The Relationship Between Foreign Direct Investments, Economic Growth And Employment

Shafa Guliyeva

Azerbaijan State University Of Economics UNEC
Istiqlaliyyat St. 6, e-mail: shafaguliyeva2022@gmail.com
AZERBAIJAN

Abstract

This study aims to investigate the potential long-term relationship between foreign direct investments (FDI), economic growth, and employment in Azerbaijan. The primary objective is to determine whether FDI has a significant impact on both economic growth and employment within the country. To achieve this, the study utilizes the Granger causality test to uncover the presence and direction of relationships between FDI, economic growth, and employment during the period from 1996 to 2020. Further research could explore the specific mechanisms through which FDI impacts employment in Azerbaijan and investigate potential policy interventions to maximize the positive employment effects of foreign investment. Additionally, considering the evolving global economic landscape and recent developments, updating this analysis with more recent data would provide valuable insights into the current relationship between FDI, economic growth, and employment in Azerbaijan.

Keywords: Foreign Direct Investments, Economic Growth, Employment, Unit Root, Cointegration, Causality.

1. Introduction

In the post-Soviet space, including Azerbaijan, the formation of management structures and mechanisms of the market system, the creation of private property-based economic entities, the creation of normative legal frameworks and mechanisms to manage and regulate the economy and the formation of a market environment necessitated the transition period. The length of the transition period depended on the creation of these economic factors.

One of the distinguishing features of Azerbaijan's economic development model is that the state's intervention in economic processes and the framework of employment as an economic agent are limited from the beginning of the transition period of economic relations between the state and economic entities. The concept of limiting the

state's participation in economic regulation is also reflected in economic legislation.

The structural and technological level of the Azerbaijani economy is such that the only solution to the problem is to restructure the structure. Restructuring the economic structure requires a special approach to mobilizing investment resources. The decisive role here belongs to the state mechanisms of investment mobilization.

One of the specific features of Azerbaijan's economic development model in the first years of independence was the abolition of collective farms in agriculture, free distribution of land to private ownership, individual privatization of collective and state farms. This reform severely limited the level of state intervention in the management of the agricultural sector.

Economic development depends on the level of domestic trade, and domestic trade depends on a market with solvent demand. Today, a secure and profitable market for producers is the domestic market. This is due to the high purchasing power of the country's citizens. In this case, the current situation creates more favorable conditions for foreign investment flows.

In terms of the level of development of the elements included in the subject of the economic model, the formation of the national economic development model of Azerbaijan can be divided into two stages: 1991-2003 and the period from 2003 to the present. Each stage has its own development trends and certain results have been achieved. At the beginning of the first phase, rapid decline in production, very high prices and inflation, declining real incomes, rising unemployment (official statistics do not confirm this), irregularities in the banking, financial and credit system (especially in 1992-1994)) trends were observed. The main goal during this period was to fight inflation, de-monopolize the economy, stabilize the national currency and attract foreign investors to the economy. Thus, as a result of achieving the goals, the transition to a market economy was laid and the entrepreneurial class was formed with the formation of legislation, budget, tax, banking and financial system, agrarian reforms, privatization of state property, creating a business environment for entrepreneurship.

Azerbaijan pursues an open economic policy. This is primarily envisaged in the normative legal documents regulating the economy. The second is confirmed by the actual statistics. This conclusion is explained by the fact that the share of exports in the total output of goods and services is more than 40%, and imports account for 31% of the country's domestic trade turnover (2010). However, international experience shows that an open economic policy is appropriate when the country's economy is competitive and there are strong external economic constraints. Azerbaijan has fully liberal foreign economic relations. Conservative policies are used only in the foreign and domestic financial sector.

One of the important indicators in the balance of payments is the generation of income from foreign economic relations. A negative balance was formed in 2000-2011 under the item "Income", which is an important part of the current account. According to the current methodology, the income reflected in the balance of payments consists of income from direct investments, wages, securities (portfolio investment) and the use of loans. The main place here is occupied by property income. "Property income" means income received or paid by investment units in connection with the use of financial assets, land and other non-financial non-financial assets (subsoil, other natural assets, patents, licenses, etc.). These include interest, dividends, rents, confiscation of income by business owners, proceeds from the reinvestment of income from foreign direct investment, and the income of insurance policies from the property of entrepreneurs.

All transactions related to the transfer of ownership of foreign financial assets and the liabilities of that country are recorded in this article. Export and import of goods and services are financed from the financial means specified in this article. One of the indicators characterizing the country's solvency is its international investment position. The international investment position contains important information to determine the economic situation of the country. The country's net international investment position characterizes the state and development trends of its international economic relations with other countries of the world. Depending on whether this position is negative or positive, it can be said that the country is a "net creditor" or a "net debtor." Standard components of the balance of payments are used to determine the country's international investment position. This position is a statistical report on the volume of the country's foreign assets and liabilities at the beginning of the reporting period.

