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Austrian-Turkish Economic Relations – Why way behind CEE-level?

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* ... The opinions expressed are the authors' personal views

Agenda



- **Research Issue**
- **Motivation**
- **Conclusion**
- **Earlier Research**
- **Method and Data**
- **Conclusion**
- **References**

Research Issue



- **Reasons why Austrian companies are top investors in CEE, New EU Member States and Accession Countries - but far back in Turkey?**
- **Perceptions for and against entry into Turkish market by Austrian companies?**
- **The development of the Austrian-Economic relationship with Turkey?**
- **Ways of enhancing economic links rooted in FDI-Theory?**
- **Suggestions for companies going to Turkey?**

Motivation



- **Import from Turkey 0.84% of all Austrian imports**
 - 22nd place after Republic of Korea and before Romania
- **Direct investments relatively low**
 - 15th place of Turkish direct investments (prior to bold moves 2006/07)
- **Out of 15 CEE-countries (2005) (inc. Turkey)**
 - 10 CEE countries in Top 60 (import of Austria) [TR: 21]
 - 14 CEE countries in Top 60 (export of Austria) [TR: 22]
- **Increasing relevance of Turkey for Austria**
 - Extremely high increase in FDI during last 2 years
- **Turkey as Accession Country**

Conclusions



- **Why behind?**

- Geographical distance, more information needed, historical and cultural differences, political risk and currency risk
- Austrian companies used all resources in CEE countries

- **Many possibilities of investing into Turkey**

- Especially in “industrial zones”
- Economic motivation: size of population, economic growth, ...

- **Development of economic relation**

- Many cooperations and agreements in various fields

- **Empirical results**

- Economic growth, size of market, market entry and information about chance and risk is most important

Earlier Research



- **Classical foreign trade theory**
 - absolute advantages of production costs
 - comparative cost advantages
 - factor endowment

- **Arguments of FDI/Internationalization-Theory**
 - learning
 - location
 - eclectic theory of direct investment
 - agglomeration
 - international product life cycle



• Empirical survey

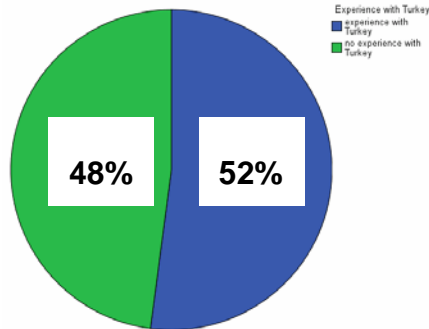
- 500 of the Top investors in CEE invited, based on Gewinn Extra (2006)
- Questionnaire with 11 questions and multiple sub-questions in multiple choice
- <http://umfrage.krumhuber.com>
- Open questions for more specific answers
- Data collection between 26 March 2007 and 28 June 2007
- Sample of 48 companies [actual 54]

- Interview with 12 managing directors and 2 delegates of Austrian Trade Commissions
- 5 main questions

Method and Data II



• Experience with Turkey



- 25/48 experienced Turkey

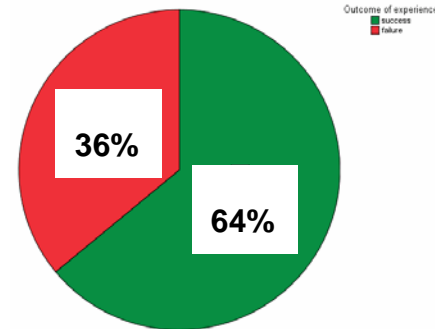
Appraisal of Turkey as:

54 %	prospects
25 %	no difference to other CEE
17 %	risk
4 %	other

Largest competition from:

69 %	EU-15
21 %	not European countries
10 %	new member states

Success or failure



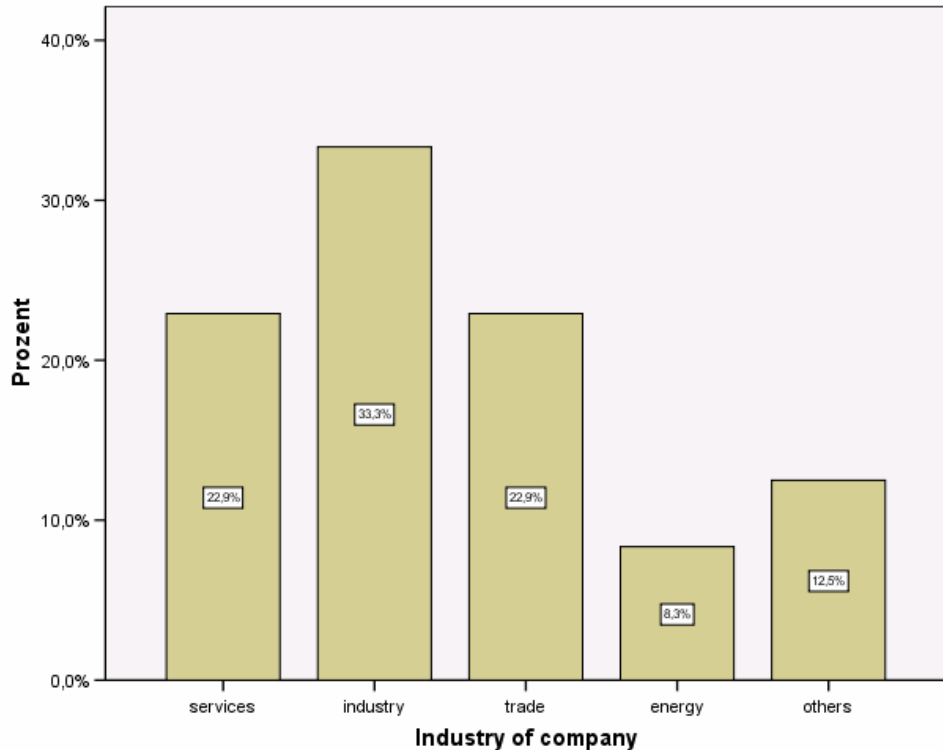
- 16 ... as success
- 9 ... as failure

Future Investments:

44 %	Invest more than before
44 %	Invest the same amount
12 %	No more investments abroad

• Why failure?

