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Comparative Study of Iran and Turkey Advantages to Attract Foreign Investors

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***Abstract*—**Foreign Direct Investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. Developing countries, emerging economies and countries in transition have come increasingly to see FDI as a source of economic development modernization, income growth and employment. FDI is an important vehicle for the transfer of technology, contributing relatively more to growth than domestic investment. Exploratory research is being conducted here. The data for the study is collected from secondary sources like research papers, journals, websites and reports. This paper aim was to generate knowledge on Iran's situation through these factors after lifting sanction in comparison to Turkey. Although the most important factors that influence foreign investor decisions vary depending on the countries, sectors, years, and the objective of investor, nowadays governments should pay more attention to human resources education, marketing, infrastructure and administrative process in order to attracting foreign investors. A proper understanding of these findings will help governments to create appropriate policies in order to encourage more foreign investors

***Keywords*—**FDI, foreign investor, comparative study, host country.

I. Introduction

BEFORE discussing factors that attract an investor, it is important to understand what is meant by foreign investment and its effect on host country. FDI is investment of foreign assets into domestic structures, equipment, and organizations. The organization for economic co-operation and development, OECD, defined FDI as a category of cross-border investment made by a resident in one economy (the direct investor) with the objective of establishing a lasting interest in an enterprise (the direct investment enterprise) that is resident in an economy other than that of the direct investor [1]. World Bank defined it as the sum of equity capital and reinvestment of earnings. Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy [2]. United Nations Conference on Trade and Development, UNCTAD, defined FDI as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate) [3]. FDI is a package of capital, technology, management, and entrepreneurship, which allows a firm to operate and provide goods and services in a foreign market [4]. It is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries [5]. Foreign investor may make investment in a number of ways either by setting up a subsidiary or associate company in another country, by acquiring shares of an overseas company, or through a joint venture.

In the past few decades, many theoretical and empirical studies identified the positive role of FDI on economy of countries. In some cases, studies confirmed the strong and positive relationship between FDI and economic growth of countries such as Qatar [6], BRICS Countries [7], Romania [8], Turkey [9] Argentina, Bolivia, Brazil, Columbia, El-Salvador [10], China [11], and Slovakia [12]; but, within the relation, there exist several influencing factors such as the adequate levels of human capital, the well-developed financial markets, the complementarity between domestic and foreign investment and the open trade regimes in order to stimulate the economic growth and FDI [13]. FDI help to create millions of jobs, transfer technology and upgrade skills [14], [15]. For example, investment climate improvements in China drove the most dramatic poverty reduction in history, lifting 400 million people out of poverty over 20 years [16]. But opponents of FDI advantage point out that FDI impacts are often limited and in some cases negative as consequences of crowding out local competition, enclave production with limited forward and backward linkages, and "race to the bottom" effects often related to labor and environmental issues. And also job creation may be limited and work opportunities may even decrease if local firms are driven out of the market by increased competition. Critics also cite cases of severe pollution and environmental destruction caused by companies in the extractive and energy sectors [17].

Nowadays, countries try to attract foreign investors by different offers such as tax holidays, protect law, etc. Under recent competitive market environments, governments need to consistently control that they are efficient and effective in serving the interests of investors, attract them and must become more familiar with their needs

In the 17th century, investors routinely entered new markets in foreign dominions. In 1970, global FDI totaled 13.3 billion$. By 2007, it was nearly 150 times higher, peaking at

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1.9 trillion$. The economic crisis slashed global FDI flows by about 40% in 2009 [18].

As it is shown in Fig. 1, after the 2012 slump, global FDI returned to growth, with inflows rising 9% in 2013, to 1.45 trillion$ [19].

Global FDI inflows fell by 16% 4 to 1.23 trillion$ in 2014, but with considerable variance between country groups and regions and FDI flows to developing economies increased by 2% to a historically high level in 2014, reaching $681 billion [20].

