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TURKISH INVESTMENTS ABROAD, WITH A SPECIAL FOCUS ON CENTRAL AND EASTERN EUROPE

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Turkish investments abroad, with a special focus on Central and Eastern Europe

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Turkish investments abroad, with a special focus on Central and Eastern Europe[1]

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Abstract

With the growing global integration of the Turkish economy, the country has emerged as a capital investor abroad, and it has become one of the leading investors in its neighbouring regions. Beside the growing vitality of the Turkish corporate sector as a driving factor, the changing Turkish foreign policy has also promoted the active presence of Turkish companies in neighbouring countries, as part of its new strategy aiming at strengthening the central position of Turkey in the region. By looking for the motivations of TMNEs, we found different reasons depending also on the type of firms and the sectors they are active in. A continously increasing motivation of TMNEs for outward investment was the brand-building and the upgrading of their technologies, to be able to compete on more developed markets as well. We has also examined the special characteristics of Turkish OFDI in the Central and Eastern European countries. On the one hand, we could find here several of the above mentioned specificities of TMNEs motivations. They invest in these countries to enter new markets, in many cases they use other, mainly Dutch firms as the direct investor company. It was also common that they aimed by the investment to manage their brands more effectively and to improve EU costumers' perceptions and attitudes towards their products. Central and Eastern Europe as a region closely connected to the core European markets which shares several institutional weaknesses of the Turkish domestic market may have a much higher importance for TMNEs investent in the future.

JEL: F21, F23, G11

Keywords: Turkish multinationals. OFDI, internationalization strategy

Introduction

With the growing global integration of the Turkish economy, the country has emerged as a capital investor abroad. In this study, we would like to analyse the forms of Turkish outward FDI (OFDI) and the motivations of Turkish Multinational Enterprises (TMNEs) in this process. We have a special interest in Turkish OFDI toward the CEE region – what

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kind of Turkish investment came to the region, why Turkish firms choose these countries for their investments, do they have specific motivations here compared to Western or Eatern European investments.

In the first part of the study, we give an overview of recent changes in Turkish economy and economic policy: how did the structure and the global position of the Turkish economy change, what kind of push factors motivated Turkish firms to invest abroad. In the second part we analyse the patterns of Turkish OFDI, and major motivations of TMNEs. In the third part we focus on Europe and on the Central and Eastern European region: what is the importance of the region in Turkish OFDI, and what are the specificities of OFDI towards these countries. In our analysis, we used international and Turkish statistical databases (UNCTAD, Turkish Cental Bank), but to overview the motivations of TMNEs in their OFDI activities we have widely used the results of previous researches in the literature.

1. Turkish economic policy

Until the 1980s, Turkey's economy was relatively closed. The import substituting industrialisation followed by Turkey was concentrating on the domestic markets, the mostly state owned or state subsidised privat companies had little incentive and possibility to enter new markets. The oil price boom and the economic challanges of the 1970s, however, has forced Turkey to open up its economy. With a radical shift in its economic policy, Tutkey stated to promote export orientation, as a basic strategy in its industrial development.

Accordingly, the government strongly supported production for export by taking over 30% of the export costs of the enterprises, as well as it gave them discounts also in respect of energy and transport costs.

The progress that started from 1980 was more convincing than the results achieved in the previous two decades. As a result of the economic opening, private enterprises started to flourish, there was a boom in tourism and also in foreign investments. In the second half of the eighties – as the result of the quick growth in domestic demand, and the failures of economic management – the signs of imbalance intensified. Because of the incompletely implemented structural reforms, huge amounts of money were spent on the financing of unprofitable state enterprises.

To ease the situation, large-scale liberalisation was started again in 1989, within the framework of which freer inflow of foreign capital was made possible. This helped to finance the deficit, but the appeared short term capital (so-called hot money) made the country vulnerable in times of external crises. (Öniş – Şenses 2009)

Characteristically, after a couple of years of dynamic progress came a setback, in the decade after the capital liberalisation after the beginning of the nineties there was even three such setbacks (1994, 1999, 2001), which resulted in the decrease of GNP by 5-10 percent in these years. The development of crises was also fuelled by the deficiencies of the financial institutions, and the problems following from the bank system operating poorly. (Cizre – Yeldan 2005)

As a consequence of the 2001 economic crisis, deep and comprehensive reforms started. The implementation of the reforms was supported by the extended stand-by facility of the International Monetary Fund, but similar, if not even more important factors behind the success were the increasing European political support after 2002, and the forming of a new government by the reform-oriented, moderate Islamic AK party. The results of crisis management were convincing. The average economic growth remained over 6% from 2002 to 2007, and was able to return to this level after 2009 again. The chronically high inflation rate, a major sign of economic imbalances for decades, was reduced to one-digit levels. The stable macroeconomic environment and the prospects of closer integration to the EU encouraged foreign investments, the level of FDI grew from yearly $1-2 billion to $10-20 billion, flowing mostly into export-oriented manufacturing (Taymaz, Voyvoda, 2009). The competitiveness of exports was improved by the depreciation of the currency in the first years. Exports became more diversified, not only in their product structure, but concerning target-countries as well. After the growing importance of European exports in the period 2002 to 2007, the post-crisis period lead to an increasing share of neighbouring regions (Middle East, CIS countries, Balkans), not only in trade, but in investment relations as well.

