



Turkey's Outward Foreign Direct Investment: Trends and Patterns of Mergers and Acquisitions

Canan Yildirim

To cite this article: Canan Yildirim (2017) Turkey's Outward Foreign Direct Investment: Trends and Patterns of Mergers and Acquisitions, *Journal of Balkan and Near Eastern Studies*, 19:3, 276-293, DOI: [10.1080/19448953.2017.1277084](https://doi.org/10.1080/19448953.2017.1277084)

To link to this article: <https://doi.org/10.1080/19448953.2017.1277084>



Published online: 01 Feb 2017.



Submit your article to this journal [↗](#)



Article views: 279



View related articles [↗](#)



View Crossmark data [↗](#)

Turkey's Outward Foreign Direct Investment: Trends and Patterns of Mergers and Acquisitions

Canan Yildirim

Department of International Trade and Finance, Kadir Has University, Istanbul, Turkey

ABSTRACT

The aim of this study is to examine the recent evolution of Turkish outward foreign direct investment together with Turkish firms' cross-border acquisitions across time, countries and industries. The article suggests that macro-economic restructuring and institutional reforms, together with strengthened competition at home and globally, not only allowed but also forced Turkish firms to expand internationally. It shows that Turkish acquisitions are mostly directed towards European countries and are concentrated more in manufacturing than in the services industry. In addition, most of the acquisitions involve firms operating in low-technology manufacturing and less knowledge-intensive services. These findings imply that Turkish firms might be motivated mainly towards accessing new markets and that the acquisitions do not seem to be utilized for technological upgrading and productivity improvements.

Introduction

Turkey's structural and institutional transformation in the aftermath of its devastating economic crisis in 2000–2001 improved the business climate and, combined with increased global capital flows, which enhanced access to finance, brought economic growth. The country's integration into global markets gained momentum and the share of international trade and investment in the economy expanded. However, in more recent years, economic growth has slowed down and become increasingly volatile, revealing the fragility of the country's growth, stemming from its overdependence on foreign investment flows. Slowing and volatile economic growth and political uncertainties have depressed foreign direct investment (FDI) inflows whereas FDI outflows have displayed a continuous upward trend.

Despite the fact that the Turkish outward FDI (OFDI) stock is small compared to those from bigger players such as China and India, its accelerated growth in recent years is noteworthy. Deals such as acquisitions by Yıldız Holding of the luxury chocolate brand Godiva from the Campbell Soup Company for US\$850 million in 2008 and British United Biscuits for £2 billion in 2014, and the acquisition by Arçelik AŞ, Europe's third-largest home appliances maker, of the South African appliance maker Defy Appliances for US\$327 million in

2011, have brought Turkish firms to the attention of economists, policy makers and industry observers. However, recent Turkish outward investment is yet to be analysed systematically.

While it is recognized that the domestic institutional context is important for understanding emerging country multinational enterprises (EMNEs) and expanding existing theoretical research, the present research on EMNEs focuses on only a few leading source countries.¹ Hence, Turkey's idiosyncrasies due to its geographical location as a bridge between East and West, its long-standing relations with the European Union, and its recent institutional and economic transformation render it a valuable research case. Accordingly, the objective of this paper is to contribute to this literature by analysing Turkish firms' cross-border acquisitions (CBAs) across time, countries and industries. The technological and knowledge intensity of the acquisitions in manufacturing and services is examined by also taking into account the developmental level of the target countries.

It is commonly maintained that increased factor productivity is both a consequence and a cause of increased OFDI from developing countries and that there is a co-evolutionary relationship between firm competitiveness and internationalization.² Emerging country firms use outward investments as a way to acquire strategic resources or assets to compete more effectively at home and globally as well as to overcome institutional and market constraints in their home countries. After a strong post-crisis recovery, Turkey now faces the challenge of generating high rates of economic growth on a sustainable basis. This, in turn, requires productivity improvements through technological upgrading and innovation on the part of Turkish firms and transformation of Turkey's economic and political institutions into 'inclusive' institutions that provide for the rule of law, effective and accountable government, and encourage economic growth.³ Hence, the analysis of Turkish firms' outward investments is central in this context and has potential policy implications especially in view of the country's current efforts to develop a proactive industrial strategy.

The remainder of the paper is organized as follows. The next section reviews the literature on the OFDI from emerging countries. In the following section a historical overview of the Turkish macro-economic environment and Turkish OFDI is presented. Subsequently, the results of the analysis of the Turkish CBAs from 2002 to 2014 and across target markets and industries are provided. The study's main findings and conclusions are given in the last section.

Literature review: OFDI from emerging countries

There exists a large body of literature addressing internationalization of companies and expansion of FDI. The Hymer-Kindleberger theory suggests that imperfections in markets for products and factors of production motivate FDI since firms can only exploit fully their advantages or abilities by controlling their use.⁴ The theory of internalization synthesizes and extends market imperfections theories by demonstrating that there are externalities, especially transaction costs, resulting in imperfect markets, and the multinational enterprise (MNE) operates an internal market to internalize these externalities. For FDI to exist, competitive advantages must be firm-specific and transferable to foreign affiliates. The possession of proprietary information and human capital to generate new information constitutes the main source of firm-specific advantages.⁵ The eclectic theory of FDI developed by Dunning suggests that three sets of factors lead to FDI: ownership, internalization and location advantages.⁶ Ownership advantages refers to firms' unique assets such as

technological, marketing or management capabilities while location advantages arise from utilizing resource endowments or assets tied to a particular location. Firms internalize the cross-border market for these advantages and undertake international production when it is in their interest to exploit these from a foreign location.