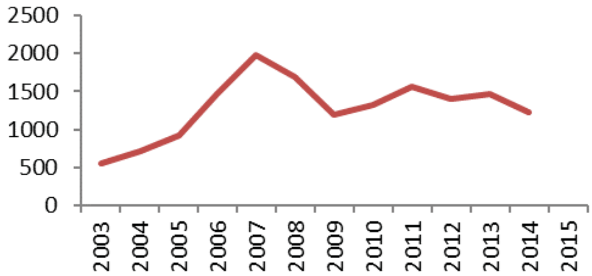

Fig. 1 Trend of World FDI

Developing economies maintain their lead in attracting foreign investors; China was the highest ranked destination country by capital investment with $75 bn-worth of FDI projects announced in 2014, while the US was the highest ranked destination country, with 1577 FDI projects announced in this period and India, Vietnam, Japan and Malaysia were four of the fastest growing destination countries for FDI in 2014 [21].

Total job created over the world in 2014 via FDI was 1.843.609, and however, the number of FDI projects declined slightly in 2014, decreasing by 1% to 12,069. [3] UNCTAD projects that FDI flows could rise to $1.7 trillion in 2015 and $1.8 trillion in 2016 [19]. Turkey remained the largest FDI recipient in the region, west Asia, with flows registering a 2% decrease to $12 billion [9].

As we have discussed before, the benefits of FDI are particularly amplified in economies with good governance, well-functioning institutions, and transparent, predicable legal environments. For this purpose, governments of countries try to encourage the inflow of FDI by various measures.

The remainder of the paper is organized as follows. Section II presents the literature review and Section III presents comparison between FDI inflow to Turkey and Iran and their global ranks and Section IV reports the conclusion.

II. Literature Review

In practice, there could be several criteria used by an investor to select where to invest. Foreign investors may evaluate a country's attractiveness, investment opportunities according different factors. There are different studies which attempt to find host country selection factors, but these factors vary among different markets or objective of investors [6], [9], [11]. The contribution of this section is to review different categories and subcategories of factors.

When seeking business opportunities, companies are concerned about financial and political risks, with a focus on stable and predictable business environments. Looking at a set of empirical studies that focus on economies matters of host country, reveals some interesting insights. Inflation rate, GDP growth, taxes, exchange rate, market size and unemployment rate have important effect on attracting FDI. Unemployment rate and high or volatile inflation rate is a clear sign of economic instability and may become an impediment to FDI [22].

Low inflation rate is taken to be a sign of internal economic stability in the host country and it increases the return on FDI and considered as a sign of the willingness of the government to balance its budget and the ability of the central bank to conduct appropriate monetary policy [23].

The most surprising conclusion was drawn when researchers used the unemployment rate as a proxy for economic stability, for which a negative effect on FDI was expected, since high unemployment tends to be linked to poorer economic stability [24]. The positive effect found by the authors may be related to the fact that the proxy is more adjusted to a measure of cheap labor, which does attract more FDI.

Some researchers argue that market size and growth have a positive effect on FDI [25], [27], whereas [24] achieved inconclusive results.

Reference [28] shows that market size attracts FDI to Nigeria whereas inflation discourages it. The study confirms that unsuitable macroeconomic policy acts to discourage foreign investment inflows into the country.

Some researchers concluded that a depreciation of the firm's home currency might reduce the value of domestic assets relative to foreign liabilities, but would simultaneously increase the value of assets and revenue streams for its affiliates in foreign countries [29].

Reference [30] found that depreciation in the currency of the host country will unambiguously raise FDI flows only if initially the firms are mainly exporting. Once they have become multinationals, the depreciation in the currency of the host country may give different effects on the FDI flows [13].

Another economic and financial factor is tax policy. Reference [31] found no statistically significant effects of tax exemptions, since lower tax rates translate into higher return; and, others [32] conclude that countries with a lower tax rate attract more FDI, but subsidies and tax breaks can lead to substantial reduction of government revenues, which could otherwise be used to invest in education and infrastructure [33].

Other factors are wage, health, education and skill, children and women labor which [34] shows that labor costs might be an important factor in deciding location of FDI especially for some labor-intensive manufacturing industries, Although, the gradual move of FDI away from labor-intensive, low-cost, low-skill manufacturing towards more capital-, knowledge- and skill-intensive industries [35].

World Bank report 1993 shows that the emphasis laid on education and human capital was one of the main determinants of the success of high performing Asian Economies [36].

Scholars found that when considering factors related to labor market, investors care about the availability of skills, education levels and productivity levels rather than just labor costs [37].