Turkey has started to shift from an economy largely based on agriculture and on an abundant low-skilled labour force used mainly in textile sector towards an industrial economy. Turkey is today a major European automotive producer, a world leader in shipbuilding, and a significant manufacturer of electronics and home appliances e.g. TV, white goods (OECD, 2012).

In electronics especially the home appliance sector developed dynamically, where domestic brands (Vestel, Beko) are prominent representatives of the exports. Turkish products are not the top quality brands, rather low and medium price products, but there is a growing demand for these products both on the domestic markets, and in developing and transition countries.

In vehicle production, several multinationals (Ford, Renault, Fiat, Hyundai, Toyota, Honda, Opel, Mercedes, MAN) brought part of their production capacity to Turkey, largely due to the customs union agreement with the EU allowing a free export of products to the European Single Market. In bus production, domestic brands (Otokar, BMC, Temsa) are dominating.

Concerning Turkish foreign economic policy, it has changed both in its philosophy, and in the practice based upon it. The key figure of the new foreign policy, Ahmet Davutoglu, emphasised the importance of Strategic Depth: instead of being just a periphery of Europe, Turkey, as a country with strategic location, should use its position to create his own regional importance. As a consequence of this approach, Turkey started a „zero-problem" foreign policy with its neighbours, and tried to create a trading state image of the country preferring good economic relations to unfruitable foreign political clashes. Together with the succesful economic recovery in the early 2000s, this policy resulted in a growing importance of regional and global ties. After the 2008 crises, the economic importance of neighbouring regions (Balkans, Caucasus, Middle East and North Africa, Central Asia) increased further. This meant not only the increase of trade volumes with these regions and countries, but also a raising activity of investors.

2. Turkish Outward Foreign Direct Investments

2.1 History and state policy

Before the 1990s Turkish outward FDI was not significant. The few such transactions were connected to state economic enterprises that entered into partnership with foreign companies, or to larger private firms trying to facilitate international trade. After the 1960s, when Turkish workers began arriving to Europe, countries like Germany and the Netherlands became destination of Turkish financial and commercial firms, while from the 1970s, the increasing activity of Turkish constraction firms especially in the Middle East led to some outward capital flows as well.

In the late 1980s and early 1990s capital liberalistion created a better environment for capital flows. The opening up of the Turkish economy increased domestic competition and turned the attention of Turkish firms towards markets abroad. The rather negative business climate in Turkey (high inflation, economic volatility) was another push factor for OFDI, while the political and economic transformation in Eastern Europe and the dissolution of the Soviet Union during this period created new business opportunities for Turkish firms (Yildiriz 2017:280).

The promotion of OFDI by developing country governments became common: they believe that the internalization of local companies will help economies to integrate more effectively with the international economy. (Egresi, Kaya 2015a: 182) After the macroeconomic stabilisation in the early 2000s, the Turkish government started to promote outward investments in accordance with its foreign policy (see above). The increasing domestic demand, a strengthening currency and cheaper funding, however, underpinned Turkish MNEs' outward orientation at the beginning of this period. More recently, the European debt crisis offered new possibilities for Turkish firms to acquire struggling businesses in Europe, particularly in the Balkans and in transition countries. Turkey became one of the four major emerging country investors in transition countries along with China, India and South Korea (UNCTAD 2011:66).

The Turkish government has taken various steps to help companies outward investment activities. Beside providing information about local conditions in host countries, the government established an insurance coverage for companies investing abroad, it gives tax relief to holdong companies, and a program "Turquality" was established to encourage the development of Turkish brand names abroad. (KHU 2014)

2.2 OFDI in statistics

The positive trends in the outward investments are shown by the statistics as well. By 2014, the overall stock OFDI was around 40 billion USD. As compared to the overall OFDI of developing countries, it was around 0,8%, far behind the largest investors among emerging markets: not nly China (730 billion USD), Russia (431 billion USD) and Brazil (316 billion USD) are ahead of Turkey, but South Korea, India, Malaysia or Mexico as well. Interestingly, in 1990, the 1,150 million USD Turkish OFDI had a similar 0,8% share in the total OFDI of developing countries. (based on UNCTAD datas)

Table 1 Turkish inward and outward FDI (million USD)

	1980	1990	2000	2010	2011	2012	2013	2014	2015	2016
IFDI	8,801	11,150	18,812	187,016	136,498	190,061	149,168	168,645	149,803	132,882
OFDI	0	1,150	3,668	22,509	27,681	30,968	33,373	40,088	34,861	38,020
%	0	10.3	19.5	12.0	20.3	16.3	22.4	23.8	23.3	28.6

Source: UNCTAD (http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx)

In the last two years, there was a slight decrease in the overall stock of OFDI, however, due to the more drastic fall of Turkish inward FDI, the ratio of OFDI to IFDI has reached 28.6% in 2016.