Eclectic theory expressed in a dynamic context referred to as the investment development path model proposes that changes in the net international direct investment position of a country can be explained by its level of development: changes in the ownership and internalization advantages of its firms compared to firms of other nationalities and/or changes in its location-specific endowments relative to those of other countries.⁷ Similarly, according to the stages of economic development model, developing countries at first attract foreign investment in labour-intensive manufacturing industries but as their factor endowments shift towards more human- and physical-capital abundance, they transform into active foreign investors in search of lower-wage labour in other developing countries.⁸ The Uppsala model of internationalization process, on the other hand, posits that internationalization is a function of learning and commitment as firms start with low resource commitments in culturally closer countries to reduce the liability of foreignness and then expand their commitments and geographic scope.⁹

As various developing countries improved their market institutions as well as infrastructure and factor markets and opened up to the global economy, their firms evolved as MNEs starting in force in the early 2000s.¹⁰ Scholars have since sought to explain the competitive advantages of EMNEs and processes by which these firms internationalize and have questioned the relevance of the existing international business research for these countries.¹¹ It is argued, for instance, that EMNEs lack knowledge-based firm-specific assets (FSAs) and the FSAs that they own are based on home country-specific assets (CSAs) such as cheap labour and ownership of natural resources.¹² However, it is also contended that not every firm has access to these CSAs equally and that firms need certain FSAs before they can exploit them.¹³

What is important to note is that EMNEs have internationalized in a different macro-economic context which is characterized by globalization and technological advances, which reduced the transaction costs of internationalization. As late globalizers they had to compete with advanced country MNEs in their home markets, and develop FSAs to overcome country-specific disadvantages such as institutional voids.¹⁴ Accordingly, it is suggested that developing FSAs through international expansion, i.e. asset augmentation, is the predominant motivation for EMNEs rather than exploitation of existing resources or FSAs as argued in traditional accounts of MNEs. The linkage, leverage and learning framework, for instance, posits that EMNEs' internationalization does not depend on their prior possession of resources; rather these firms utilize internationalization to tap into resources that they lack. These firms follow a strategy of accelerated internationalization through linkage and leverage, i.e. by establishing links with source firms abroad so that resources can be accessed and leveraged. This, in turn, fits well with the interconnected character of the global economy, and as new opportunities are generated through globalization, their latecomer disadvantages turn into sources of advantage.¹⁵ Similarly, it is noted that EMNEs do not follow an incremental mode as suggested by the conventional theories but rather internationalize very rapidly and expand through acquisitions and greenfield investments which are high risk and high control entry modes. EMNEs use outward investments as a

springboard to acquire strategic resources to compete more effectively with global rivals and compensate for institutional and market constraints at home.¹⁶

Four primary investment motivations determine location decisions of MNEs as suggested in the eclectic theory: resource seeking, market seeking, efficiency seeking and strategic asset seeking.¹⁷ While this framework holds in the case of OFDI by EMNEs, home country infrastructure and factor market development as well as institutional context condition EMNEs' investment decisions.¹⁸ Furthermore, since EMNEs have a greater need to acquire knowledge and capabilities, they are more likely to have an explorative strategic orientation and engage in knowledge-seeking FDI.¹⁹ Developed and developing countries as host markets, on the other hand, offer different challenges and corporate learning opportunities that contribute to EMNEs' competitiveness, and hence investment motives of EMNEs differ across each market. Developed countries allow the most powerful EMNEs to assume global industry leadership positions while developing countries provide EMNEs learning-by-doing opportunities in a less challenging environment.²⁰ Strategic asset-seeking motives by EMNEs dominate in the developed host markets where innovation-based knowledge is more abundant compared to developing markets.²¹ The functional type of knowledge sought, in turn, is argued to determine both location choice and entry mode.²² When EMNEs' primary knowledge-seeking motivation is technology, R&D or management and operational expertise, they would be more likely to enter developed countries and engage in FDI through partnerships rather than independently. On the other hand, when they seek knowledge of consumers or markets, they would be more likely to enter other developing countries and undertake FDI independently.

Historical overview of the macro-economic environment and OFDI

Turkey predominantly followed a planned 'etatist' industrialization strategy from the founding of the republic in 1923 to the 1980s, notwithstanding the brief adoption in the 1950s of an economic strategy which emphasized liberalization and integration into the world economy.²³ As foreign capital and free markets were regarded with suspicion, the inward-looking industrialization strategy resulted in a protected private sector enjoying various incentives from the state and the emergence of big and diversified industrial conglomerates.²⁴ In the same way, Turkish OFDI was very limited due to the protectionist policies and restrictive regulations such as requirements that such investments be subject to the Council of Ministers' decisions.²⁵ Still, the first Turkish OFDI was carried out in as early as 1932 by Türkiye İş Bankası, a privately owned bank.²⁶ Four attributes characterized Turkish OFDI undertaken between 1932 and 1979. First, Turkish firms targeted countries which were Turkey's important trade partners in order to facilitate international trade. Second, Western European countries such as Germany and the Netherlands were the main destinations as Turkish firms and banks entered these countries after Turkish workers began arriving in the 1960s. Third, state economic enterprises were prominent investors as they entered into partnership agreements with foreign companies. Fourth, Turkish construction firms started internationalizing at the beginning of the 1970s.²⁷

Trade and financial liberalization: the 1980s and the 1990s

When a balance of payments crisis erupted in 1978–1979 and the following two adjustment packages and the standby agreements with the International Monetary Fund (IMF) failed, a stabilization and structural adjustment programme was introduced on 24 January 1980. Reforms aimed at changing the economy to a market basis were introduced and in the early years both liberalization and stabilization aspects of the programme were carried out. The programme achieved considerable success in terms of lowering inflation, increasing economic growth and achieving a striking expansion of exports over a short period of time. While economic growth continued, inflation remained persistently high due to the inability of governments to achieve fiscal control. Rapid expansion in trade orientation continued and exchange rate policy, export incentives and depressed domestic demand contributed to the export boom: The share of exports in GDP increased to 18.65% in 1988 from only 3.22% in 1979, while imports also increased to 17.55% of GDP from 5.88% in 1979.²⁸

FDI inflows also positively responded to the liberalization measures: the average FDI inflows per year were US\$456.3 million between 1980 and 1990. While this represented a significant increase from an average annual inflow of only US\$90 million prior to 1980, relative to countries of comparable size it was very low.²⁹ As investing abroad was no longer considered negatively by the government and the related regulations were eased, many Turkish firms implemented their first FDIs in this period.³⁰ The total stock of Turkish OFDI increased from US\$0.86 million at the end of 1980 to US\$92.81 million at the end of 1988.³¹

Starting in the late 1980s economic conditions worsened: with low investment in productivity improvements in manufacturing, exports stagnated and growth slowed.³² However, the trend towards financial liberalization was maintained. Capital account liberalization in 1989 was the ultimate step in the external liberalization process and this combined with fiscal instability and inadequate regulatory framework rendered the economy extremely vulnerable to external shocks in the 1990s. Increased macro-economic volatility, political uncertainties and the non-friendly FDI legislation of the country limited inward FDI (IFDI). Turkey lagged behind other developing economies in the 1990s when global FDI registered a robust growth performance.³³

The overall negative business climate at the same time acted as a push factor for Turkey's OFDI, which surged and increased at a faster rate than FDI inflows in the 1990s. Capital account liberalization together with the accompanying liberalization of OFDI policies created a turning point for OFDI which had previously remained very limited, with some investments in Western European countries. Unsustainably high real interest rates on government borrowing instruments finally led the country to a foreign exchange crisis in 1994 and the deep recession in its aftermath accelerated Turkey's OFDI.³⁴ An additional factor contributing to the growth trend of Turkish OFDI during this period was the dissolution of the Soviet Union into independent republics as Turkish investors turned to Eastern Europe and Central Asia in search of business opportunities. Governmental incentives were introduced after 1989 to promote investments in Central Asia, in particular in Turkic Republics.³⁵ Moreover, historical, cultural and geographical proximity, abundant natural resources and cost advantages, and a business environment similar to that of Turkey drew Turkish investors to Central Asian Turkic Republics.³⁶

Despite the unpromising macro-economic environment, the 1990s also saw the creation of a customs union with the European Union (EU), which came into effect in 1996.