FDI shifting towards knowledge and skill-intensive manufacturing – as well as services [38] forces developing countries to be fully aware of the extent of structural changes in the characteristics of FDI and changing their policy about human capitals and their education system. In order to achieve maximum benefits from foreign technologies having an educated labor force in the host economy is vital. Higher literacy and education rates of each country suggest that its labor is more skilled, and making it more attractive to efficiency-seeking investors [39]. High educated labors are more familiar to international language so it reduces investors' barriers to language.

Besides the skilled workforce, healthy workers are more productive than sick workers. International labor organization announced that when labor supply, its quality and potential productivity are diminished as a result of diseases. These trends act to discourage FDI, that is essential for economic development [40]. FDI flows to West Africa declined by 10%, as Ebola, security issues and falling commodity prices negatively affected several countries [12]. Two of the most important channels through which diseases can affect FDI are a reduction in labor productivity and an increase in absenteeism.

Reference [41] investigates the role of women labor in attracting FDI and argue that Developing countries take advantage of increasing supply by employing women in low-skilled, labor-intensive manufacturing jobs such as garments, footwear and consumer electronics.

Researchers found that women are considered to be more flexible, patient, reliable, trainable, obedient and less prone to strikes compared to men [42]. In literature, it is observed that some investors prefer to hire women as they have less bargaining power compared to men and accept lower wages [43]. Government should take it into account giving equal rights and opportunities to women qualified equally as men is important and crucial.

Poor infrastructure causes increase in transaction cost and limits access to both local and global markets which ultimately discourages FDI in developing countries. Foreign investors prefer the economy with a developed network of roads, airports, water supply, uninterrupted power supply, telephone and Internet. Poor infrastructure increases costs and reduces investment [44]. It may be expected that there is a strong relationship between infrastructure and FDI. More FDI is likely to occur in countries with good physical infrastructure such as bridges, ports, highways [45]. Another scholar [46] believes infrastructure growth is associated with greater accessibility and reduction in transportation costs of public goods.

There are two principal risks stemming from political instability in the host country that the investor faces. Domestic instability or civil war or conflict with other countries will reduce the profitability of operating, because domestic sales or exports are impaired, production is disrupted, or the facility is destroyed. The other consequence of political instability stems from the fact that it is likely to affect the value of the host country's currency, thus reducing the value of the assets invested in the host country as well as of the future profits generated by the investment [47]. Reference [48] shows that economic growth in a country is lower in times of political instability and income inequality increases political instability which, in turn, decreases aggregate investment in a country.

Reference [49] finds that a democratic regime in a host country increases FDI by multinational corporations. Another researcher [50] concluded that countries are more vulnerable to financial crises when election results are more uncertain.

As World Bank announced, the international investors and the international organizations give high importance for their FDI decision process on how good is each country, such as: fighting corruption; transparency of the administration processes; and violence free environment [51].

Sanction as a political problem of country can lead to decrease of investment inflow to country. Reference [52] shows that sanctions led to a decline in FDI growth and the development and prosperity of the country.

General and specialized approvals, licenses, registration process, requirements to gain access to land, site development, utility connection and operational requirement are most important administrative barriers that investor face them [53]. Administrative barriers to FDI often include difficulties associated with securing access to land. The ability to access land or buildings with secure ownership rights, at transparent prices, and with limited restrictions can be critical to a foreign investor's decision on whether to invest in a new market [16].

Start-up procedures excessive licensing and permit requirements, time-consuming export and import processes discourage investor. The cost of administrative procedures varies in countries, for example delays associated with securing land access and obtaining building permits, in several countries take more than two years [54].

Reference [55] reports that licensing complexity takes into account two types of costs. On the one hand, the direct costs include taxes, duties and fees paid to public sector. On the other hand, the indirect costs include fees paid for support from third parties such as consultancies, lawyers and time out-of-market in calendar days, such as the time during which a company cannot operate in the market, while waiting to obtain required licenses. The level of administrative costs is positively correlated with corruption incidence and exhibits a negative correlation with the quality of governance, degree of openness, and public wages.

Researchers found that corruption can increase the costs of doing business and when it extends to higher echelons of government; it can lead to deep distortions in policies. The majority of firms in developing countries expect to pay bribes [18].

As we see, the results of reviewing literatures vary, which depend on the period selected, data processed, objectives of investor.

There are other factors that stimulate FDI flow to countries such as investment treaty arbitration's precise [56], historical connections [20], marketing [57], intellectual property rights [58].