Regional and sectorial composition

By looking at the regional composition of OFDI, we can see that more than 50% of the Turkish OFDI (56,6% in 2015) went to the EU, the largest target countries were the

Netherlands (34,4%), Malta (4,7%), Germany (3,5%) and Austria (3,4%).[3] The special position of the Netherlands is to be explained: many MNEs prefer using a Dutch limited (BV) or joint stock company (NV) as a doorstep for their investments in third countries due to the liberal tax structure in the Netherlands, and by Turkish holdings it became also common to use Dutch origin companies to invest abroad.[4]

Outside the EU, neighbouring countries and regions were the most popular destinations for Turkish capital investments. The Caucasian region (11,5%), the Middle East and North Africa (7,4%), the Balkans including the 3 EU members (4,1%) and Central Asia (2,2%). In the Americas, beside the US, Central American off-shore paradises (Panama, British Virgin Islands) were also important investment targets. Among non-EU countries, Azerbaijan (10,5%) was the most important single partner, followed by the US (5.6%), Iraq (2,8%), Russia (2,6%) and Iran (1,7%)

By the sectorial composition of outward capital flows, financial services had the largest share (55%), followed by the oil sector (21%), and only quarter of it went to manufacturing. An increasing number of OFDI projects are in the area of mining, energy and infrastructure. This is due to demand from Turkish manufacturing industries aiming to gain direct access to raw materials. (KHU 2014)

Statistical databases sometimes over- or underestimates the amount of OFDI, because e.g. the round-tripping of capital common also by EMNEs. We can find other relevant sources, however, examining the main characteristins of Turkish investments abroad. Yildirim (2017) examined Turkish M&As (with Turkish stakes of at least 10%) between 2002 and 2014. Overall, he has found 115 such cross-border aquisition by Turkish firms. Among those 56 were in Western, and 32 in Eastern Europe, further 20 on the Balkans, and 16 in Central Asia and the Far East. In a country structure, Germany (14), Italy (11), and Russia (8) were at the top, followed by the Netherlands (7) and Romania (6). In the CEE region Bulgaria (3), Hungary (3), Macedonia (3) and Albania (2) had more than one Turkish acquisitions. Out of the 115 acquisitions, 64 was in manufacturing, 43 in the

[3] Based on UNCTAD database. T

[4] And in Turkey as well: the Netherlands is one the largest investors in Turkey, and part of this IFDI is due to Turkish companies re-investing in Turkey as Dutch firm. Investing through a Dutch BV structure is also a common tendency for many Turkish power generators. https://epoyraz.home.xs4all.nl/crossnotionssite/cn-international_engels.tem/news_thumb_1.htm

service sector, while 5 in the primary sector. Yildirim examines the technology level connected to these acquisitions, as well. He found that by manufacturing, 23 out of the 64 acquisitions were high- or medium-high technology, while the remaining 41 were medium-low or low-technology. In case of services, 16 out of 43 were knowledge-intensive.

Turkish Multinational Enterprises

Over 95 percent of TMNEs investing abroad are private (mainly family owned) firms. (Bakir-Acur 2016: 135). The number of state enterprises has been reduced to half since the nineties; their share within GDP and the number of their employees have been reduced to a fraction. For the time being, enterprises still owned by the state produce less than 1 % of the GDP, and employ a little more than 100 thousand employees, which can be considered negligible in a country with a population of 80 million.

In their study, Bakir and Acur collected datas on greenfield investments of non-financial TMNEs in the period between 2003 and 2013. Based on their sources, 438 TMNEs invested 46 billion USD in 792 investments during this period, and they created 196 thousand work places abroad (Bakir-Acur 2016: 135). The average value of capital investment of these investments was 81 million USD, while the average number of workplaces was 354. Concerning the regional distribution of these investments, 46 percent (or 21.4 billion USD) has happened in transition economies, 29 percent (or 13.7 billion USD) in developing economies, and only 22 percent (10.6 billion USD) in developed economies. (Bakir-Acur 2016: 135) It means that 90% of Turkish OFDI (or about 35 billion USD) are greenfield investments, and more than 75% of it is directed towards transition and developing economies.

In a research made in framework of the Emerging Market Global Players project, the Columbia Center on Sustainable Investment analysed the largest Turkish OFDIs. (KHU 2014) Until 2012, they found 29 Turkish non-financial MNEs investing more than 100 million USD abroad. The 29 MNEs had 426 subsidiaries, with a clear dominance of neighbouring countries and regions: 326 of them were in Europe and Central Asia, 53 in the Middle East and Africa, and only 31 in East and South Asia, and 16 in the Americas.

By the TMNEs involved, the share of foreign assets was around 12,5% of total assets, foreign sales were 17,8% of total sales, while by employment 23% of employees worked by the affiliates abroad (overall 115,539 person in 2014). (KHU 2014: 10). There is a huge variance in the transnationality ratio (TNI)[5] of these firms, Tekfen Holding[6] has a 64% average TNI ratio, while the TNI of Türk Telekom and Sabanci Holding[7] was only around 3%. Four companies had an over 50% TNI, and further 7 an over 40% TNI (the average TNI of the 29 companies is 31%).

2.3 Motivations of TMNEs

In this part, we are looking for the main motivations of TMNEs to invest abroad, based on some relevant recent studies in the literature on the topic.

Kayam and Hisamciklilar analysed pre-2007 investments, and found that Turkish outward FDI is rather market seeking (Kayam-Hisamciklilar, 2009). Foreign markets are used as substitutes for the domestic market by Turkish MNEs. Especially firms that produce low quality alternatives to high quality products in host countries have a decreasing outward FDI if incomes in host countries increase. Turkish OFDI has become more vulnerable to external developments. (KHU 2014)

On the other hand, economic instability has also an impact of Turkish OFDI. i.e. push-factors are effective in determining foreign direct investments. The large current account deficit of Turkey (with the depreciation of the currency) deteriorates the OFDI potencial, recent domestic political disturbances, however, may give incentive to Turkish MNEs to search for investment opportunities abroad.