Table 1. Turkish IFDI stock, OFDI stock and net outward investment position.

	1980	1990	2000	2010	2011	2012	2013	2014
Inward FDI (IFDI)	8,801	11,150	18,812	187,016	136,498	190,016	149,168	168,645
Outward FDI (OFDI)	0	1,150	3,668	22,509	27,681	30,968	33,373	40,088
NOIP	-8,801	-10,000	-15,144	-164,507	-108,817	-159,048	-115,795	-128,557
OFDI as a % of IFDI	0	10.32	19.50	12.04	20.28	16.30	22.37	23.77

Notes: In millions of dollars; NOIP stands for net outward investment position.

Source: Author's compilation based on United Nations Conference on Trade and Development (UNCTAD), <<http://unctad-stat.unctad.org/wds/ReportFolders/reportFolders.aspx>> (accessed 28 January 2016).

Table 2. OFDI stocks: Turkey and selected emerging countries.

	1990	2000	2014	1990	2000	2014
	Millions of dollars			% of developing country total		
Turkey	1,150	3,668	40,088	0.82	0.49	0.83
Brazil	41,044	51,946	316,339	29.44	7.00	6.55
China	4,455	27,768	729,585	3.20	3.74	15.10
India	124	1,733	129,578	0.09	0.23	2.68
Indonesia	86	6,940	24,057	0.06	0.94	0.50
Korea	2,301	21,497	258,553	1.65	2.90	5.35
Malaysia	753	15,878	135,685	0.54	2.14	2.81
Mexico	2,672	8,273	131,246	1.92	1.12	2.72
Philippines	405	1,032	35,603	0.29	0.14	0.74
Russian Federation		20,141	431,865		2.71	8.94
South Africa	15,010	27,328	133,936	10.76	3.68	2.77
Memorandum						
Developing countries	139,436	741,924	4,833,046	6.19 ^a	10.17 ^a	18.68 ^a
World	2,253,944	7,298,188	25,874,757			

Notes: ^aAs a percentage of world total OFDI.

Source: Author's compilation based on United Nations Conference on Trade and Development, World Investment Report 2015, http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_tr_en.pdf> (accessed 10 August 2015).

While this failed to improve the country's attractiveness as a host for FDI inflows, it was effective in encouraging the integration of Turkish firms into European and global markets by anchoring Turkey's external tariffs at EU levels, and aligning technical standards and competition policies.³⁷ Increased import penetration, and hence competitive pressure on the manufacturing industry, led to increased productivity while exports improved and reoriented towards medium- and medium-high-technology sectors.³⁸ The total stock of Turkish OFDI increased from US\$111.50 million at the end of 1989 to US\$1.43 billion at the end of 1996.³⁹

Deteriorating macro-economic fundamentals and deepening fragilities in the financial system led to the introduction of a stabilization programme in December 1999. Despite some initial success, the programme failed and gave rise to a liquidity crisis in November 2000 and a massive attack on the Turkish lira in February 2001. The economy contracted by 9.4% in real terms while annual inflation jumped to 69% in 2001.⁴⁰ Turkish OFDI stock reached US\$2.64 billion at the end of 1999 while OFDI flows peaked at almost US\$1.45 billion in 2001 after overtaking the US\$1 billion level in 2000 for the first time.⁴¹

Economic restructuring and deepening global integration: the post-2001 era

A new economic programme was initiated in May 2001 which provided a framework for improving public finances and economic restructuring. The banking sector was restructured and fiscal policy was tightened while the Central Bank Law was amended to prohibit the financing of the budget. Structural reforms to improve public sector governance and the establishment and strengthening of independent regulatory agencies were undertaken largely in the first half of the 2000s. Both the EU accession process and programmes supported by the IMF and World Bank provided an important anchor for the reforms.⁴² In order to secure continued IMF and World Bank support, Turkey had to commit explicitly to opening up to FDI.⁴³ Enactment of the new FDI law in June 2003 to replace the old FDI law, which dated back to 1954, was of particular importance. The new law and the revised commercial code eliminated legal restrictions on FDI and granted national treatment to foreign investors.⁴⁴ In addition to external actors, big businesses as well as small and medium-sized interests provided significant backing to the policy shift towards strengthening institutions and the regulatory arm of the state since they considered a properly regulated and predictable macro-economic environment a necessary condition for improving productivity and transitioning upward in the global value chains, and hence competing globally.⁴⁵

The economy pulled through the crisis rapidly thanks to the structural reforms together with ample liquidity in global markets: the average annual growth rate of real GDP was 6.8% between 2002 and 2007.⁴⁶ The country's integration into global markets, which had already accelerated with the Customs Union agreement, gained further momentum due to the start of the accession negotiations in 2005 following the official recognition of Turkey as a candidate country by the EU in 1999. In accordance with the EU accession process, the authorization requirement on FDIs by Turkish citizens exceeding US\$5 million was abolished in 2006. The ratio of imports and exports to GDP was on average 48.3% between 2002 and 2007, up from an average of 39.7% in the 1990s.⁴⁷ Net FDI inflows as a percentage of GDP peaked at 3.8 at the end of 2006, while it had only been 0.4 on average in the 1990s.⁴⁸ The EU, led by the Netherlands, Austria and the United Kingdom, has been traditionally the largest investor, accounting for about 75% of the total inflows. Increased trade openness and FDI inflows, in turn, strengthened competition faced by Turkish firms in the domestic market. Benefiting from access to cheap financing thanks to macro-economic stability at home and ample global liquidity, Turkish firms responded by becoming increasingly international in their operations in alliance with international investors and in search of new market opportunities and competitive capabilities.⁴⁹ Major Turkish conglomerates, in particular, made a strategic shift and actively encouraged cohabitation with global capital either in partnership or in competition with it.⁵⁰