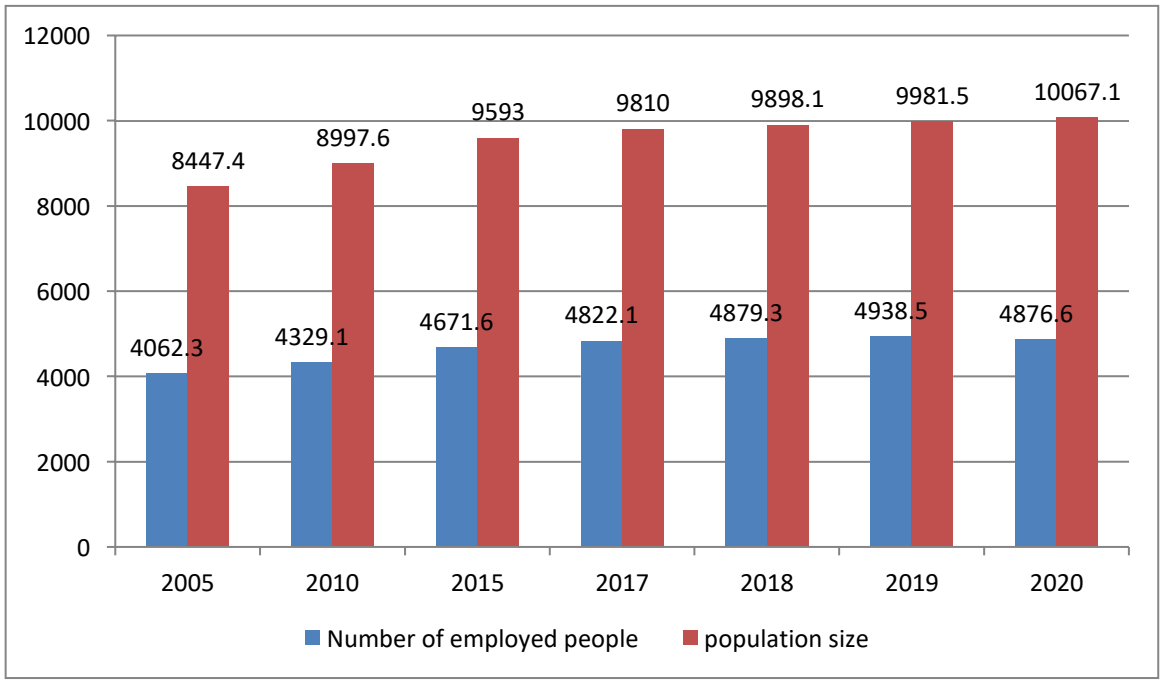
1. Employment in the economic system

The main condition for the production of goods is the division of social labor. The restoration of Azerbaijan's independence and the strategic goal of transitioning to a market economy have opened up a wide field for the operation of the law on social division of labor, which determines commodity-money relations. The desire to create favorable conditions for the operation of the law on social division of labor and to comply with its requirements is not enough to build the structure of production in accordance with the national interest. It is also important to have a financial basis for this. The division of social labor is also related to the provision of the employment process. Employment is a legitimate activity of able-bodied citizens in the economic system in order to earn income and meet personal and public needs (Rizayeva, 2013: 90). Ensuring the employment of the able-bodied population is a key factor in boosting economic growth. In order to organize employment in a productive way,

attention should be paid to improving the social division of labor within the country and establishing an optimal structure of production, especially in the non-oil sector to create favorable conditions for the development of entrepreneurship.

Let's look at the indicators of the level of employment with population growth in Azerbaijan as follows.

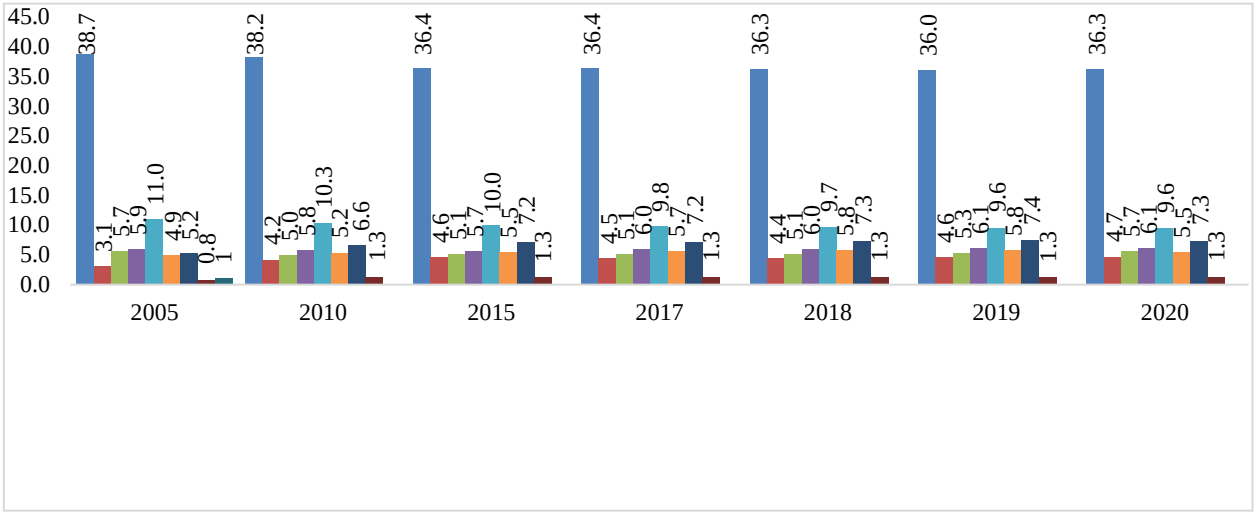
Figure 1. Total population and indicators of employed population (thousand people)



