

Abstract

This paper studies determinants of FDI in Turkey using panel data analyses. The results of the study show that political stability, education level, rule of law, and trade cost have significant impact on FDI inflow in Turkey while similarity in economy size of home and host country (Turkey) has not. The effect of the trade cost and rule of law was surprising but it gave a clue to new research area. It was concluded that next studies of FDI determinants in Turkey must be conducted at firms' level to better understand the behaviour of foreign direct investments in the country.