The country's growing economic links with the neighbouring countries, especially the Balkans and the Middle East and North Africa region, accompanied the expanding share of international trade and investment in the economy. The Turkish state has promoted trade and investment in these regions and made considerable efforts to open up new markets for Turkish exporters with several regional trade and visa agreements.⁵¹ As noted by many, the share of Turkey's neighbouring countries in its overall trade increased significantly while that of Europe, the country's largest trade partner, has declined in recent years, especially in the aftermath of the global crisis.⁵² Repeated surveys reported that although top Turkish MNEs' foreign affiliates were concentrated in Europe, the MNEs turned their attention to

new markets, particularly in Africa, the Middle East and the Balkans, and began investing more in the neighbouring countries.⁵³

Both the structure of production and the import and export patterns were transformed in the process of integrating into the world economy. Large volumes of imported intermediate and investment goods accompanied the high performance of export sectors, signalling Turkey's increasing involvement in cross-border production and trade chains. The increasing competitive power of Asian countries and the overvaluation of the Turkish lira, allowing Turkey to import cheaply, were effective in this process.⁵⁴ In addition, low technological capacity characterized the foreign trade composition of the country in this period: high-technology exports as a percentage of manufactured exports declined from 4.83 in 2000 to 1.93 in 2010, which is noted as being considerably lower than that of Organisation for Economic Co-operation and Development (OECD) members and the BRICs (Brazil, Russian Federation, India, China and South Africa).⁵⁵ As the country found easier access to international capital markets, robust domestic demand combined with low domestic savings, which followed a downward trend after the opening of the capital account, led to the current account deficit reaching ever higher levels.⁵⁶ External resources, however, financed consumption rather than investments which stagnated.⁵⁷ Indeed, the country's investment to GDP ratio is found to be less than that of many emerging countries over the 2002–2012 period.⁵⁸

Increasing growth volatility and slowing growth during the global financial crisis and its aftermath revealed the fragility of the country's growth stemming from its overdependence on foreign investment flows, especially on short-term inflows. The country suffered the negative impact of the global financial crisis from late 2008 onwards and GDP dropped dramatically by 4.8% in 2009.⁵⁹ While growth resumed in 2010 and 2011, the average growth rate of real GDP was only 3.3% between 2008 and 2014.⁶⁰ Moreover, growth volatility increased dramatically over this period as heavy dependence on foreign financing rendered the economy vulnerable to exchange rate movements through significant liability dollarization.⁶¹ Slowing and volatile economic growth, a deteriorating institutional environment and political uncertainties depressed FDI inflows: while the annual average FDI inflow was US\$17,421 million between 2005 and 2007, annual flows dropped to US\$12,352 million in 2013 and US\$12,146 million in 2014. OFDI flows, on the other hand, after averaging US\$1365 million between 2005 and 2007, reached US\$3527 million in 2013 and US\$6658 million in 2014.⁶²

Table 1 presents statistics on the IFDI and OFDI stock together with the net outward investment position (NOIP) of Turkey over time. From 1990 to 2000, the value of the IFDI stock of Turkey increased by only about 1.7 times from US\$11,150 million to US\$18,812 million while that of the OFDI stock increased by about 3.2 times from US\$1150 million to US\$3668 million, reflecting the unpromising macro-economic and institutional environment of the country, as discussed above. The following decade, on the other hand, witnessed an impressive performance by the country in attracting FDI: from 2000 to 2010 the value of IFDI stock increased by almost 10 times to reach US\$186,987 million despite some deterioration in the inward flows due to the global financial crisis.

During the same period, the country's outward investment also registered a robust growth of about 6.1 times and the value of OFDI stock reached US\$22,509 million. Since 2010, however, the growth rate of IFDI has slowed down and its volatility has increased whereas OFDI has displayed a steady increase: the average yearly growth rate of IFDI stock between

2010 and 2014 is only 1% while that of OFDI stock is 16%. As a result, OFDI stock as a percentage of IFDI stock increased from 12.04 in 2010 to 23.77 in 2014. If the current trends continue, we can say that Turkey would be moving from stage two to stage three of Dunning's investment development path model during which the NOIP is still negative but getting smaller because either outward investment is rising faster than inward investment or inward investment is falling with outward investment remaining constant.⁶³

It was stated that strong domestic demand, a strong currency and cheaper funding underpinned Turkish MNEs' outward orientation in this period. In more recent periods, taking advantage of the European debt crisis, Turkish firms acquired struggling businesses in Europe, in particular in the Balkans, and other neighbouring countries.⁶⁴ According to a recent survey, at the end of 2012, 29 Turkish MNEs had a total of 426 international subsidiaries, 326 of which were located mainly in Europe and Central Asia, 53 in the Middle East and Africa, 31 in East Asia, South Asia and the developed Asia-Pacific and 16 in the Americas. Concerning the motivations of the Turkish MNEs, on the other hand, the same survey found that accessing new markets and market diversification was their main drive. Achieving sustainable growth, management of risk, accessing natural resources and reducing costs were noted to be other important factors affecting their outward investment decisions.⁶⁵ Regarding the recent surge in Turkish direct investment in the Balkans, it was suggested that cultural and historical factors were at play, in addition to the economic factors, as revealed by the geographical focus of the investments in the areas which have a considerable Turkish-speaking and/or Muslim population.⁶⁶

Next, the OFDI stock of Turkey is compared with that of a select group of emerging countries including the BRICS and some of the growth markets (Indonesia, Malaysia, Mexico, Philippines, Republic of Korea). Table 2 presents the OFDI stocks in 1990, 2000 and 2014 for these countries both in millions of dollars and as a percentage of the total stock of developing countries together with world and total developing country stocks. We first note the emergence of developing countries as important players on the FDI stage as their weight in the global economy increases. While the total OFDI stock of developing countries accounted for 6.19% of the world's total OFDI stock in 1990, it increased about three-fold between then and 2014 and reached 18.68%. Second, we observe that Turkey's OFDI stock remained about the same as a percentage of the total OFDI stock of developing countries despite registering a strong absolute increase over the same period. Accounting for only 0.83% of the total OFDI stock of developing countries in 2014, Turkey's OFDI stock is larger than that of only Indonesia and the Philippines. The top three emerging country foreign direct investors, in contrast, are China, the Russian Federation and Brazil.