Regarding the points that need to be considered in terms of the stability of the figures at the general level, it should be noted that there should be no conflict between the goals of ensuring the stability of population growth and employment. Between these periods, the level of employment in 2019 was the highest at 49.5 percent of the total population. The growth rate of employment has remained stable until 2019.

The level of employment in various economic sectors is shown in Figure 2.

Figure 2. The share of those engaged in various economic sectors in relation to the total population.



Source: Website of the State Statistics Committee, https://www.stat.gov.az/source/labour/

The division of employment by sectors also changes over time. The change in these figures has been so significant among the employment sectors. Thus, while the level of employment in the transport sector maintained growth rates in 2010, 2015 and 2017-2018, but in 2020 the number of people employed in this sector decreased in proportion to the total number of employed people. During the analyzed years, the second place in terms of employment was occupied by public administration. The proportion of people employed in the public sector (public organizations and administrative bodies) has been steadily declining since 2005. In the compared periods, especially in the agricultural sector, the majority of the employed population. While the proportion of people employed in the agricultural sector has been declining relatively steadily until 2020, there has been a slight increase on this date. The employment rate in the mining and processing industries, including construction, has remained almost the same, while the service sector has declined in recent years. From 1995 to 2005, employment increased in transport, communications, economy, tourism and construction. The distribution of employment used by sectors is given in the table below.

2. Foreign direct investment

Foreign direct investment is a long-term foreign investment in which the capital exporter participates in the organization or management of production in the territory of the country. Foreign direct investment is practically related to the export of private entrepreneurial capital. The reasons for the export and import of foreign direct investment are quite different. The main reasons are efforts to place capital in a country that will bring maximum returns, reduce the level of tax payments and diversify risks.

The reasons for the import of direct investment are as follows:

• Technological leadership. The higher the company's sales costs for research, the more it imports foreign direct investment. Conversely, the lower the share of expenditures, the lower will be the import of direct investment. Direct investment is usually associated with the import of the latest foreign technologies.

• Qualification level of the workforce. The higher (lower) the level of remuneration in a company, the more (less) its direct investment imports will be.

• Advantage in advertising. The higher (lower) the share of advertising costs in the company's sales, the more (less) its direct investment imports.

• Scale economy. The more (less) the company's production volume for the domestic market, the less (more) the volume of imports of direct investment is usually.

• The size of the company. The larger the company, the greater the volume of imports of foreign direct investment.

• The degree of concentration of production. The higher the level of concentration within the company on the production of certain goods, the lower the volume of the company's foreign direct investment imports.

• The need for capital. The greater (smaller) a company's need for capital, the more (less) its direct investment imports will be.

• Number of national branches. The more (few) branches a company has in the country, the more (less) its investment imports.

• Production costs. The lower (higher) the production costs in the host country, the greater (less) the volume of its investment imports.

• Level of protection of the domestic commodity market. Since capital imports act as an alternative to commodity imports, the higher (lower) the level of customs and other protection in the country's domestic commodity market, the greater (less) the inflow of direct investment.

• Market size. As the size of the country's domestic market grows, so do investment imports.

• Other factors: export orientation of the industry created by foreign direct investment; availability of government economic development programs.

Foreign direct investment has a positive effect on the host country's foreign economic integration, eliminating the need for a closed society abroad. For a capital-importing country, foreign direct investment has a number of potential advantages over other forms of international economic cooperation.