[5] An average of three ratios: foreign assets to total assets, foreign sales to total sales, and foreign employes to total employes.

[6] "Tekfen" is a combination of Teknoloji (Technology) and Fen (Turkish meaning: science). The company's subsidiaries engage in construction activities including power generation, airports, petroleum, and roadways. Tekfen primarily operates in Turkey, the Commonwealth of Independent States, Middle East, North Africa, and Europe. Tekfen also owns the Hallesche Mitteldeutsche Bau AG, a construction company of the former German Democratic Republic.

[7] Sabanji has operations in such markets as automotive, cement, energy, retail, insurance, telecom, textiles, tires, plastic, hotels, paper and tobacco. Sabanci has many joint ventures with large companies including Citigroup, Aviva, Bridgestone, Verbund, Bekaert, Heidelberg Cement, Carrefour, Dia, Hilton, Mitsubishi Motor, International Paper and Philip Morris.Sabanci used its inward joint venture with DuPont as a springboard for its outward joint ventures. (Demirbag et al. 2009: 459)

Başar and Özkılbaç have found that OFDI has a positive effect on domestic investment, creating a positive impact on unemployment through transfer of profits and employment of the unemployed youths abroad in areas where investments are realized. As a result, growth can be said to be affected positively. (Başar – Özkılbaç 2016: 245)

Demirbag and Tatoglu made a research with the use of a different sample, 79 large size Turkish manufacturing firm operating in EU markets. They found that the TMNEs were principally concerned with growth strategies aiming to extend current product lines with related products through enabling standardization and technology sharing. Turkish manufacturing firms were also focused on enabling integration. The integration of information within manufacturing and across different business functions indicated a horizontal integration with the rest of the firm. (Demirbag – Tatoglu 2008: 741)

Demirbag et al. found that Turkish MNEs entering developed countries, with an asset-seeking motive as a main driver, have a much higher investment size and commitment (springboard), whereas it has much lower significance by emerging markets. (Demirbag et al. 2009: 459) TMNEs may use this stategy to secure preferential treatment offered by emerging country governments, and also to bypass trade barriers into developed country markets, e.g. Turkish MNEs in textil sector invested in Jordan to get a free access to the U.S market.

Bakir and Acur investigated the motivations of greenfield investments. Their study found that TMNEs are mainly motivated by market seeking, but efficiency seeking (cost and tax advantages) and resource seeking are also relevant factors. As a contrast, by acquisitions strategic asset seeking (global brands, competitive technology, international experiences, distribution networks) seems to be a dominant factor. (Bakir-Acur 2016: 129) They have also found that TMNEs mainly exploit firm specific advantages obtained at home (managerial and market knowledge, expertise, technology, local/regional brands and distribution channels, expertise in operating in relatively weak institutional environment), but country-specific advantages, such as geographic, cultural and institutional proximity, or leadership in the home market are also exploited. (Bakir-Acur 2016: 130)

In case of Turkish acquisitions studied by Yildirim, the dominance of lower technology-leves suggests that Turkish firms are primarily motivated to access new markets, and they don't have the capacity to buy high-technology and knowledge based firms in advanced countries (Yildirim 2017: 289).

The results of Vardar contradict slightly to the findings of Yildirim. Vardar had questioned 38 companies interested in OFDI activities towards EU countries, and in his factor analysis he found 8 main factors explaining 70 percent of total variance (Vardar 2016: 98). The major motivations of Turkish investors (in order of importance) were the followings: 1. looking for international brand, 2. satisfying niche markets (e.g. the more than 5 million consumers of Turkish origin in Europe, and even more with a Muslim origin), 3. value chain, e.g. having own distribution market, 4. looking for a less risky market, 5. increasing global market shares, 6. having financial and cost advantages, 7. making use of feasible investment opportunities. and 8. making use of geographic and psychic proximity. By analysing managers perceptions, the three major motivations were technology and branding, competitiveness, and better production and financing possibilities, the first being far the most important motivation. Instead of fixed assets, intangibles (know.how, patents, trademarks, global brand building activities) were the key priority. Uray et. al (2012) also found that TMNEs OFDI activities are generally centralized around branding efforts. Many of them are interested in acquiring an international brand for their global presence and then they focus on acquiring technology, innovation and design. (Uray et al. 2012: 330)

Demir and Moiz had a different approach: they were looking for pull factors that led to Turkish OFDI by their top 10 investment destination. The most important „host country factors" correlating with Turkish OFDI were innovation (Netherlands, Russia), technological readiness (Russia, UK), labour market efficiency (Netherlands), infrastructure, (Netherlands), and exports (UK). (Demir – Moiz 2017) Aybar found that market-seeking motive is an important driving factor for Turkish OFDI, but economic and non-economic factors such as profit seeking, cultural proximity, bilateral trade agreements and natural resource endowments may also play important role in the geographical preferences of the Turkish MNEs (Aybar 2016). Egresi and Kaya (2015a) found in their study on Turkish OFDI towards the Balkans a higher intensitiy with those countries that have stronger cultural ties with Turkey: countries with a Muslim majority such as Kosovo, Albania, Bosnia and Hercegovina, or a significant minority as Macedonia, Bulgaria. Beside cultural and historical elements, however, political factors played an equally important role connected to the new priorities of Turkish foreign policy.