Cross-border acquisitions by Turkish firms

We describe the acquisition behaviour of Turkish firms along three dimensions: time, geographical orientation and industry. We analyse geographical orientations based on (i) a broad regional classification of target countries and (ii) whether the target country is an advanced or a developing country. We classify Turkish firms' acquisitions in the manufacturing and service industries according to technological and knowledge intensity of the sectors.

Data sources and sampling strategy

Our main data source is Zephyr, which is a comprehensive database of merger and acquisition (M&A) information compiled by Bureau Van Dijk and commonly used in the related empirical literature. We choose to employ firm-level M&A data rather than macro-level data such as FDI flows and stocks to analyse the geographical and industry distribution of emerging Turkish OFDI due to a number of reasons. First, acquisitions seem to be a primary entry mode for EMNEs.⁶⁷ It is also noted for Turkey that large enterprises and small and medium-sized enterprises have relied on M&As in their internationalization activities.⁶⁸ Second, firm-level data can better explain strategic motivations and destinations of firms as it allows for a finer grained analysis by taking into account industry-specific and firm-specific heterogeneity, which is not possible with capital flows.⁶⁹ Third, country-level official OFDI data can be under-reported or over-estimated as it may not distinguish FDI from round-tripping, which is common in the case of developing country MNEs.⁷⁰ Similarly the Turkish official OFDI data are thought likely to be under-reported.⁷¹

We identified cross-border M&As (CBMAs) completed by Turkish firms in the 13-year period from 2002 to 2014. Given the study's objectives, we broadly defined CBMAs to include acquisitions and mergers as well as minority stake investments with at least 10% of stakes changing hands as a result of the deals.⁷² The initial list of CBMAs identified in the database has been checked and cleaned up to ensure that the deals include correctly defined cases. Specifically, we deleted acquisitions of Turkish subsidiaries of foreign MNEs, restructuring cases—i.e. transfer of ownership within the same group—greenfield investments made by Turkish firms and erroneous double entries. Ownership information of the acquirers is checked using the ORBIS database, also provided by Bureau Van Dijk, as well as through company websites. Unclear cases are also checked against news stories as well as company websites and company reports such as annual statements. The final sample is made up of 115 cross-border acquisitions.

Acquisitions across time and target regions

We classify target countries into six geographical regions: Western Europe, Eastern Europe, North America, Middle East, Far East and Central Asia, and Africa. There were no acquisitions in the remaining South and Central America and Oceania regions. We also examine the Balkans separately as a sub-category of the European regions.

Table 3 shows that Turkish acquisitions are mostly directed towards European countries: 88 out of 115 target firms (76.52%) are based in Europe. Within Europe, the top three target countries are Germany with 14 acquisitions, Italy with 11 acquisitions, and the Russian Federation with eight acquisitions. While accounting for only 13.91% of the acquisitions, the Far East and Central Asia region is relatively more prominent in the more recent years of the analysis. If we consider Europe and Central Asia as Turkey's home-region, it can be said that Turkish firms are following a regional orientation, with a heavy concentration in the home region, rather than a global orientation. This evidence confirms the regionalization hypothesis, according to which the advantages due to home region similarities in terms of geography, economics, institutions and politics and spatial proximities lead multinationals to conduct much of their international activities in their home regions.⁷³ Home region

Table 3. Acquisitions by target firm's region from 2002 to 2014.

Year	Europe			North America	Middle East	Far East and Central Asia	Africa	Total
	Western Europe	Eastern Europe	Balkans					
2002	3	2	2	0	0	1	0	6
2003	1	4	3	0	0	0	0	5
2004	5	2	1	0	0	1	0	8
2005	5	2	1	0	0	0	0	7
2006	2	2	1	0	0	2	0	6
2007	1	1	0	0	0	0	0	2
2008	5	3	1	1	1	0	0	10
2009	3	1	0	0	0	4	0	8
2010	2	1	0	0	0	1	0	4
2011	6	6	4	0	1	5	1	19
2012	2	3	2	2	0	1	0	8
2013	13	4	4	1	0	1	0	19
2014	8	1	1	1	2	0	1	13
Total	56	32	20	5	4	16	2	115

Source: Author's compilation.

bound internationalization is a commonly observed strategy in other emerging country multinationals' geographic orientations.⁷⁴

Table 4 lists our sample firms' acquisitions by target countries. In the Far East and Central Asia region, Turkic Republics seem to be noteworthy destinations, with four acquisitions in Kazakhstan, three acquisitions in Uzbekistan and two acquisitions in Turkmenistan. The geographical distribution of Turkish M&As as shown here is broadly in agreement with the recent survey findings on Turkish MNEs' international subsidiaries, as discussed previously.

Industry distribution of Turkish firms' acquisitions

In examining the industry distribution of Turkish firm's acquisitions we take into account the target country's development level to see whether the sectoral distribution of the acquisitions differs across advanced and developing host countries.⁷⁵ Acquisitions in the manufacturing and service industries are further classified according to the technological and knowledge intensity of the industries. Manufacturing industries are grouped into four categories: high-technology, medium-high-technology, medium-low-technology and low-technology. Service industries, on the other hand, are classified into two categories: knowledge-intensive services and less knowledge-intensive services. Both classifications follow Eurostat definitions and are based on NACE two-digit levels. Agriculture, forestry, fishing and mining are classified as primary sectors.⁷⁶

Table 5 shows that Turkish OFDIs are largely located in developed countries and that acquisitions occur more often in the manufacturing industry (55.65%) than in the services industry (37.39%). Acquisitions in the primary sector account for only 4.35% of the total acquisitions. Most of the acquisitions involve firms operating in low-technology manufacturing (19.13%) and less knowledge-intensive services (23.48%). The prominence of low-technology manufacturing firms as targets is similar across developing and advanced countries. However, it is worth noting that target firms operating in low-technology manufacturing are more numerous in developing countries than in advanced countries. Considering services, in the case of advanced countries the target firm is about twice as likely

Table 4. Acquisitions by target firm's country, 2002–2014.

Western Europe	Eastern Europe	North America	Far East and Central Asia	Middle East	Africa
Germany	14	United States	4	Israel	1
Italy	Russian Federation	Canada	Kazakhstan	Iran	Ethiopia
The Netherlands	Romania	1	Uzbekistan	Iran	South Africa
France	Bulgaria		Indonesia	Iraq	
Austria	Hungary		Turkmenistan	Jordan	
United Kingdom	Macedonia		Azerbaijan		
Spain	Albania		China		
Greece	Belarus		Georgia		
	Bosnia and Herzegovina		Kyrgyzstan		
Sweden	Croatia		Pakistan		
Belgium	Kosovo				
Cyprus	Latvia				
Denmark	Serbia				
Finland	Ukraine				
Luxembourg					
Malta					

Source: Author's compilation.

