongly defended that the state must extend its guardianship over the weak private sector. Out of fear that the private sector would not be able to compete against stronger capital, PRP saw the protection of the local capital by the state as the prerequisite for the co - operation with the foreign capital. The leader of the PRP, Inonu, spoke about their attitute towards the foreign capital in the following way:

"First of all, we refuse the contention that we are the enemies of the foreign capital... We are only determined that foreign capital should not have excessive privileges compared to the ones granted to Turkish citizens. Also the fields of agriculture and commerce should not be open to the activities of foreign capital...(Yeni Ulus; Quoted in Eralp, 1983).

On the other hand, the ruling party equating foreign capital's inflow with the country's development, reiterated the point that foreign capital, rather than hindering the local private sector, would on the contrary lead to its development (Eralp, 1983). Democrat party had always campaigned against the etatist policies of the government and acted as the party for foreign capital and put it into effect in the case of the oil industry by the Petroleum Law in 1954, which was followed by the Law for the Encouragement of Foreign Capital in the same year.

The Law for the Encouragement of Foreign Capital which still governs

FDI in all areas except oil industry, is labelled as "the most liberal law on foreign investment in the world"( Erdilek, 1986; Eralp, 1983). It explicitly stated that all foreign direct investments would be given approval as long as they serve the economic development of Turkey, take place in a field which is open to private economic activity and do not lead to the establishment of a monoply or privileged position. As OECD Report (1983) states, it was expressly intended to promote investment and since that time is the legal basis for FDI activities with the exception of investments in oil industry. Nevertheless, ambigious wording of the law, especially regarding the pre-conditions for the approval of foreign investment by the authorities gave the government plenty of room for interpretation (Demirbağ, 1992), with the result that, as OECD Report (1993) indicates, many applications for investment were rejected by the administration. As a matter of fact, foreign capital was slow to come to Turkey. Between 1951and 1954, foreign investment excluding the oil industry was only about TL 10.1 Million, about 0.2 percent of total private investment and during 1955 - 1960 that amount reached TL 103.9 Million, but still representing only 0.7 percent of private investment in this period (Hale, 1981)

Under favourable climatic and a massive inflow of Marshall aid, the Turkish economy grew during the 1950s at rate which it had not experienced since the most successful years of the pre - war decade.

But towars the end of the decade, economic conditions began to deteriorate. Rising imports coupled with the disastrous 1954 harvest that led to the stagnated exports gave rise to the balance of payments deficit during 1956 - 1960. Consequently, as Yilmaz (1986) asserts, the economic policy movement towards internal liberalisation and outward orientation which was introduced at the beginning of the 1950s was not fully implemented, and reached a deadlock in the 1958, when a new stabilisation plan was enforced, devaluating The Lira and rescheduling foreign debts. In 1960, the military regime took power to tackle with political instability and economic problems.

### 3.4. The Period of 1960 - 1980

From the beginnings of 1960 until the end of 1970's, Turkey followed a mixed economic policy(Aktan, 1994). Article 129 of 1961 constitution prepared by the military controlled regime stated that "economic, social and cultural development is based on a plan. Development is carried out according to this plan". Hence, the state reinstituted the indicative development planning that had first been applied in the 1930s; thereby intervented directy or indirectly in almost every field of the economy. FDI policies and approaches in the development plans can be best summarised within the context of five year development plans as following:

#### 3.4.1. First Five Development Plan (1963 - 1967)

The plan treated private foreign capital as an element assisting external economics relations and encouraged the inflow of foreign capital that would contribute to development efforts. The plan viewed the administravite procedures related with the assesment of the applications for foreign investments as the primary reason for the entry of foreign capital to the country. Therefore, as GDPI report (1990) indicates, Foreign invesment Committee that had worked as the branch of the Trade Ministry since 1954 was given in 1967 under the the authority of State Planning Organisation, the instution that is responsible for drawing up five - year plans.

### 3.4.2. Second Five Year Development Plan (1968 -1972)

The plan of this period emphasised the technology transfer aspects of foreign capital investments, and foreign capital was approached mainly as a means of accumulating sophisticated technology. It was declared that the foreign capital should operate in fields that local entrepreneurs could not enter due to insufficient technical knowledge, experience and capital.

### 3.4.3. Third Five Year Development Plan (1973 - 1977)

According to the GDPI report (1990), the principle governing authorisation of foreign capital to make investments in this period was that it brings technology that was not available locally. Other emphasised points were that the scale of the investment should render them competitive by international standards, exporting the output should be possible and no monopoly should be created.