Anil et al. found five determinants with high importance relative to location selection for outward Turkish FDI. These are advantage of being the first mover, level of industry competition, growth rate of economy, market size, and low cost inputs, successively. (Anil et al. 2011: 145)

On the other hand OFDI has different motivations for EU and non-EU countries, which comes from the different conditions in the two country-groups. Kaya's results suggest that TMNEs seeking favorable business environment and strategic asset prefer to invest in developed countriess, while TMNEs that want to exploit cultural asset of the home country and production efficiency in the host country invest in developing countries. Therefore, motives of the firms to a great extend affect the firms' location choice depending on the host country's development level. (Kaya 2014: 383) As Anil et al (2014) emphasis it, a poor domestic institutional environment may be an advantages for TMNEs (and EMNEs in general) when investing in emerging countries with a similar institutional infrastructure. Unlike MNEs from developed countries, EMNEs benefit from inward FDI at home by using different linkages such as joint venturing or original equipment manufacturing with global players that transmit technological and managerial skills. (Anil et al. 2014)

Following experimental learning and developing their own R&D in joint ventures, Turkish MNEs prefer full ownership by buying out foreign partners. (Demirbag et al. 2009: 459) Anil et al. emphasyse the importance of joint ventures as common initial strategies to mitigate risk and gain access to superior technological and managerial know-how of their foreign partners. Following experiential learning and developing their own R&D in their joint ventures, Turkish MNEs prefer to set up greenfield investment or acquiring full ownership of indigenous firms in emerging host countries. Turkish MNEs may also use global expansion through higher equity modes as a springboard to secure preferential treatment offered by host country governments and also to bypass trade barriers into developed country markets such as other European Union countries. (Anil et al. 2014)

As Uray et. al (2012) also underlined that TMNEs first decided to compete internationally through exports, then through license agreements and only finally through OFDI, starting with nearby countries. (Uray et al. 2012: 330)

In an other research based on the largest TMNEs having foreign assets over 100 million USD, the main drivers in the investment decision of these largest investors were new markets and market diversification (75%), followed by sustainability of growth (60%), risk management (50%), accessing natural resources (40%), and reducing costs (40%). (KHU 2014) There are several examples on the different motivation of these large TMNEs. Some firms invested abroad in order to gain access to natural resources, including Sisecam, one of the largest flat-glass producers in Europe, with large production facilities in Bulgaria and Russia, the ferilizer producer Gübretas, with investments in Iran, and Kürüm Holding specialized in iron and steel production, and investing in Albania. Turkish conglomerate Yildirim Group bought Mechel Chrome, the chrome division of Russian Mechel and the TMNEs is now the owner of the vertically integrated Voskhod Mining Plant in Kazakhstan and Tikhvin Ferroalloys Plant (TFP) in Russia. With an ownership of Vargön Alloys in Sweden, Yildirim is already the world's largest hard lumpy chrome ore producer. Market-seeking motivation is also present, Tosyalı Holding and Kürüm Holding for instance, with steel operations in the Balkans and North Africa, aim to become important steel suppliers in those regions. Turkish manufacturing companies move their production facilities abroad seeking cost minimization as well as market access. Teklas, an auto-parts manufacturer, expanded its production to Bulgaria, Serbia, Russia and China, soap and cosmetic industry giant Evyap has production facilities in Malaysia and Egypt, while Eroglu Holding, one of the biggest denim producers of Turkey, has factory in Egypt, and own shop networks for brand marketing in Russia, Ukraine, Belarus, Romania, and Germany. In the last decade, some of the most aggressive/innovative TMNEs focusing on OFDI were Yıldız Holding, Yildirim Group, Eczacibasi, Arçelik and Anadolu Group.

TMNE case studies (in box)

Yıldız Holding has over 300 brands available in more than 130 countries. Yıldız Holding has a focus on biscuits, cakes and confectionery, the company has become number two in the world in the sweet biscuits category and number seven in the chocolate category by revenue. The company employs 56,000 people and has 83 factories (24 of which are outside Turkey). With the acquisition of Belgian Godiva Chocolatier business for $850 million[8], Godiva entered new markets in China, the MENA region and Central Asia. As Bakir and Acur points on it, a mature MNE may learn from an EMNE, e.g. how to operate in weak institutional environment. (Bakir – Acur 2016: 142) The acquisitions the firm-specific advantages of the parent company (Yıldız) have helped the subsidiary (Godiva) to operate in new markets. On the other hand, Yıldız acquired unique resources and dynamic capabilities from Godiva (global brand, managerial and marketing skills, knowledge and experience).

Yıldız were one of the most active TMNEs in the strategy to create global brands, and to become a global player. The company entered the cereal market with Kellogg's, creating Ulker Kellogg's. in 2005. In 2009, Yıldız combined operations with Danish gum technologist Gumlink. In 2014, Yıldız Holding purchased DeMet's Candy Company in the United. In the same year, the acquisition of British United Biscuits for 2 billion pounds (3.2 billion USD) was the largest foreign acquisition of a TMNE, and Yıldız become the world's third-biggest biscuit maker. (Bakir – Acur 2016: 142)

Yildirim, a Turkish family-owned company started its international acquisitions only in 2008 (with the above mentioned Swedish company, Vardör). Since then, however, it showed an astonishing appetite. Beside becoming one of the world leading chrome producer by Russian and Kazakh acquisitions, in 2010, they bought a 24% share in French CMA CGM, one of the world leading shipping groups for 500 million USD. They established Yilport, a subsidiary company that continues the TMNEs global expansion with buying ports. After acquiring the Malta Freeport (2011), the Port of Oslo (2014),