In the next section, we compare Turkey and Iran FDI approach.

III. FDI Inflow to Turkey and Iran and Their Global Ranks

Governments everywhere recognize that their chances of attracting more foreign investment depend on making their investment climates more competitive. Some factors such as strategic location of countries are natural and they have no control on it but other factors can be created and influenced by governments.

In this section, we try to show Turkey and Iran FDI inflow and their global ranks and competitiveness through factors of host country attractiveness.

A. Turkey FDI

Turkey lies at the junction of Europe, Asia and the Middle East. It is Bordered Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Iran, Iraq, and Syria [9].

Turkey has been a popular investment choice for many multinational companies in recent years because of its large consumer market, low costs and location straddling Europe and Asia.

TABLE I
Turkey General Economic Information

Population (millions)	Land area (km^2)	Exchange rate (TRY/US$)	Unemployment Rate (%)
75.8	769630	2.189	9.9
CPI Growth (%)	GPD (millions US $)	GDP growth (%)	Inflation Rate (%)
8.85	800998	2.89	7.5

As Fig. 2 demonstrates, FDI flows to Turkey decreased by 1.7% to $12.1 billion in 2015. Turkey has rank 1 in west Asia. FDI in Turkey averaged 12394.92 USD million from 2003 until 2014, as it is demonstrated in Fig. 1 [20]. According to the UNCTAD 2015 Global Investment Report, Turkey took a share of around 1% in global investment [19].

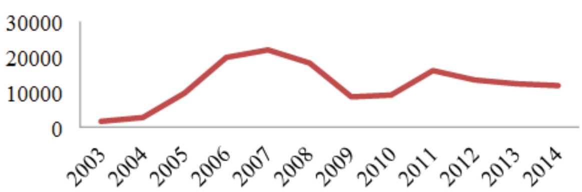

Fig. 2 Trend of FDI flow to Turkey (million $)

FDIs were affected negatively by the financial crises happened in Turkey during 2008-2009.

Despite some legal barriers to foreign investment in the Turkey, the rapid growth of FDI during most of the period since 2003 reflects an overall confidence of investors in the Turkey economy, its business environment. The World Bank's Doing Business reports show that Turkey's ease of doing business rank had decreased 4 positions from the 51th position in 2014 to the 55th in 2015 [59]. Turkey made getting electricity easier by eliminating external inspections and reducing some administrative expenses.

Turkey reduced the time required for dealing with construction permits by setting strict time limits for granting a lot plan and by reducing the documentation requirements for an occupancy permit [59].

Turkey has the 22nd position in 2015 according ranking by A.T. Kearney's FDI Confidence Index, which evaluates the impact of economic, political and regulatory changes on FDI attitude based on responses by corporate executives of top companies around the world [60].

As it is shown in Fig. 3, according to economic freedom index 2105 Turkeys' economic freedom score was 72.4, it is the 70th freest economy. Turkeys' score has dropped by 1.7 since 2014, including labor freedom, business freedom, government expenses, and property rights, despite improvements in freedom from corruption and investment freedom. Out of 43 countries in the Europe region, Turkey is ranked 32nd and its overall score is higher than the world average [61].

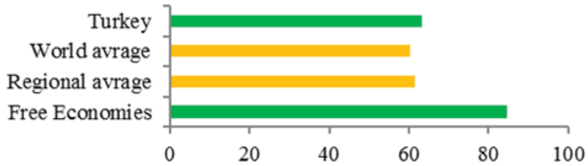

Fig. 3 Turkey economic freedom score 2015

Turkey placed as 51st by dropping 6 places, according to The Global Competitiveness Report 2015–2016 of world economic forum. This position has been caused by a general diminish in all factors driving competitiveness, with 10 out of 12 pillars registering a lower score than in the past edition. The assessment of institutions experiences the most severe drop, falling to 75th. The elections took place in June 2015 and geopolitical conflicts the country engaged in have set a climate of uncertainty that made grind to a halt private investments. Investments have also been restrained by high level of inflation and by diminish in the efficiency and confidence in the local financial sector (64th). Inflation has been driven by loose monetary policy [62]. The investments that have been made to improve the transport infrastructure (23rd) and the relative good performance in the efficiency of the goods market (45th) only partially offset the lack of structural reforms that are indeed crucial to sustain Turkey's long-term competitiveness [62].