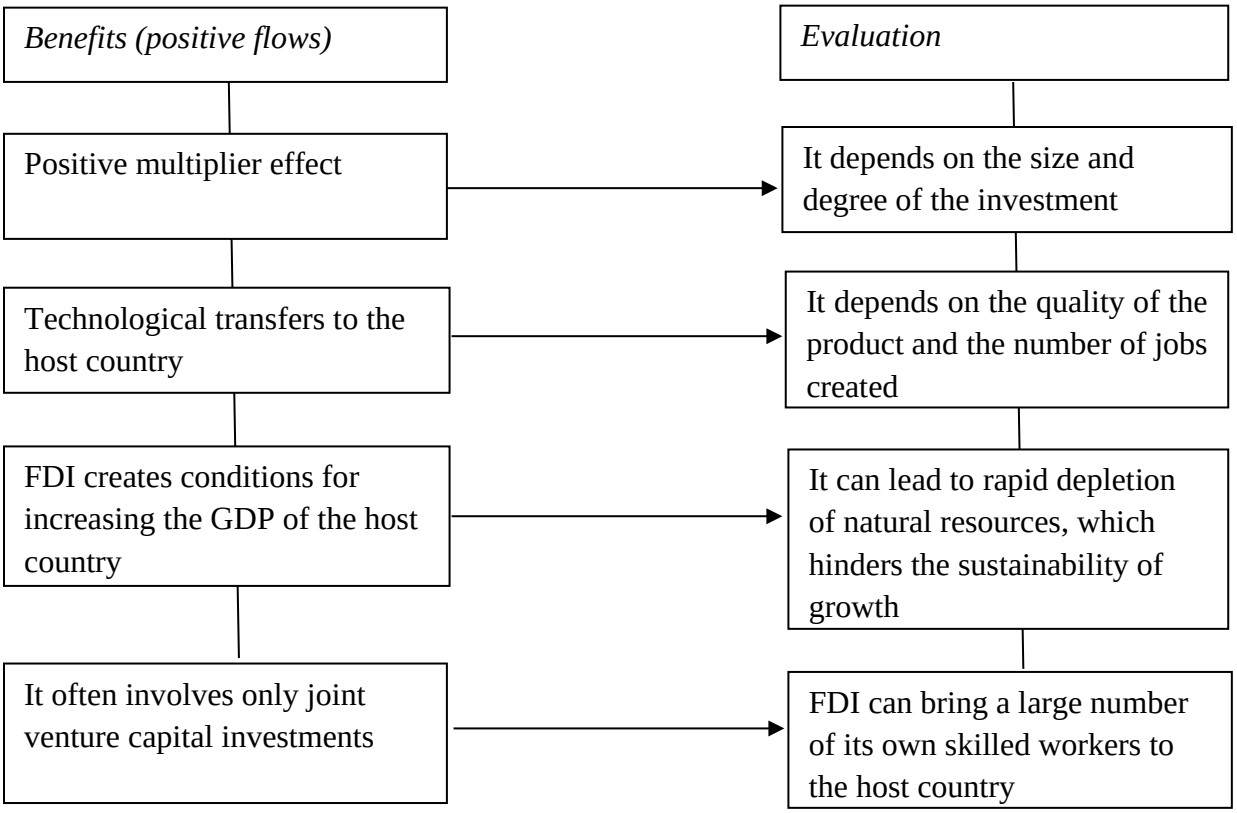
First, they act as a stable source of investment in the production of goods and services, providing transfers of technical assistance, know-how, advanced methods of management and marketing.

Second, foreign investment, unlike foreign debt and loans, is not an additional burden on the country's external debt, but rather creates the conditions for obtaining funds to repay it.

Third, foreign direct investment allows for more efficient integration of the national economy into the world economy (through increased foreign relations, various types of production and scientific and technical cooperation), and creates conditions for export diversification.

