The Locational Determinants of Turkish Outward FDI in Eurasian Countries

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Abstract

A large body of empirical literature exists on location specific factors of developed countries multinational firms. Indeed, most of previous studies focus on the flows of outward foreign direct investment (FDI) from developed economies. Nevertheless, still there exists a knowledge gap in the literature on the location choice of multinational firms from developing economies. Therefore, it is essential to investigate the role of firms from emerging economies like Turkey in this process. In this context, this paper seeks to examine the location determinants of Turkish outward FDI in Eurasian Countries. We empirically examine the important factors for the location decisions of Turkish outward FDI, considering both Central and Eastern Europe Countries (CEEC) and Independent State of Commonwealth (CIS) at very different stages of economic development. Thus, the paper investigates the determinants of Turkish outward FDI using location factors of CEEC and CIS countries. Based on various types of regression models, we test our hypotheses employing official Turkish outward FDI data collected between 1993 and 2006. Our empirical results indicates that several location factors of the host country such as cultural distance, natural resources, market size, privatization and wage are the significant determinants in the case of Turkish outward FDI. We also find important differences between CEE and CIS countries regarding location determinants. While some location factors are important for Turkish outward FDI in CEE countries, some of these have no impact on Turkish OFDI in CIS countries. As a result, this paper offers some theoretical and empirical contributions as well as managerial implications.

Key Words: Outward foreign direct investment, Turkish outward FDI, Location choice, Economic geography, Multinational firm, CEE and CIS countries.