Among developing and transition-economy investors, China and the Russian Federation, as well as Turkey, the United Arab Emirates and the Republic of Korea, have become the most important investors in the Central Asian region. In Azerbaijan, Turkish investors hold the largest FDI stock; they are the third largest group of developing-country investors in Central Asia as a whole. Indeed, among developing country investors, there is growing competition for investments in the region, which is also reflected in FDI stock held by investors from the United Arab Emirates, the Republic of Korea and the Islamic Republic of Iran [60].

TABLE II
TURKEY GLOBAL COMPETITIVENESS INDEX

	Rank out of 140	Score (1-7)
Basic requirements (20.0%)	**57**	**4.7**
Institutions	75	3.8
Infrastructure	53	4.4
Macroeconomic environment	68	4.7
Health and primary education	73	5.7
Efficiency enhancers (50.0%)	**48**	**4.3**
Higher education and training	55	4.6
Goods market efficiency	45	4.5
Labor market efficiency	127	3.5
Financial market development	64	3.9
Technological readiness	64	4.7
Market size	16	5.4
Innovation and sophistication factors (30.0%)	**56**	**3.7**
Business sophistication	58	4.1
Innovation	60	3.4

To improve the protection of foreign investors' property rights and encourage foreign investors, Turkey Government had signed 75 bilateral investment treaties (BITs) and 80 double taxation treaties (DTTs). The European Union granted Turkey candidate status in 1999, but there is strong opposition from France, Germany, and Austria. Turkey's dispute with Cyprus has also delayed negotiations [63].

B. Iran FDI

Iran is in south-western Asia, located on the northern shore of the Persian Gulf with an area of 1,648,195 square kilometers, bordering Iraq, Turkey, Pakistan, Afghanistan and Turkmenistan, Oman Sea and the Persian Gulf from South and the Caspian Sea from North [52]. A part of the foreign investors preferred Iran for its geographical position which has a strategically importance. Iran is 2nd highest in gas reserves, 4th rank in production of zinc and 10th rank in production of cobalt and 4th rank in diversity of agriculture products in the world. It has 11 commercial ports and 54 airports [64].

Iran has key role in the North-South Corridor. This corridor connects India Ocean and Persian Gulf to the Caspian Sea via Islamic republic of Iran, and then is connected to St. Petersburg and North European via Russian Federation.

TABLE III
IRAN GENERAL ECONOMIC INFORMATION

Population (Millions)	Land area (km^2)	Exchange rate (IRR/US$)	Unemployment rate
78.5	1628550	25941.7	13.2
CPI Growth (%)	GPD (millions US $)	GDP growth (%)	Inflation rate
17.24	396453	2.7	35

The process of liberalization in international trade in Iran was originated during early 1954. As it shown in Fig. 4, FDI inflow to Iran in the period between 2008 and 2012 increase and 2011 to 2013, FDIs decreased. FDIs were affected negatively by the sanctions to Iran during this period [19].

FDI flow to Iran decreased by 31% to $2.1 billion in 2014, as demonstrated in Fig. 3. Over the past years, FDI flow to Iran have decreased. Iran was 3rd top destinations for FDI from China in 2014 [52].

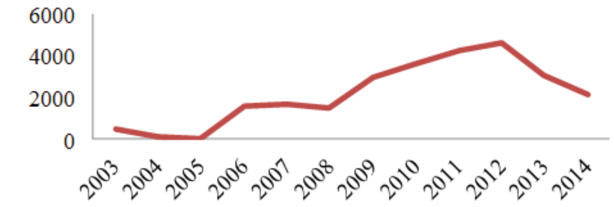

Fig. 4 Trend of FDI flow to Iran (million $) [19]

Economic sanctions imposed to Iran have had devastating effects. Petroleum exports, which provide about 85% of government revenues, declined to about 1.5 million barrels per day in 2012 from about 2.5 million per day in 2011 [65].