### 3.4.4. Fourth Five Year Development Plan (1978 - 1983)

Basic FDI related objectives of this period were set as the facilitation of the inflow of foreign capital and the increase of its contribution to the economy. Sophisticated technology, export of the outputs at the maximum rate and avoidance of monoply were indicated as the constraining requirements

After the mid - sixties, Turkey's traditional industrialisation strategy, based on import substitution through protectionist policies, was increasingly constrained by a foreign exchange bottleneck, basically as a result of the low level of exports in the face of heavy dependence on imports of production and investment goods by the manufacturing sector ( Senses, 1988). This situation was aggravated by The great Oil Shock of 1973 - 1977, finally leading to the rampant inflation and the debt crisis of 1977. The inability of demand management policies to restrain domestic demand and the failure of 1978 and 1979 devaluations to improve current account balances (Nas, 1984) created the gloomy economic picture at the beginning of 1980. At the eve of the application of the January 24th 1980 Program, Turkey faced with an extremely weak economy, a grossly overvalued economy, virtually no foreign exchange reserves., negative real interest rates, hyper inflation, widespread unemployment, stagnant output, political turmoil and an external debt in excess of \$ 13.5 Million.

**3.5. Post - 1980 Period**

Confronted with the most severe economic crisis in the history of the republic (Saracoğlu, 1987), the government undertook fundamental reforms that aimed at introducing radical changes in basic economic models and preferences . Economic Stabilisation Programme, which is known as the January 24 Decisions marked the replacement of the inward - oriented import subsitution strategy with the outward - oriented free - market economy strategy. As OECD Survey (1980) states, the principal objectives were the reduction of the incidence of too many direct government controls and greater development of private initiative. Spurred by this programme, Turkey has experienced trade liberalisation, liberalisation of the exchange control regime, financial sector de - regulations and reforms and massive privatisation.

As Nas (1988) indicates, one of the pressing goals of the liberalisation package was to attract FDI to moderate financial pressures resulting from the savings gap. The policy - makers of the post - 1980 period introduced a more encouraging framework within which foreign capital would operate as well as simplifying bureaucratic formalities in connection with the issuance of permits allowing the operation of foreign firms (Balkır, 1993). Firstly, with the aim of creating a harmony and rapidity in the procedures and decisions concerning foreign capital and of combining the services previously rendered jointly by the Ministries of Finance, Trade, Industry and Technology and the State Planning Organization, the Framework Decree No. 8/ 168 on foreign Investment that was promulgated on the same day of the announcement of the Economic stabilisation Programme, established 'Foreign Capital Department" under the Prime Ministry . Since then, for rearranging procedural points many framework decrees have been promulgated. Among them, especially with the enactment of the framework Decree No. 10353 of March 13th 1986, Turkey's FDI policy"... was liberalised further " (Erdilek, 1987). This decree for the first time enabled 100 percent foreign ownership for all foreign investors in all sectors.

Five Year development Plans of post - 1980 era emphasised the importance of FDI for the development of Turkey and brought forward the stipulations for attracting FDI. Fifth Five Year Development Plan (1985 - 1989) particularly advocated the establishment of free - trade zones throughout the country to increase the foreign curreny inflow through the exports from these zones. On the other hand, Sixth Five Year Development Programme (1990 - 1994) reiterated the determination to enhance privatisation and free trade zone applications. Besides, this programme urged the widespread use of Build - Operate - Transfer (BOT) financing method particulary for attracting FDI in infrastructure investments.

As the trio of the privatization, free zones and BOT applications constituted the essential part of the efforts aimed at increasing the inflow of FDI, some further brief analysis of these applications seems worthwhile.

### 3.5.1. The Privatization Law

As of privatization, Turkey passed its first privatisation law in 1986. However, later on as the law was found not to deal with important issues such as redundancy and social safety net issues, the Turkish Parliament passed privatisation Law No. 4046 on November 24, 1994 (Yased, 1995). Since 1986 successive governments have made privatisation a central element of their programme and between 1986 and 1992, disposals brought the exchequer US$1.5 Billion (Tonge, 1993). Privasitation of State Economic Enterprices (SEE) is made by block sale, public offering, or a combination of both; and in all cases foreign capital is permitted to participate. Privatisation of SEE has offered excellent opportunities to foreign investors (Corro, 1994). It is expected that approximately US$60 Billion of state assets fall under the scope of privatisation programme (Yased, 1995) and government stakes in the telecommunication, air transport, textile, iron and steel, petrochemicals, and oil sectors will be sold particularly to foreign investors (GDFI, 1995).

### 3.5.2. The Free Zones Law

On the other hand, The Free Zones Law (Law No. 3218 of 1985), one of the most important achievements during the post - 1980 era, defines the objectives and the scope of the law as follows:

"This law encompasses the matters related to the establishment of free trade zones... with the objective of increasing export oriented invesment and production in Turkey, *accelerating the entry of foreign capital and technology*, procuring the inputs of the economy in an economic and orderly fashion and increasing the utilization of external finance and trade possibilities" (italics mine).

Free zones are deemed to be outside of the customs borders of Turkey and all kinds of activities can be performed in these zones, for example, manufacturing, storing, packing, general trading and banking A summary of applicable rules of free zones includes such incentives as exemption of income and revenues generated in the free zones from income and corporate taxes, non - application of legislative provisions pertaining to taxes, levies, duties and to- customs and foreign exchange obligations and granting foreign enterprises as well as native enterprises the right to own up to 100% of the investments in the zones.Turkey's five operational free zones - Antalya, Mersin, Aegean, Trabzon, and Ataturk Airport - had a total estimated trade volume of $915 Million in 1993 (Middle East ExecutiveReports, 1994).The breakdown of total volume of trade by countries shows that foreign companies are responsible for nearly the half of activities in the zones.