Table 5. Acquisitions by technological intensity of target firm's industry and country type.

Industry	Developing countries		Advanced countries		Total	
	Count	%	Count	%	Count	%
Primary sector	3	5.77	2	3.17	5	4.35
Manufacturing	31	59.62	33	52.38	64	55.65
High-technology	2	3.85	3	4.76	5	4.35
Medium-high-technology	8	15.38	10	15.87	18	15.65
Medium-low-technology	8	15.38	11	17.46	19	16.52
Low-technology	13	25.00	9	14.29	22	19.13
Electricity, gas and water	2	3.85	1	1.59	3	2.61
Services	16	30.80	27	42.86	43	37.39
Knowledge-intensive	7	13.46	9	14.29	16	13.91
Less knowledge-intensive	9	17.31	18	28.57	27	23.48
Total	52	100.00	63	100.00	115	100.00

Source: Author's compilation.

to be in less knowledge-intensive services than in knowledge-intensive services. However, in the case of developing countries, the relative frequency of acquisitions in the two service industries are relatively closer to each other. These observations imply that Turkish firms might not have the capabilities to compete in knowledge-intensive services in advanced countries and are hence drawn towards developing countries. Acquisitions in electricity, gas and water industries account for only 2.61% of the total while there are no acquisitions in the remaining category, the construction industry.

Conclusions

Improvements in macro-economic stability and economic institutions and policies conducive to enterprise growth combined with increased global capital flows enhancing access to finance brought economic growth to Turkey in the aftermath of its 2000–2001 crisis. The country's integration into global markets gained momentum and an expansion in the share of international trade and investment in the economy accompanied the strong growth performance. Exports reoriented towards medium- and medium-high-technology sectors, whereas intermediate and investment goods dominated imports, signalling Turkey's increasing involvement in international production networks.

However, in the years following the global financial crisis, Turkey's economic model, largely built on domestic consumption and dependent on short-term capital flows, has come under increasing strain. Not only did growth slow down, but also its volatility increased dramatically over this period as heavy dependence on foreign financing rendered the economy vulnerable to exchange rate movements. The country currently faces the challenge of generating high rates of economic growth on a sustainable basis, which requires productivity improvements through technological upgrading and innovation on the part of Turkish firms.

In the context of Turkey's recent structural and institutional transformation, which allowed for the country's deeper integration into global markets, and its present challenges of carrying out further reforms to increase competitiveness and improve the business environment, this study discussed the recent evolution of Turkish OFDI. We suggested that macro-economic restructuring and institutional reforms, along with strengthened competition

at home due to increased import penetration and FDI inflows, not only allowed, but also forced, larger and more successful Turkish firms to expand internationally in search of new market opportunities and capabilities to survive in an increasingly globalized world. The recent cross-border acquisitions are manifestations of these transformations in Turkey's institutional and competitive environment and their impacts on Turkish firms' business models.

We showed that the acquisitions of Turkish firms are largely located in developed countries, in particular in European countries. Regarding the industry distribution of the acquisitions, we found that Turkish firms made acquisitions especially in low-technology manufacturing and less knowledge-intensive services. These findings suggest that Turkish firms might be motivated mainly towards accessing new markets and that they do not have the capabilities to compete in high-technology manufacturing and knowledge-intensive services in advanced countries. Accordingly, the acquisitions do not seem to be utilized by Turkish firms to tap into resources that they need for technological upgrading and productivity improvements.

The study also highlighted that while the Turkish OFDI stock is still small among developing countries, it has registered a strong growth performance in more recent years, unlike the Turkish IFDI stock. Given that slowing economic growth has been accompanied by significant deterioration in the institutional foundations of the country, in particular by a lack of respect for the rule of law, the strong increase in Turkish OFDI flows could be signalling that a desire to avoid a poor institutional environment, i.e. institutional escapism, might be emerging as an additional motive for Turkish MNEs, which could be an important topic for future research.

Acknowledgements

This paper was largely written while the author was visiting the University of Southern Denmark, the hospitality of which is much appreciated.

Disclosure statement

No potential conflict of interest is reported by the author.

Notes on contributor

Canan Yildirim is an assistant professor in the Department of International Trade and Finance at Kadir Has University, Istanbul, Turkey, and a fellow at CASE Center for Social and Economic Research, Warsaw, Poland. Her research interests are in the areas of financial institutions, international banking and internationalization of firms.

Notes

1. See, for instance, for China, P. J. Buckley, L. J. Clegg, A. R. Cross, X. Liu, H. Voss and P. Zheng, 'The determinants of Chinese outward foreign direct investment', *Journal of International Business Studies*, 38(4), 2007, pp. 499–518; J.-L. Duanmu, 'Firm heterogeneity and location choice of Chinese multinational enterprises (MNEs)', *Journal of World Business*, 47(1), 2012, pp. 64–72; for India, P. J. Buckley, N. Forsans and S. Munjal, 'Host-home country linkages