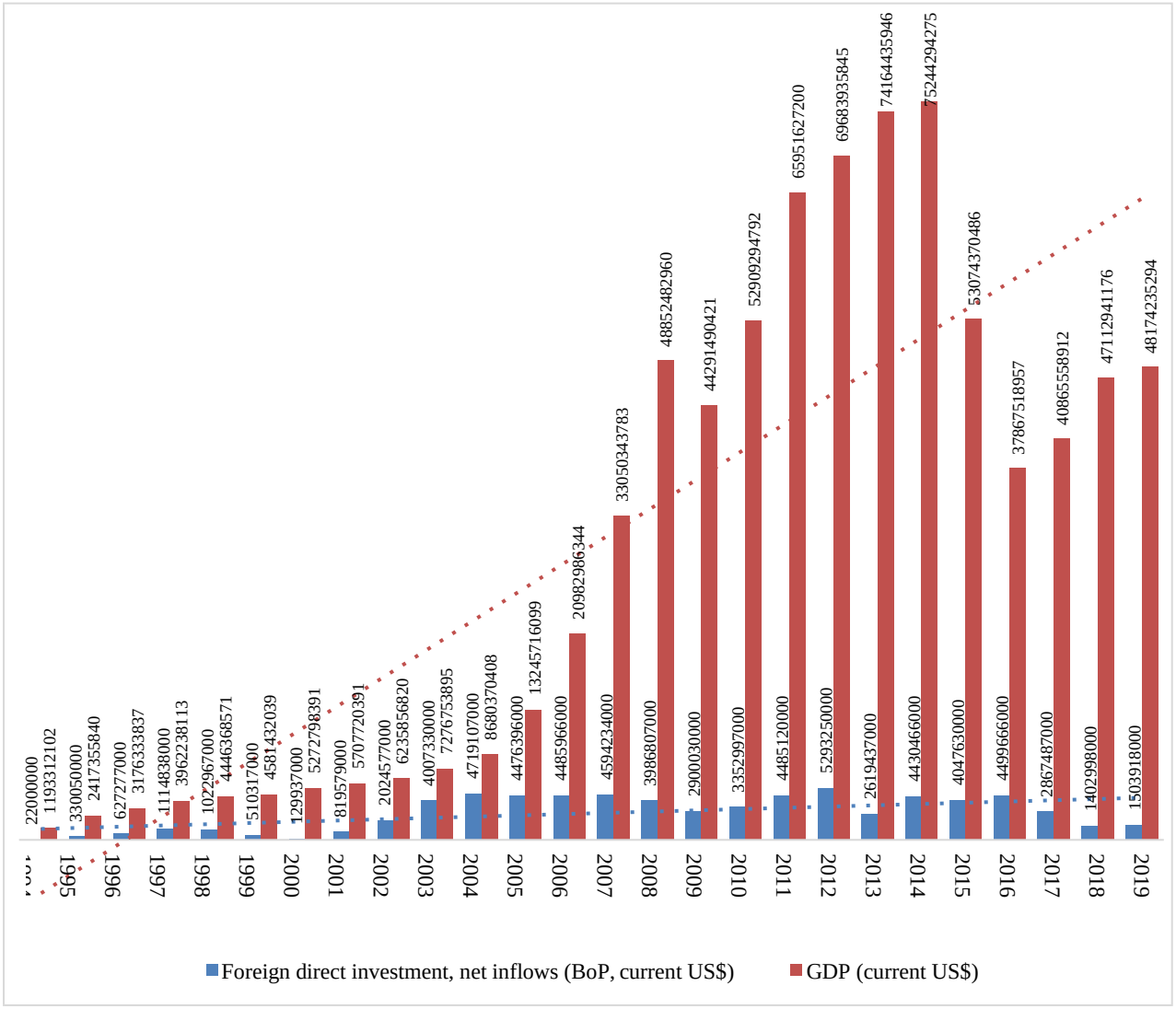
In general, the picture we can take of the recent example of the impact of FDI can be extremely positive, as investors will have chosen their targets from among the areas of business with the potential to achieve efficiency. However, when foreign investors differ from domestic investors in their ability or intention to increase efficiency or realize new business opportunities, this is not much different from a policy perspective. In order to increase the economic efficiency of business activity within the country, FDI should be involved in medium and large businesses.

Figure 3. Assessing the benefits of FDI.



To determine the relationship between the volume of foreign direct investment in the economy in Azerbaijan and GDP, let's look at the following figure:

Figure 4. Total volume of GDP and FDI



Source: https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=AZ

In general, there was no stable direction in the growth dynamics of GDP and FDI during the compared periods. This can be justified by the fact that the return on investment in the long run may not be commensurate with GDP from the first year.

Foreign direct investment has almost played an important role in Azerbaijan's economic recovery. The bulk of foreign direct investment was spent on oil production and extraction (Rahmanov and Suleymanov, 2021: 12). In 2009-2019, a total of $ 37.402 billion in foreign direct investment was directed to the country's economy. The highest level of foreign direct investment in the economy of the republic for 25 years in 2012 was more than 5 billion 293 million dollars. In particular, in 2009 and 2015, the growth rate of both sectors fell below zero compared to the previous year.

As countries develop and become more industrialized, the inflow of FDI plays a major role in the deeper integration of countries into the global economy, boosting foreign trade flows. Attracting such investments

reduces the risk of unexpected financial crises, speeds up turnover, provides employment and improves economic well-being.

3. Econometrıc Method

The fourth section consists of four subsections. In this section, firstly the data and econometric method are introduced, then unit root tests and Johansen Cointegration test to be applied in the analysis part are given. Finally, the long-term relationship between the series was investigated by applying the Granger causality test and the results were given.

3.1. Data Set and Model

The model used to determine the causal relationship between foreign direct investment investments, economic growth and employment in Azerbaijan is defined as follows.

$$\ln(FDI\ t) = \beta 0 + \beta 1\ GDPt + \beta 2\ EMPt + \mu$$

The dependent variable in the model is ln(FDIt); The explanatory variable of GDPt shows the annual growth rate of GDP in Azerbaijan in period t and the explanatory variable of EMPt shows employment in Azerbaijan in period t.

The error term μ in the model is; The coefficients β0, β1 and β2 are the coefficients that explain the relationship between economic growth and employment rate, and foreign direct investments, respectively. In theoretical approaches, these parameters are expected to take positive values, respectively. The annual data of the variables defined in Table 3, covering the years 1996-2020, were obtained from the Electronic Data Distribution System of the Central Bank of the Republic of Azerbaijan. Econometric tests were performed using the Eviews 10 package program.

Table 3. Definition of Variables

The dependent variable	**Explanation**
FDI	Foreign Direct Investments (Billion Dollars)
Independent variables	**Explanation**
GDP	Economic Growth (GDP annual growth rate)
EMP	Employment data

The basic feature of economic variables is that they are asymmetric (the presence of extreme fluctuations). To overcome the asymmetry problem, the data must be converted to a logarithmic form. The logarithm of this variable could not be obtained because the GDP series, which was taken as an indicator of economic growth, contained negative values in some years (due to the small size of the economy in some years). The logarithms were not calculated because the GDP and EMP series were

taken as a percentage in order to maintain the assumption of normality (linearity). The logarithmic value of the FDI series was obtained to be able to interpret the change ratio more meaningfully.