### 3.5.3. The Build - Operate - and Transfer Law

Over the last decade, Turkey has provided an important market for major projects for which BOT, Turkey's from of franchising major public works projects to the private sector (Tonge, 1993), became preferred financing method.

The principles regarding the operation of the BOT model has been governed through Build Operate and Transfer Law No. 3996 (Yased, 1993). Under this unique model which was originally designed to be used for infrastructure projects, investors build projects, sell their production or services to the government for a specified number of years at a negotiated price, and then return the project to Turkish ownership (Middle East Executive Reports, 1993). The government has opened projects to domestic and foreign private sector within the framework of BOT model such as natural gas power plant, lignite power plant, hydroelectric power plant, establishment and operation of free zones, bridges and tunnels, highways and railways, seaports and airports and telecommunication projects (GDFI,1995). Cankiri Orta Thermal ($396 Million) and Izmit industrial Water Project ($705 Million) are among the finished projects (GDFI, 1993).

After 1980, the major conspicious steps of FDI - related measures such as framework decrees, privatisation attempts, free zone activites and innovation of build - operate - transfer financing model coupled with other measures i. e. ,

**Table 3 FDI in Turkey Between the period of 1980 - 1995**

| YEARS | NUMBER OF FIRMS ( cumulative) | TOTAL CAPITAL OF FIRMS (million TL) (cumulative) | HE FDI INFLOWS (million $) |
|---|---|---|---|
| 1980 | 78 | 28,390 | 35 |
| 1981 | 109 | 47,400 | 141 |
| 1982 | 147 | 100,196 | 103 |
| 1983 | 166 | 147,109 | 87 |
| 1984 | 235 | 254,775 | 162 |
| 1985 | 408 | 464,981 | 158 |
| | 619 | 707,164 | 170 |
| 1986 | 836 | 960,035 | 239 |
| 1987 | 1,172 | 1,597.103 | 488 |
| 1988 | 1,525 | 4,847,832 | 855 |
| 1989* | 1,856 | 7,943,775 | 1,005 |
| 1990 | 2,123 | 13,101,036 | 1,041 |
| 1991 | 2,330 | 23,441,214 | 1,242 |
| 1992 | 2,554 | 36,737,050 | 1,016 |
| 1993 | 2,830 | 62,449,964 | 830 |
| 1994 | 2,900 | 77,900,831 | |
| 1995* | | | 7,572 |

Source: GDFI, Foreign Investment Report, March 1995, Ankara.

(*) As of 31 March 1995.

price deregulation,trade liberalisation, all helped to trigger the entry of FDI to Turkey. In response, FDI of cumulative 70 firms and annual inflow of $10 Million before 1980, as Table3 shows, has dramatically increased to 2900 firms and annul inflows of arround $1 Billion in 1995. The interesting point is that Turkey just in a couple of years following 1980 has attracted so huge of FDI, both in terms of the number of firms and capital inflow, that far exceeded the total cumulative level of all pre - 1980 period. The cumulative FDI inflow has reached to the level of $7, 572 Million. The elucidation of the general profile of the current FDI position of Turkey, as a matter of fact,deserves to be subject matter of a distinct study.

## 4. CONCLUSION

Turkey from her inception in 1923 on has always appreciated the importance of FDI for the development of the country. The most important progress was recorded in 1954 by the promulgation of the very liberal foreign invetment law. But because of import - substituting policies pursued, Turkey until 1980 did not achieve any success in attracting FDI. With the Liberalization Programme of January 1980, Turkey has committed herself to achieve outward oriented economic structure. Consequently, Turkey now has been experiencing such measures as privatisation attempts, free zone applications and use of the build - operate - tarnsfer financing model as well as framework foreign investment decrees that are believed to attrack FDI. In Turkey, as March 1995, there are 2900 FDI compaines which created the cumulative inflows of $7,572 Million.

## ÖZET

Bu çalışma spesifik olarak, Osmanlı İmparatorluğu'nun son dönemlerinden başlayarak Türkiye'deki yabancı sermayenin gelişimini ortaya çıkarmaktadır. Cumhuriyet dönemi altı periyotta incelenmiştir: kuruluş yılları (1923 - 1930), devletçilik dönemi (1930-1950), liberalizm hareketi (1950-1960), planlamalı yıllar (1960-1980) ve serbest ekonomiye geçişi simgeleyen 1980 sonrası dönem.Bu dönemlerin incelenmesinde, herbir dönemdeki hakim ekonomik ve politik yaklaşımlar ışığında, yabancı sermayeye yönelik tutumlar ile yabancı sermaye hakkındaki görüşlerin belirgince ortaya çıkarılması için özen gösterilmiştir.

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