[8] The seller was the American Campbell Soup, while the buyer was Ülker Group which is a diversified food company owned by Yıldız Holding

the Gavle Container Terminal in Sweden (2014), with their latest acquisition they bought a Portuguese port management company, TERTIR for a total of 335 million euros. Yilport currently operates 26 maritime terminals wordwide. Yildirim now plans to sell its share in CMA CGM, to finance the acquisition of Ports America, and thus become one of the 10 biggest container-terminal operator by 2025.[9]

Eczacıbaşı's core sectors are building products, pharmaceuticals and consumer products. Additionally, the group is active in finance, information technology, welding technology and real estate. Globally, Eczacıbaşı has established itself among the world's top providers of bathroom and tiling solutions for homes and commercial venues with its VitrA, and with its global brands based on three prestitious German company, Burgbad, Villeroy & Boch, and Engers, acquired between 2005-2007. ternational partnership is a central component of the Eczacıbaşı Group's growth strategy. Eczacıbaşı has four international joint ventures and numerous cooperation agreements with international companies.

Arçelik A. Ş. is Europe's forth largest home appliances maker. It active in more than 100 countries including China and the United States through its 13 international subsidiaries and over 4,500 branches in Turkey. The Company operates 15 production plants in Turkey, Romania, Russia, China, South Africa and Thailand including refrigerator, washing machine, dishwasher, cooking appliances and components plants. It offers products under its own eleven brand names, including Arçelik, Beko, Grundig, Dawlance, Altus, Blomberg, Arctic, Defy, Leisure, Arstil, Elektra Bregenz and Flavel. Arçelik, merged with German consumer electonics manufactrer Grundig in 2009, while South African Defy Appliances was acquired for 327 million USD in 2011.

Anadolu Group (AG) has focused its activities in the areas of beverages, automotive, and retail. Together with brands which are respected on a global scale, it is also extending its fields of business with the investments it has undertaken in the sectors of agriculture, real estate, energy and health in recent years. The group continues its

[9] https://www.bloomberg.com/news/articles/2017-07-05/yildirim-to-sell-cma-cgm-stake-amid-plans-to-buy-ports-america

activities in 19 countries – including Turkey – with approximately 80 companies, 61 production facilities, and more than 50 thousand employees.

As a part of AG, Anadolu Beverage Group, consisting of Anadolu Efes and Coca-Cola İçecek, is operating beer and soft drinks in a wide geography of 14 countries across Eurasia with its 20.000 employees. The Group's activities include production, bottling, distribution and sales of both alcoholic and non-alcoholic beverages.

In the alcoholic beverages market, Anadolu Efes currently continues its operations as a global company, which exports three quarters of its production. In terms of sales volume, it is the 6th largest brewer in Europe, and the 11th largest in the world. Exporting products to over 70 countries, Anadolu Efes is one of the key players in the region with a total of 15 breweries, six malt production facilities and one hops processing facility across Turkey, Kazakhstan, Russia, Moldova, Georgia and Ukraine, and offers more than 40 local and foreign beer brands to its consumers.

In the non-alcoholic beverages market, Coca-Cola İçecek (CCI), the fifth largest bottler of the Coca-Cola Company in terms of sales volume, operates with 25 plants in a geography of 10 countries (Turkey, Pakistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Turkmenistan, Tajikistan, Iraq, Jordan and Syria). CCI offers more than 25 local and foreign brands of the Coca-Cola Company to its consumers.

3. OFDI towards Europe, with a special focuse on Eastern and Central Europe

As it was already mentioned above, Europe and the EU has a special position in the Turkish OFDI. One third of the Turkish OFDI is directed towards the Netherlands to take advantge of the specific Dutch regulations and tax regime, but Ireland and Malta are also polular for similar reasons, while Jersey and Luxembourg has a prominant role in case of Turkish financial investments. If we consider non-financial OFDI, however, than Germany and Austria are the main target countries, along with Switzerland and the Netherlands, which also shows some correlation with the share of Turkish polulation in Western European countries. If we consider Central and Eastern European countries, the main target countries of Turkish investors among these transition countries were Russia, Romania, Bulgaria, but the Visegrad countries have also had some experience with Turkish investments.

Turkish MNEs investing in CEE countries seemed to prefer taking the advantage of growing markets and acting with cost-cutting concerns, in reality, however, their aim was rather to manage brand more effectively and to improve EU costumers' perceptions and attitudes towards their products. (Uray et al 2012: 332)

Among transition economies and developing countries, Russia is one of the top target county of Turkish capital. Russia, as one of the fastest growing markets in the world, became popular for foreign investors, but the specificities of the Russian market (e.g. weak institutional environment) required specific approach from investors. Turkish investors seemed to be succesful to cope with these obstackles. During 2003 and 2013, TMNEs made 105 investments (13 percent of their total worldwide greenfield investments) in Russia, invested about 10 billion USD and created jobs for over 55 thousend people. (Bakir Acur 2017: 215) Real estate has attracted the largest amount of Turkish OFDI, the largest construction companies are active in building, infrastructure and industrial construction (building e.g. shopping malls and hotels on their own account). Ceramics and glass, coal, oil and gas, food and tobacco and constraction material sectors were also among the preferred sectors of TMNEs.