3.2. Unit Root Test

To identify econometrically significant relationships between series, it is crucial to ensure that the series are stationary. Stationarity implies that the effects of shocks on the series are temporary, and over the long run, the series return to their average levels. Conversely, if non-stationary series are employed, which contain a trend, it can lead to spurious relationships in the estimated model. Such relationships do not exist in reality. In cases of spurious regression, despite high R-squared values and statistically significant t-statistics, the parameter estimates do not reflect the true relationship between the series. Furthermore, in non-stationary series, transient shocks have permanent effects, making it necessary to examine the stationarity of the series. The presence of a unit root in a time series indicates that the series is non-stationary. To determine the stationarity of the variables to be used in the model, the Augmented Dickey-Fuller (ADF) unit root tests were employed. These tests provide insights into whether the variables are stationary and, if so, at what level. The results of the unit root tests applied to both the levels and first-order differences of the variables are presented in Table 4.

Table 4. ADF Unit Root Test Results

Variables	Level Delay	Probability	First	Difference	Delay	Probability
FDI	-3.0439	I(0)	0.0450	-4.7656	I(1)	0.0011
GDP	-2.2651	I(0)	0.1905	-4.5790	I(1)	0.0016
EMP	-2.8879	I(0)	0.0670	-3.7042	I(1)	0.0130

• The optimal lag lengths that eliminate the autocorrelation problem between the errors were determined according to the Schwarz Information criterion (SIC-SchwarzInfoCriterion) and the maximum delay was taken as 1. Accordingly, the delay that gives the smallest SIC value is determined as the appropriate delay.

• MacKinnon critical values are used.

Since the absolute value of the test statistic calculated according to the results of the applied ADF test is smaller than the absolute values of the MacKinnon (1996) critical values, it shows that the series contain unit roots at their levels, that is, they are not stationary. It is concluded that the variables become stationary when the first difference is taken, in other words, the series are integrated to the same degree, I (1). The fact that the lnGDP and LnEMP variables are I(1) is accepted as a prerequisite for investigating the long-term equilibrium relationship between the variables. The existence of a long-term equilibrium relationship is determined by the cointegration test.

The most important problem in the analysis is the selection of the appropriate lag length. Therefore, before applying the cointegration test, an unconstrained VAR model should be estimated with the variables used in the model and the lag number of the model should be determined (Simps, 1980:1-48). Table 5 shows the result obtained for the appropriate lag length selection. When the results are examined, LogL, LR, FPE, AIC, SC and HQ criteria all show that 1 delay is appropriate. In the next analysis, the most appropriate lag length will be taken as 5.

Table 5. Determination of Appropriate Lag Length

Lag	LogL	LR	FPE	AIC	SC	HQ
0	66.19347	NA	6.60e-08	-5.182789	-4.986447*	-5.130699
1	88.68890	35.61777*	3.93e-08*	-5.724075*	-4.742363	-5.463627*

3.3. Johansen Cointegration Test

Johansen cointegration analysis was performed to determine the existence of a long-term relationship between the variables. Here, two tests are proposed to examine whether the characteristic roots are equal to zero and therefore the existence of a cointegration relationship. These tests are (λmax) maximum eigenvalue test statistic and (λtrace) trace test statistic. Table 6 shows the results of the Johansen cointegration test.

When the test results are examined, Trace test for r=0 at 5% significance level and Max. Since the eigenvalue test statistical values are larger than the table critical values, it is seen that there is a cointegrating vector. According to the results obtained, there is a long-term relationship between foreign direct investments, economic growth and employment series for both maximum eigenvalue test and trace test at 5% significance level. Co-integration, long between variables

Although it determines the existence of a periodic relationship, it does not give any information about the direction of this relationship. In order to determine the direction of the relationship between the variables, the Granger (1969) causality test was performed.

Table 6. Johansen Cointegration Test Results

H0	λtrace	0.05 Critical Value	Prob.**	λmax	0.05 Critical Value	Prob.**
r = 0	81.52951	47.85613	0.0000	36.72030	27.58434	0.0026
r ≤ 1	44.80921	29.79707	0.0005	34.51975	21.13162	0.0004
r ≤ 2	10.28947	15.49471	0.2591	9.911334	14.26460	0.2178

3.4. Granger Causality Test

The causality test reveals whether there is a cause-effect relationship between two variables, and if there is, the direction of this relationship. Granger causality analysis developed by Granger (1969) is the most frequently used method to determine the causality relationship between time series. Granger causality test results are shown in Table 7.