- and host-home country specific advantages as determinants of foreign acquisitions by Indian firms', *International Business Review*, 21(5), 2012, pp. 878–890; for China and India, F. De Beule and J.-L. Duanmu, 'Locational determinants of internationalization: a firm-level analysis of Chinese and Indian acquisitions', *European Management Journal*, 30(3), 2012, pp. 264–277; for Russia, K. Kalotay and A. Sulstarova, 'Modelling Russian outward FDI', *Journal of International Management*, 16(2), 2010, 131–142; and for the BRICs, F. Bertoni, S. Elia and L. Rabbiosi, 'Outward FDI from the BRICs: trends and patterns of acquisitions in advanced countries', in M. A. Marinov and S. T. Marinova (eds), *Emerging Economies and Firms in the Global Crisis*, Palgrave Macmillan, Basingstoke, 2012, pp. 47–82.
2. See, for instance, J. Cantwell and H. Barnard, 'Do firms from emerging markets have to invest abroad? Outward FDI and the competitiveness of firms', in K. P. Sauvart, K. Mendoza and I. Ince (eds), *The Rise of Transnational Corporations from Emerging Markets: Threat or Opportunity?*, Edward Elgar, Cheltenham, 2008, pp. 55–85; D. Herzer, 'The long-run relationship between outward foreign direct investment and total factor productivity: evidence for developing countries', *Journal of Development Studies*, 47(5), 2011, pp. 767–785.
 3. World Bank, *Turkey's Transitions*. Report No. 90509-TR, World Bank, Washington, DC, 2014; Z. Öniş and M. Kutlay, 'Rising powers in a changing global order: the political economy of Turkey in the age of BRICS', *Third World Quarterly*, 34(8), 2013, pp. 1409–1426.
 4. S. H. Hymer, *The International Operations of National Firms: A Study of Direct Foreign Investment*, MIT Press, Cambridge, MA, 1960; C. P. Kindleberger, *American Business Abroad: Six Lectures on Direct Investment*, Yale University Press, New Haven, 1969.
 5. P. J. Buckley and M. Casson, *The Future of the Multinational Enterprise*, Macmillan, London, 1976; R. E. Caves, 'International corporations: the industrial economics of foreign investment', *Economica*, 38(149), 1971, pp. 1–27.
 6. J. H. Dunning, 'Trade, location of economic activity and the MNE: a search for an eclectic approach', in B. Ohlin, P.-O. Hesselborn and P. M. Wijkman (eds), *The International Allocation of Economic Activity: Proceedings of a Nobel Symposium Held at Stockholm*, Holmes and Meier, New York, 1977, pp. 395–418.
 7. J. H. Dunning, 'Explaining the international direct investment position of countries: towards a dynamic or developmental approach', *Weltwirtschaftliches Archiv*, 117(1), 1981, pp. 30–64.
 8. T. Ozawa, 'Foreign direct investment and economic development', *Transnational Corporations*, 1(1), 1992, pp. 27–54.
 9. J. Johanson and J.-E. Vahlne, 'The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments', *Journal of International Business Studies*, 8(1), 1977, pp. 23–32.
 10. R. Ramamurti, 'Why study emerging-market multinationals?', in R. Ramamurti and J. V. Singh (eds), *Emerging Multinationals in Emerging Markets*, Cambridge University Press, Cambridge, 2009, pp. 3–22; R. E. Hoskisson, M. Wright, I. Filatotchev and M. W. Peng, 'Emerging multinationals from mid-range economies: the influence of institutions and factor markets', *Journal of Management Studies*, 50(7), 2013, pp. 1295–1321.
 11. A. Cuervo-Cazurra, 'Extending theory by analyzing developing country multinational companies: solving the Goldilocks debate', *Global Strategy Journal*, 2(3), 2012, pp. 153–167.
 12. A. M. Rugman, 'Theoretical aspects of MNEs from emerging economies', in R. Ramamurti and J. V. Singh (eds), *Emerging Multinationals in Emerging Markets*, Cambridge University Press, Cambridge, 2009, pp. 42–63.
 13. R. Ramamurti, 'What have we learned about emerging-market MNEs?', in R. Ramamurti and J. V. Singh (eds), *Emerging Multinationals in Emerging Markets*, Cambridge University Press, Cambridge, 2009, pp. 399–426.
 14. *Ibid.*
 15. J. A. Mathews, 'Competitive advantages of the latecomer firm: a resource-based account of industrial catch-up strategies', *Asia Pacific Journal of Management*, 19(4), 2002, pp. 467–488; J. A. Mathews, 'Dragon multinationals: new players in 21st century globalization', *Asia Pacific Journal of Management*, 23(1), 2006, pp. 5–27.

16. Y. Luo and R. L. Tung, 'International expansion of emerging market enterprises: a springboard perspective', *Journal of International Business Studies*, 38(4), 2007, pp. 481–498.
17. J. H. Dunning, 'Location and the multinational enterprise: a neglected factor?', *Journal of International Business Studies*, 29(1), 1998, pp. 45–66.
18. Buckley et al., 'The determinants of Chinese', op. cit.; Kalotay and Sulstarova, op. cit.; Hoskisson et al., op. cit.
19. B. Kedia, N. Gaffney and J. Clampit, 'EMNEs and knowledge-seeking FDI', *Management International Review*, 52(2), 2012, pp. 155–173.
20. Cantwell and Barnard, op. cit.
21. P. Deng and M. Yang, 'Cross-border mergers and acquisitions by emerging market firms: a comparative investigation', *International Business Review*, 24(1), 2015, pp. 157–172.
22. Kedia et al., op. cit.
23. Z. Öniş and F. Şenses, 'Global dynamics, domestic coalitions and a reactive state: major policy shifts in post-war Turkish economic development', *Middle East Technical University Studies in Development*, 34(2), 2007, pp. 251–286.
24. A. Buğra, *State and Business in Modern Turkey: A Comparative Study*, State University of New York, Albany, 1994; I. N. Grigoriadis and A. Kamaras, 'Foreign direct investment in Turkey: historical constraints and the AKP success story', *Middle Eastern Studies*, 44(1), 2008, pp. 53–68.
25. N. Yavan, 'Türkiye'nin Yurt Dışındaki Doğrudan Yatırımları: Tarihsel ve Mekansal Perspektif', *Bilgi: Journal of Social Sciences of the Turkish World*, 63, 2012, pp. 237–270.
26. Ibid.
27. The aggregate OFDI series is available as part of the Balance of Payments statistics through the Central Bank of the Republic of Turkey from 1975 onwards. Prior to the 1990s, Turkish OFDI flows are negligible. Yavan (op. cit.) also notes that there is no statistical data or research on Turkish firms' outward investments in the pre-1979 period and states that this confirms that such investments were very limited in this period.
28. World Bank, World Development Indicators, <<http://data.worldbank.org/data-catalog/world-development-indicators>> (accessed 16 September 2015).
29. A. Hadjit and E. Moxon-Browne, 'Foreign direct investment in Turkey: the implications of EU accession', *Turkish Studies*, 6(3), 2005, pp. 321–340.
30. Yavan, op. cit.
31. Ibid.
32. E. Taymaz and E. Voyvoda, 'Marching to the beat of a late drummer: Turkey's experience of neoliberal industrialization since 1980', *New Perspectives on Turkey*, 47(Fall), 2012, pp. 83–113.
33. See, among others, A. Erdilek, 'A comparative analysis of inward and outward FDI in Turkey', *Transnational Corporations*, 12(3), 2003, pp. 78–105; Hadjit and Moxon-Browne, op. cit.; Grigoriadis and Kamaras, op. cit.; M. E. Sanchez-Martin, G. E. Frances and R. de Arce Borda, *How Regional Integration and Transnational Energy Networks have Boosted FDI in Turkey (and May Cease to Do So): A Case Study: How Geo-political Alliances and Regional Networks Matter*, Policy Research Working Paper WPS 6970, World Bank, Washington, DC, 2014.
34. Erdilek, 'A comparative analysis', op. cit.; A. Erdilek, 'Outward foreign direct investment by enterprises from Turkey', in *Global Players from Emerging Markets: Strengthening Enterprise Competitiveness through Outward Investment*, United Nations Conference on Trade and Development (UNCTAD), New York, 2007, pp. 147–162.
35. Yavan, op. cit.
36. Ibid.
37. K. Yılmaz, 'The EU-Turkey customs union fifteen years later: better, yet not the best alternative', *South European Society and Politics*, 16(2), 2011, pp. 235–249; World Bank, *Turkey's Transitions*, op. cit.
38. Yılmaz, op. cit.; Taymaz and Voyvoda, op. cit.
39. Yavan, op. cit.
40. Y. Akyüz and K. Boratav, 'The making of the Turkish financial crisis', *World Development*, 31(9), 2003, pp. 1549–1566.