Sanctions increase the risk of investment and investors' unwillingness to investment market and provide an unsafe climate for trade activities of foreign and domestic investors; sanctions also negatively change the target country risk rating, while the risk increase, investors will look at investment opportunities with uncertainty

As it shown in Fig. 5, according to economic freedom index 2105, Iran's economic freedom score is 41.8, making its economy the 171st freest in 2015 Index. Its score has increased by 1.5 points since 2014, with improvements in five of the 10 economic freedoms, including labor freedom, the control of government expenses and monetary freedom, despite a decline in business freedom. Iran is ranked last out of 15 countries in the Middle East/North Africa region, and its overall score is well below the world and regional averages [61].

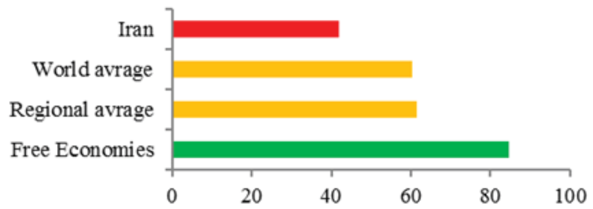

Fig. 5 Iran economic freedom score 2015

International isolation and a faltering domestic economy have undermined economic freedom in Iran. Over the past five years, its score has declined by 0.3 point, with losses concentrated in three of the 10 economic freedoms. In particular, rising business regulations have made it harder for entrepreneurs to do business. Capital flight and increased inflation due to currency devaluation also have affected the petroleum-dependent economy [62].

According the Global Competitiveness Report 2014-2015, of World Economic Forum, Iran ranks 74. As demonstrated in Table IV, Iran just has suitable position in market size factor, and the worst rank belong to labor market efficiency factor, 138 out of 140 countries [64].

TABLE IV
IRAN GLOBAL COMPETITIVENESS INDEX

	Rank Out of 140	Score (1-7)
Basic requirements (20.0%)	**63**	**4.6**
Institutions	94	3.6
Infrastructure	63	4.2
Macroeconomic environment	66	4.8
Health and primary education	47	6
Efficiency enhancers (50.0%)	**90**	**3.8**
Higher education and training	69	4.3
Goods market efficiency	109	4
Labor market efficiency	138	3.2
Financial market development	134	2.8
Technological readiness	99	3.2
Market size	19	5.2
Innovation and sophistication factors (30.0%)	**102**	**3.3**
Business sophistication	110	3.5
Innovation	90	3.1

Iran has targeted FDI as a crucial element of its strategy for economic growth and development. Iran's Government had signed a total of 52 BITs and 45 DTTs [64]. The government provided various trade facilitation incentives like tax concessions, tariff reduction, credit facilities and also softened foreign exchange controls. These reforms uplifted the level of FDI to some extend but rapid growth cannot be attained due to political instability and inconsistency of policies.

Successes around the regions have led to reconsideration of the previous views of FDI in Iran, and it is now actively seeking investment from overseas, many with attractive financial incentive packages for period after sanction.

C. Comparison of Iran and Turkey Attractiveness to FDI

In this section, we have compared different ranks of Iran and Turkey in economic position and FDI attractiveness according different world indexes. These rankings guide investors on investment climate comparisons and competitiveness of countries. Ranks can also provide a basis for analyzing how different policy approaches and different policy reforms contribute to broader desired outcomes such as FDI, competitiveness, and growth.

As it was demonstrated in Figs. 1 and 2, FDI inflow to Turkey was 6 times more than Iran in 2015.

Although foreign investment stimulates economic growth in developing countries, such growth could be slashed by world economic crisis. The financial and economic crisis has more effect in developing countries which their policy for growth are based on foreign financial and investment and are closely linked to the global market. As demonstrated in Fig. 6, the FDI flow to Turkey slumped 60% in 2008-2009 when the world economic crisis happened and total world FDI inflow decreased 30%. But Iran's FDI flow did not decrease. It increased 86%.

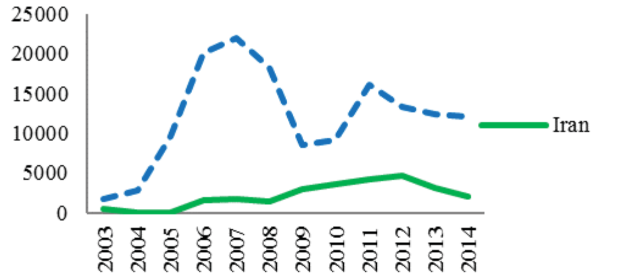

Fig. 6 Comparison of Iran and Turkey FDI flow (million $) [65]

Heritage Foundation, ranks countries' freedom according economic performance, government efficiency, business efficiency and infrastructure. As shown in Fig. 7, Iran's economic freedom score was 41.8, making its economy the 171st and Turkey's economic freedom score was 63.2, making its economy the 70 freest in the 2015 Index [61].

