

Substitute and Complementary Relationship between Foreign Direct Investment and Exports: Evidence from a Developing Country / Doğrudan Yabancı Sermaye Yatırımları ile İhracat Arasındaki İkame ve Tamamlayıcılık İlişkisi :Gelişmekte Olan Ülke Örneği

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A B S T R A C T

Foreign direct investment (FDI) has become an increasingly important part of global integration. Flows of FDI have been increasing faster than trade flows. Multinational firms have an important role in world trade but the relationship between production abroad and trade for multinational firms couldn't be determined. In the trade literature, horizontal and vertical FDI approach is using for investigating relationship between FDI and export. Horizontal FDI approach consists of the production of the same goods or services in different countries in multiple plants. According to the horizontal FDI studies by Markusen (1984) and Brainard (1997), FDI will substitute for trade when countries are similar in technologies and factor endowments. Vertical FDI approach follows a path of production fragmentation (outsourcing) by stages. Fragmentation can be defined as division of production process into different locations across different countries. Helpman (1984) ve Helpman and Krugman (1985), based on theoretical models related to vertical FDI, state complementary relationship between FDI and trade. This study aims to analyze whether there is a substitution or complementary relationship between FDI and export in the Turkish economy with more than 200 trade partners. In this study, panel data analysis is carried out using product-level trade data over the period from 1995 to 2014.

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