41. Yavan, op. cit.
42. World Bank, *Turkey's Transitions*, op. cit.; Öniş and Şenses, op. cit.
43. Erdilek, 'A comparative analysis', op. cit.
44. Ibid.; Hadjit and Moxon-Browne, op. cit.
45. M. Kutlay, 'Internationalization of finance capital in Spain and Turkey: neoliberal globalization and the political economy of state policies', *New Perspectives on Turkey*, 47(Fall), 2012, pp. 115–137; Öniş and Şenses, op. cit.; Grigoriadis and Kamaras, op. cit.
46. World Bank, World Development Indicators, op. cit.
47. Ibid.
48. Ibid.
49. Yavan, op. cit.; Öniş and Şenses, op. cit.
50. Grigoriadis and Kamaras, op. cit.
51. K. Kirişçi and N. Kaptanoğlu, 'The politics of trade and Turkish foreign policy', *Middle Eastern Studies*, 47(5), 2011, pp. 705–724; Ö. Tür, 'Economic relations with the Middle East under the AKP—trade, business community and reintegration with neighboring zones', *Turkish Studies*, 12(4), 2011, pp. 589–602; I. Egresi and F. Kara, 'Foreign policy influences on outward direct investment: the case of Turkey', *Journal of Balkan and Near Eastern Studies*, 17(2), 2015, pp. 181–203.
52. See, for instance, Kirişçi and Kaptanoğlu, op. cit.
53. Vale Columbia Center Survey provides the first ever ranking of Turkish multinationals investing abroad, <http://ccsi.columbia.edu/files/2013/11/Turkey_2009.pdf> (accessed 1 October 2015); Vale Columbia Center, 'Turkish MNEs steady on their course despite crisis, survey finds', Report, 31 January 2011, <<http://ccsi.columbia.edu/files/2013/11/EMGP-Turkey-Report-2011.pdf>> (accessed 1 October 2015).
54. N. Ergüneş, 'Global integration of middle-income developing countries in the era of financialisation: the case of Turkey', in C. Lapavistas (ed.), *Financialisation in Crisis*, Brill, Leiden, 2012, pp. 217–241; Taymaz and Voyvoda, op. cit.
55. Öniş and Kutlay, op. cit.
56. World Bank, *Turkey's Transitions*, op. cit.; M. U. Tutan and A. Campbell, 'Turkey's economic fragility, foreign capital dependent growth and hot money', *Journal of Balkan and Near Eastern Studies*, 17(4), 2015, pp. 373–391; K. Cinar and T. Kose, 'Economic crises in Turkey and pathways to the future', *Journal of Balkan and Near Eastern Studies*, 17(2), 2015, pp. 159–180.
57. T. Subaşat, 'The political economy of Turkey's economic miracle', *Journal of Balkan and Near Eastern Studies*, 16(2), 2014, pp. 137–160; E. Karacimen, 'Financialization in Turkey: the case of consumer debt', *Journal of Balkan and Near Eastern Studies*, 16(2), 2014, pp. 161–180.
58. F. Özatay, 'Turkey's distressing dance with capital flows', *Emerging Markets Finance and Trade*, 52(2), 2016, pp. 336–350.
59. World Bank, World Development Indicators, op. cit.
60. World Bank, World Development Indicators, op. cit.
61. Özatay, op. cit.
62. United Nations Conference on Trade and Development, World Investment Report 2015, <http://unctad.org/sections/dite_dir/docs/wir2015/wir15_fs_tr_en.pdf> (accessed 10 August 2015).
63. J. H. Dunning, 'Explaining the international direct investment position of countries: towards a dynamic or developmental approach', *Weltwirtschaftliches Archiv*, 117(1), 1981, pp. 30–64.
64. Vale Columbia Center, 'Turkish OFDI continues to grow', Report, 24 March 2014, <<http://ccsi.columbia.edu/files/2015/04/EMGP-Turkey-Report-March-24-2014.pdf>> (accessed 1 October 2015).
65. Vale Columbia Center, 'Turkish OFDI continues', op. cit.
66. Egresi and Kara, op. cit.
67. Hoskisson et al., op. cit.
68. Erdilek, 'Outward foreign direct investment', op. cit.
69. De Beule and Duanmu, op. cit.; Cantwell and Barnard, op. cit.; D. Sethi, 'Are multinational enterprises from the emerging economies global or regional?', *European Management Journal*, 27(5), 2009, pp. 356–365.

70. Sethi, op. cit.
71. Yavan, op. cit.; Erdilek, 'Outward foreign direct investment', op. cit.
72. The term 'acquisition' is commonly defined in the literature as a deal or transaction following which the acquiring firm attains a majority stake—i.e. more than 50% in the target firm—if the pre-transaction fraction of the acquiring firm's stake in the target firm is less than 50%. Similarly, a minimum 10% stake is commonly considered to represent a significant control change in the firm.
73. A. M. Rugman and A. Verbeke, 'A perspective on regional and global strategies of multinational enterprises', *Journal of International Business Studies*, 35(1), 2004, pp. 3–18.
74. See, for example, Sethi, op. cit.; E. R. Banalieva and M. D. Santoro, 'Local, regional, or global? Geographic orientation and relative financial performance of emerging market multinational enterprises', *European Management Journal*, 27(5), 2009, pp. 344–355.
75. Cantwell and Barnard, op. cit.
76. High-tech classification of manufacturing industries and knowledge-intensive services by the Eurostat can be accessed at <http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf> (accessed 19 January 2017).