Table 7. Granger Causality Test Results

Hypothesis	Chi-sq	Prob.
GDP Is Not the Cause of FDI	0,705009	0.6436
FDI Is Not the Cause of EMP	0.083501	0.8543
EMP Is Not the Cause of FDI	0.443705	0.7620
GDP Is Not the Cause of EMP	0.021857	0.8987
EMP Is Not the Cause of GDP	0.297829	0.7819
FDI Isn't the Cause of GDP	1.041815	0.4691

According to the results obtained, no causality relationship was found between foreign direct investments and economic growth. For this reason, it is concluded that foreign direct investments do not cause economic growth, and economic growth does not increase foreign direct investments. On the other hand, while no causality was found between foreign direct investments and employment, it was concluded that there was no causality from economic growth to employment. According to the empirical results, although foreign direct investments do not have a direct causal relationship on employment, it can be said that foreign direct investments indirectly cause an increase in employment. Because foreign direct investments increase output, that is, with the increase in produced goods and services, the demand for labor increases and new employment opportunities arise.

Conclusion

The declaration of independence in Azerbaijan has led to the implementation of various measures aimed at attracting foreign direct investment (FDI) inflows. These changes are intended to stimulate economic growth by attracting a larger share of FDI. FDI is favoured due to its positive impact on macroeconomic variables, such as the additional capital it brings, particularly in developing economies. FDI directly contributes to increased production capacity, the general level of prices, and employment.

However, the results of the analysis have not aligned with theoretical expectations, primarily due to the nature of FDI entering the country through privatisation. It is observed that FDI tends to enter Azerbaijan through the acquisition of existing companies, partnerships, or real estate investments rather than through new investments. In this context,

foreign capital inflows do not have the capacity to create new employment opportunities to the desired extent. While these capital inflows may be investments for the companies involved, they do not possess the characteristics of investments that generate substantial benefits for the country.

Given the importance of FDI in contributing to economic growth, Azerbaijan should strive to benefit more from FDI inflows. This requires creating favourable investment conditions to attract FDI and promote economic growth. However, it is crucial to emphasise that the realisation of investments through the establishment of new production units rather than the acquisition of existing ones is vital for FDI to significantly contribute to economic growth and employment creation.

Furthermore, in order for FDI to have a lasting and permanent impact, economic stability in the host country is essential. Despite the increasing stability and confidence in Azerbaijan, the lack of a positive effect of FDI on employment necessitates a reconsideration of policies in this area. Long-term macroeconomic policies should be designed to encourage FDI that involves establishing new investments in the country.

In this study, the relationship between FDI, economic growth, and employment in Azerbaijan was analysed for the period 1996–2020. The Granger causality test was employed to examine the causal relationship between the variables. However, based on the empirical findings, no causal relationship was found between FDI and economic growth during the examined period. Additionally, no causality was identified between FDI and employment. This absence of causality can be attributed to the fact that FDI in Azerbaijan predominantly targets the services sub-sector, such as finance, communication, and transportation, which has limited capacity for employment creation. Hence, it is not surprising that a significant relationship did not emerge.

References

Açıkalın, S., E. Gül, and E. Yaşar (2006). "Econometric Analysis of the Relationship Between Wages and Growth and Foreign Direct Investments", Dumlupınar University Journal of Social Sciences, 16: 271-282.

Agenor, P. R. (2001). Benefits and Costs of International Financial Integration: Theory and Facts, Washington, World Bank.

Akdis, M. (2007). Foreign Capital Investments and Expectations in the World and in Turkey, YASED Publications No: 33, Istanbul.

Alagöz M., S. Erdoğan and N. Topallı (2008). "Foreign Direct Investments and Economic Growth: Turkey Experience 1992-2007", Gaziantep University Journal of Social Sciences, 7(1):79-89.

Buyer Akgüç, A., M. S. Ucal (2003). "Foreign Direct Investment, Exports and Output Growth of Turkey: Causality Analysis", Paper to be presented at the European Trade Study Group (ETSG) Fifth Annual Conference, Universidad Carlos III de Madrid, 11-13 September.

Asheghian, P. (2011). “Economic Growth Determinants and Foreign Direct Investment Causality in Canada”, International Journal of Business and Social Science, Vol. No. 2 11, Special Issue - June 2011:5-6.

Asiedu, E. (2004), “The Determinants of Employ-ment of Affiliates of US Multinational Enterprises in Africa”, Development Policy Review, 22(4): 371-79.

Aslanoglu, E. (2002). “The Structure and the Impact of Foreign Direct Investments in Turkey”, M. Ü. Journal of the Faculty of Economics and Administrative Sciences, XVII, 1, 31-50, 2002.

Assanie, N., B. Singleton (2002). “The Quality of Foreign Direct Investment: Does it Matter for Economic Growth?”, Asia Pacific Research Center and APRC Productivity Centre.

Baldwin, R. (1995). “The Effects of Trade and Fore-ign Direct Investment on Employment and Relative Wages”, OECD Jobs Study Working Papers, No. 4, OECD Publishing, Paris.