Among TMNEs, ENKA Holding was the most active one in Russia: a new terminal at Moscow's Sheremetyevo Airport, a Toyota car factory in St. Petersburg, and oil field infrastructure on Sakhalin Island, the State Duma buildings were realized among others by the company in Russia. ENKA currently owns and manages 318,500 square metres of office space providing local headquarters and facilities to a variety of global firms and 230,000 square metres of shopping malls in Russia. In 1997, ENKA launched its first shopping mall and supermarket in Moscow, under the name Ramenka. Today, the number of supermarkets, hypermarkets and shopping malls owned and operated by Ramenka totals 63 in Russia, and collectively they serve over 135,000 customers daily.

While Turkish OFDIs in Russia were characterized mainly by greenfiled investments, there were some large acquisitions in recent years. The largest one were the acquisition of SABMiller Russian and Ukrainian businesses by Anadolu Efes in 2011, for a total amount of 1.9 billion USD, the second largest was the above mentioned aquisition of Mechel's Chrome dicision by Yildirim for 425 million USD.

Anadolu Efes was a company already established on Russian market, with several breweries and soft drink factories. The reason for taking over SABMillers breweries in Russia was primarily market seeking, not only towards Russia, but toward other CIS countries, Central Asian and MENA countries as well.

In Russian and other Eastern European and CIS investments of TMNEs it can be observed that they use their firm strategic advanceses, coming from the know-how gained in their operation in Turkey and its neighbouring regions, but country specific advantages as geographical and cultural proximity, and an access to cheap and skilled labour are also among their core advantages.

Anil et al. 2014 investigated Turkish investments in Romania. As the 7th largest country of the EU (by population), and with its attractive location situated between the EU, the Balkans, and Eastern Europe, Romania provides an unique gateway toward these markets. (Anil et. al, 2014: 430) Romania ranks only 11th in terms of total stock of Turkish OFDI, put the third regarding the number of investors, i.e. the majority of Turkish investors are rather small and medium size. Turkish investors entered Romania with the purpose of either exploiting their firm-specific resources and capabilities, or acquiring and exploring new resources and capabilities which provide them with required competitive advantages. (Anil et al 2014: 441)

In the following part we examine some of the most important Turkish investment in the Visegrad countries, to see the most important characteristics of these OFDIs.

According to official statistics of the Turkish Central Bank, the Turkish OFDI in the CEE countries is not too relevant: in 2016, Hungary had 22 million USD of Turkish investment, Poland had 16 million USD, Slovakia 11 million, while the Czech Rebublic 0.[10] By making a deeper investigation based on other sources, we can see, however, that

[10]http://www.tcmb.gov.tr/wps/wcm/connect/ad5d6f56-cf37-4b5f-8d09-f9c1e807d247/iip.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-ad5d6f56-cf37-4b5f-8d09-f9c1e807d247-lTK.ueu

the Turkish capital and Turkish MNEs are present in the region. The Hungarian National Bank (HNB) has similar datas for Turkish FDI (24.5 million USD), but in the statistics of HNB revealing the ultimate controlling parent, the same datas are more than the double, 55 million USD. It clearly reveals the importance of „indirect" capital flows – Turkish capital in the regions come mainly by investments through other, e.g Dutch companies.

Hungary was clearly the most important target among V4 countries for Turkish companies. The Turkish PM Binali Yıldırım, in his recent speech at the Turkey-Hungary Business Forum in Ankara put the number of Turkish investors in Hungary to over 500, having more than $100 million in investments in Hungary.[11] Osman Şahbaz, president of the Turkish Hungarian Businessmen Association called Hungary as the country best suited to be a bridge linking Turkey to Europe. "We should perceive Hungary as Turkey's door to the West," he commented, noting that the country is not only a member of the EU but is also well situated in Central Europe to play the role of a transit country in Turkey's trade with Western and Eastern Europe.[12]

Larger firms invested between 100 thousand and several million USD, and they are active in tourism and real estate investments, chemistry, logistics, textile industry, machinery, etc.[13]

Among the largest investors we can find Çelebi Ground Handling. The firm was established in Hungary in 2005, it has an own capital of over 3 million USD, and annual revenues over 30 million USD. Beside the Budapest International Airport, Çelebi offers ground handling services in Mumbai and Delhi (India), and in Vienna/Austria, and it provides cargo management in Frankfurt (Germany) as well.

Şişecam, one of the Europe's leading flat glass company (with 44 plants,18 in Turkey and 26 abroad, e.g in Bulgaria and Russia) acquired 100% of the German Richard Fritz Gmbh in 2013. Since Richard Fritz has subsidiaries in Hungary and Slovakia, the TMNE became active in these countries as well. The Hungarian firm has otherwise 300 employes and annual revenues of over 30 million USD.

[11] https://www.dailysabah.com/economy/2017/07/01/turkey-hungary-pledge-to-reinvigorate-economic-ties
[12] http://www.turkmacar.org.tr/index.php/component/content/article/258
[13] http://2010-2014.kormany.hu/download/7/a7/00000/torokorszag.pdf

An other Turkish company becoming under Turkish ownership, partly indirectly, is MGM (Magyar Gördülőcspágy Művek). In 2007, the Romanian firm Rulmenti Barlad (49%) and Turkish legal personalities bought MGM (Magyar Gördülőcspágy Művek) from South Korean Hanwha for 3.5 million USD.[14] Rulmenti Barlad was one of the most successful Romanian company, and it was acquired by the Turkish Kombassan (or today Bera Holding) in 2000, so this partly Romanian FDI in Hungary had also Turkish owners in the background.