- 1: too little background information
- 2 each: too many cultural differences
- Others:
 - Different strategy
 - Market downturn
 - Low market price level
 - Changing functioning



Distribution of Experience

- 30% Export
- 6% Supply from Turkey
- 4% Import from Turkey
- 25% own subsidiary in Turkey
- 2% other forms of experience
 - Consulting
 - Cross Border Leasing
 - License-partnership

Method and Data IV



- **Importance of different factors**

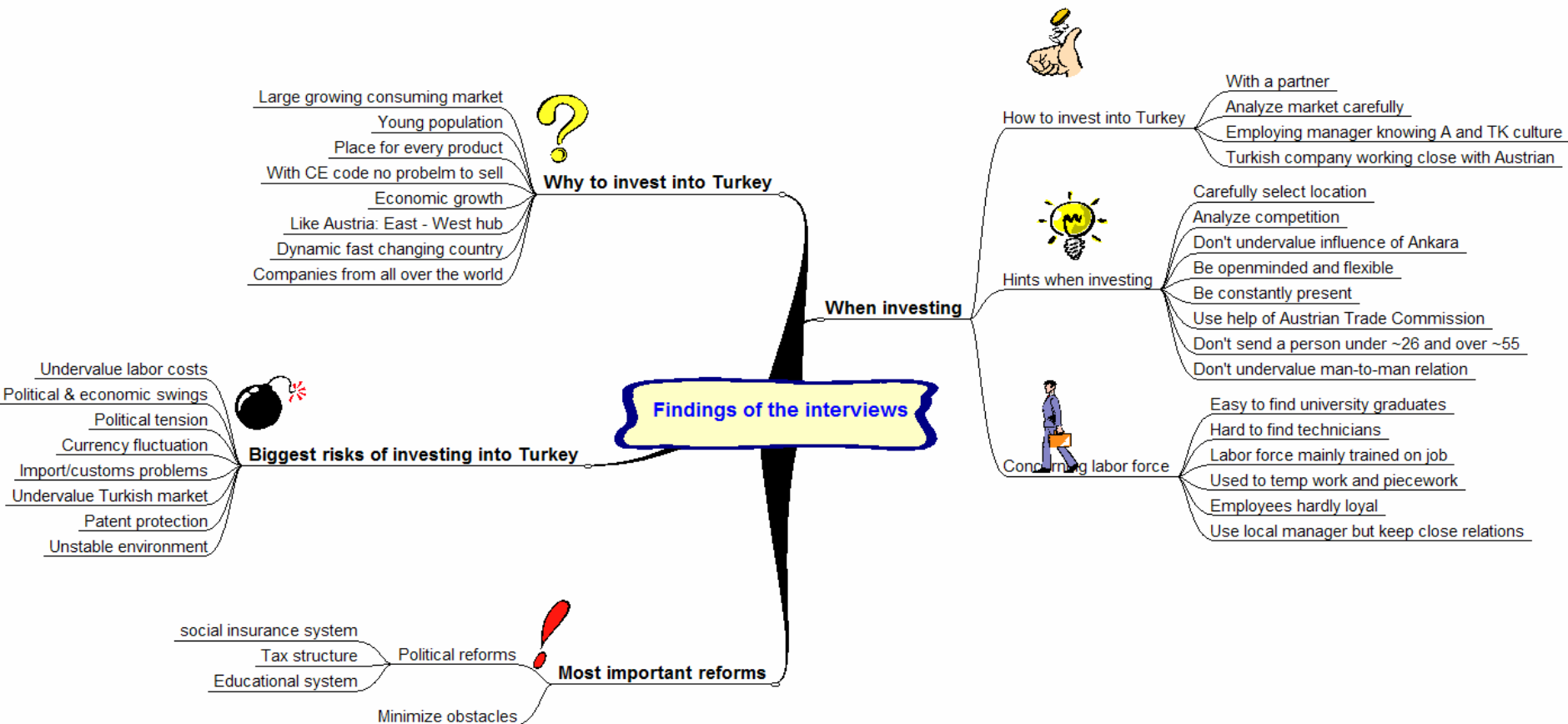
	very important	important	VI + I
size of market	69 %	26 %	94 %
economic growth	50 %	44 %	94 %
no barriers to entry	32 %	47 %	79 %
political stability	32 %	47 %	79 %

	fully agree	agree	FA + A
high level of information is positive	48 %	50 %	98 %
economic growth is critical factor	65 %	31 %	96 %
political stability is basic requirement	69 %	25 %	94 %
economic stability is an important factor	51 %	43 %	94 %
Turkey must have a constant pol. climate	63 %	29 %	92 %
size of market is critical factor	48 %	44 %	92 %
Turkey should have same jurisdiction as Austria	40 %	43 %	83 %
cultural closeness supports investment	29 %	52 %	81 %

- **Empirical findings**

- results concerning 4 hypothesis :
 - There is no correlation between ...
 - furtherance and the amount of investments in Turkey
 - East-orientation and the likelihood of investments into Turkey
 - the country risk and the amount of investments into Turkey
 - higher level of information and the willingness to invest into Turkey
 - Economic growth is a crucial factor
 - Better information about chance seen as important
 - If the public is informed correctly and intensively → higher investments!?

• Interview Findings



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- **Empirical results**

- Economic growth, size of market, market entry and information about chance and risk is most important

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