Bilgili, F., R. Duzgun and E. Uğurlu (2007), “Interaction Between Growth, Foreign Direct Investments and Domestic Investments”, Erciyes University Journal of Social Sciences Institute, 23 (2), 127-152 .

Boratav, K. (2001). “Capital Movements in the 2000-2001 Crisis”, Mülkiye Dergisi, Vol: 25, Issue: 230:207-220.

Borensztein, E, J. De Gregorio, and J.W. Lee (1998). “How Does Foreign Direct Investment Affect Economic Growth?” Journal of International Economics, No:45:115-135.

Choe J. (2003). “Do Foreign Direct Investment and Gross Domestic Investment Promote Economic Growth?” Review of Development Economics, 7(1), 44–57.

Chowdhury A., G. Mavrotas (2005). FDI and Growth: What Causes What?, WIDER Conference, Sharing Global Prosperity, WIDER, Helsinki.

Cömert F. (1998), “Foreign Capital's Past, Present and Future”, Treasury Magazine, Issue: 12, p.1-25.

De Mello, L. R. (1997). “Foreign Direct Investment in Developing Countries and Growth: A Selective Survey”, The Journal Development Studies, Vol. 34, No: 1, Oct., 1-34.

Dunning, J. H. (1995). “Re-appraising the Eclectic Paradigm in an Age of Alliance Capitalism”, Journal of International Business Studies, 26(3), 461-491.

Enders, W. (1995). Applied econometric time series, Canada. John Wiley and Sons Inc.

Erdilek, A. (2003). “A Comparative Analysis of Inward and Outward FDI in Turkey”, Transnatioal Corporations, 12, No.3.

Granger, C.W.J (1986) “Investigating Causal Relationships by Econometric Models and Cross-spectral Methods”, Econometrica, Vol. 37(3) 424-438.

Görgün, T. (2004). Effective Institutional Structures of the Development of Investments in the Framework of the Historical Development of Foreign Direct Investments, Specialization Thesis, T.C. Prime Ministry Undersecretariat of Foreign Trade Export Development Study Center, Ankara.

Undersecretariat of Treasury (2010), International Direct Investments 2009 Report, General Directorate of Foreign Capital, June 2010.

Hendry, D. F., A. R. Pagan, and D. J. Sargan (1993). “Dynamic Specifications”, by Zvi Griliches, Michael D. Intri-ligatori, ed. Handbook of Econometrics, Vol.1–5. part 18.

Karagöz, K. (2007). “Factors Determining Foreign Direct Investment Inflows in Turkey: 1970 – 2005”, Journal of Yaşar University, 941-946.

Karimi, M.S., Z. Yusop (2009). “FDI and Economic Growth in Malaysia”, Working Paper No.14999, Munich Personal RePEc Archive (MPRA), Germany.

Karluk, R. (2007). "The Contribution of Foreign Capital Investments to Economic Growth in Turkey", Economic Stability, Growth and Foreign Capital Panel.

MacKinnon, J. G. (1996). Numerical distribution-on functions for unit root and cointegration tests, Journal of Applied Econometrics, Volume 11, Issue 6, 601-618.

Mencinger, J. (2003). “Does Foreign Direct Investment Always Enhance Economic Growth?”, Kyklos, Vol. 56, No: 4, 2003, 491-508.

Mickiewicz, T., S. Radošević, U. Varblane (2000). “Foreign Direct Investment, Structures of Employment anJob Creation in Central Europe During Economic Recovery (1993-1996)”, University of Tartu, Faculty of Economics and Business Administration.

Mucuk M. and M.T. Demirsel (2009). “Foreign Direct Investments and Economic Performance in Turkey”, Selcuk University Journal of Social Sciences Institute, 21,365-373.

Obwona, M. B. (2001). “Determinants of FDI and their Impact on Economic Growth in Uganda”. African Development Bank Economic Policy Research Centre.

Example, I. (2008). “The Effect of Foreign Capital Flows on Domestic Savings and Economic Growth: The Case of Turkey”, Ankara University Faculty of Political Sciences Journal, 63 (2), 19-217.

Saray, M. O. (2011), “Foreign Direct Investment-s-Employment Relationship: The Case of Turkey”, Journal of Finance, 161, pp.381-403.

Seyidoglu, H. (2003). International Economics Theory, Policy and Practice, 15th Edition, Güzem Can Publications No: 20, Istanbul.

Şen, A. and M. Karagöz (2008). “The Effect of Foreign Direct Investments on Growth and Exports in Turkey”, Journal of Social Sciences Conference.

Şimsek, M. and S. Behdioğlu (2006). “The Effect of Foreign Direct Investments on Economic Growth in Turkey: An Applied Study”, Atatürk University Journal of FEAS, Vol. 20, No.2, 47-63.

Simsek, M. (2004). Economic Policies in Open Economies, Turkmen Bookstore Publication, Istanbul.

United Nations Conference on Trade and Develop-ment (UNCTAD) (2010), World Investment Report 2010, Investing in a Low-Carbon Economy, Geneva: United Na-tions Publications.