Polat Group became an active participant of the Hungarian economy not only by EGE Seramik, one of the largest producers of high-quality ceramic tiles, but also due to its good ties to the Hungarian political elite, and its real estate businesses. But here as well, the real estate business of Polat Group and its leader Adnan Polat are representeted in Hungary indirectly, by a Dutch firm, ALX, owned by Polat.[15]

The Turkish Halkbank has also some financial interest in Hungary. It was, and with a 1% share (1.5 million USD) still is owner of the Hungarian Volksbank, already acquired and renamed by Russain Sberbank.[16]

Turk Telekom, the major Turkish telecommunication company, owned in 55% by Saudi Oger, and 30% by the Turkish Treasury has also important Hungarian interests. In 2010, Turk Telekom bought 100% of data service provider Invitel International for 243 million USD to increase the firms competitiveness by entering new mrkets. The Turkish MNE gained control of a 27,000km fibre-optic network, a network of operations in 16 countries, and Invitel International subsidiaries AT-Invitel (Germany), Invitel International Hungary and EuroWeb Romania.[17]

In the transport and logistic sector, Barsan Global Logisitcs bought a 50% stake in Transemex, which became the part of the global transportation and logictical network of the TMNE. Transemex Hungary has 140 employes, and annual revenues of over 15 million USD.

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[14] http://nol.hu/archivum/archiv-450087-257244
[15] http://magyarnarancs.hu/belpol/a-torok-melo-99539
[16] https://www.halkbank.com.tr/en/international-banking/54/subsidiaries
[17] https://www.telegeography.com/products/commsupdate/articles/2010/05/19/turk-telekom-acquires-100-of-invitel/

Turkish MNEs are present on the media market of V4 countries as well. Trader Media East is the largest classified advertising company in Central and Eastern Europe. It was established in 2005 and comprises the Russian, Baltic, CIS and Eastern European operations of Trader Classified Media. In 2009, 67.3% of the company were bought by Hürriyet AS, a Turkish media firm part of the Dogan Yayin Holding, at a cost of 500 million USD. TME is one of the leading marketplace for communities of generalist, real estate, auto and recruitment, with strong local brands, serving local markets in the Eastern European region.

In Poland and Slovakia, the largest Turkish investor is Arcelik, a firm belonging to Koc Holding. Arcelik is the 4th larges home appliance company in Europe. Its investment in the two V4 countries, Beko Poland and Beko Slovakia aims at helping the brand marketing and sales of products in the region. The production facilities of Arcelik are in lower wage countries, however.

In Poland, there are around 200 Turkish companies, in textile industry, and in several other manufacturing sectors as well. One of the Turkish manufacturing FDI was Polimer Kaucuk's rubber and plastic article plant in Krakow. The US-based power management company Eaton Corporation has acquired the Turkish parent company, Polimer Kaucuk in 2012. Eaton wanted to make Turkey a regional base to better serve markets in Eastern Europe, the Middle East and North Africa.

Turkish construction companies are also well presented in the flourishing Polish real estate market. Turkish Mesa Mesken (Euro Power Centrum) and Yenigun Construction (Yenigün Polska) are active in the Warsaw construction and real estate market. Gülermak, an other Turkish construction firm took part in the metro building project in Warsaw.

Conclusions

In recent years, Turkey became one of the leading investors among emerging economies in its neighbouring regions. The rising presence of Turkish investments abroad is due both to economic and to political reasons. The rapidly growing Turkish economy and the structural changes in Turkey created a bunch of internationally competitive sectors and firms, while the changing Turkish foreign policy also promoted the active presence of Turkish companies in neighbouring countries, as part of its new strategy aiming at increasing the central position of Turkey in the region.

These trends can be witnessed by the Turkish OFDI statistics as well. The majority of Turkish outward FDI went to European countries, but it is not concentrated solely in developed Western European countries, a lot of Turkish capital has flown to Eastern Europe and the Balkans. The Netherland has a special position in Turkish OFDI, a lot of Turkish capital get reinvested in third countries via Dutch fimrs established by Turkish MNEs.

By looking for the motivations of TMNEs, we found different reasons depending also on the type of firms and the sectors they are active in. There are Turkish firms making resource based investments, especially in Russia, in Central Asia and in the MENA region. Market seeking is also a common motivation of Turkish companies, and they are able to exploit their country-specific advantages: the experiences earned on the relatitively competitive, but institutionally underdeveloped Turkish domestic market. A continously increasing motivation of TMNEs for outward investment is the brand-building, and the upgrading of their technologies, to be able to compete on more developed markets as well.

We examined the special characteristics of Turkish OFDI in the Central European countries. On the one hand, we could find here several of the above mentioned specificities of TMNEs motivations. They invest in these countries to enter new markets, in many cases they use other, mainly Dutch firms as the direct investor company. It was also common that they aimed by the investment to manage their brands more effectively and to improve EU costumers' perceptions and attitudes towards their products.

In our further research, we would like to examine the specificities of Visegrad countries for Turkish investors. As a region closely connected to the core European markets, but on the other hand sharing several institutional weaknesses common on the Turkish domestic market, it may have a much higher importance for TMNEs investent in the future.

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