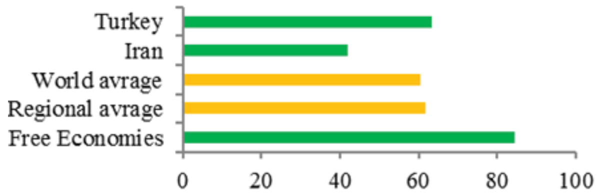

Fig. 7 Comparison of Turkey and Iran economic freedom score 2015 [61]

According the Global Competitiveness Report 2015-2016 of World Economic Forum [62], Turkey ranks 51th, and Iran ranks 74th based on different sub-indices such as infrastructure, institutions, macroeconomic environment, higher education and training, labor market efficiency, market size, innovation and sophistication. As it shown in Fig. 8, Iran has better position than Turkey just according to health and primary education. Despite Iran strategic and transit situation, Iran's infrastructure rank in 2015 was 63; Turkey, 53. It shows that Iran government has to consider the role of infrastructures such as ports and airport and other modes of transport as a most important factor in competitive environment to attract investors. Also Iran could improve his rank in infrastructure by attract foreign investor to invest in infrastructures.

World Economic Forum's Executive Opinion Survey 2015 summarizes those factors seen by business executives as the most problematic for doing business in their economy. From the list of factors, respondents were asked to select the five most problematic for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings. Fig. 9 demonstrates the comparison between these factors in Iran and Turkey [62].

According to Fig. 9, the most 10 problematic factor in Iran are access to financing, policy instability, inefficient government bureaucracy, inflation, inadequate supply of infrastructure, foreign currency regulations, corruption, restrictive labor regulations, tax rates and complexity of tax regulations, and the most 10 problematic factor in Turkey are tax rates, access to financing, inadequately educated workforce, foreign currency regulations, complexity of tax regulations, inefficient government bureaucracy, inadequate supply of infrastructure, policy instability, insufficient capacity to innovate, restrictive labor regulations.

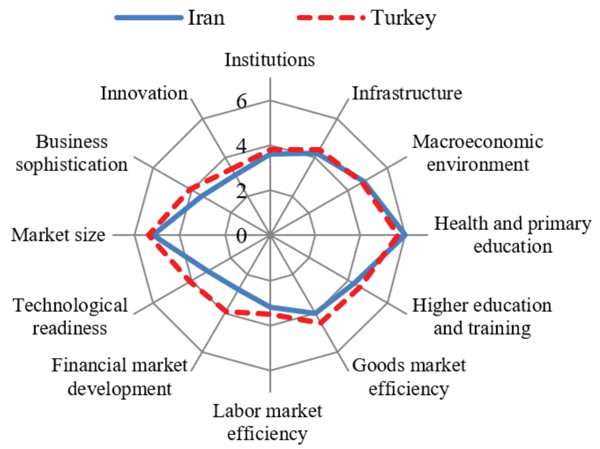

Fig. 8 Turkey and Iran global competitiveness index [62]

The World Bank's Doing Business report 2015 [59] show that the Turkey's ease of doing business rank has improved from the 25th position in 2014 to the 22th in 2015 and Iran from 132th position to 130. To achieve this improvement in position, Turkey made transferring property easier by introducing new service centers and a standard contract for property transactions, also improved access to credit information by starting to exchange credit information with a utility. Iran jumps to the better position by starting a business easier through streamlining the name reservation and company registration procedures, also made getting electricity easier by eliminating the need for customers to obtain an excavation permit for electricity connection works.

In Table V, ranks of Iran and Turkey are shown for each topic of doing business index.

TABLE V
COMPARISON DOING BUSINESS TOPIC RANKS OF IRAN AND TURKEY

	Iran	Turkey
Starting a Business	62	88
Dealing with Construction Permits	172	108
Getting Electricity	107	35
Registering Property	161	51
Getting Credit	89	71
Protecting Minority Investors	154	20
Paying Taxes	124	56
Trading Across Borders	148	61
Enforcing Contracts	66	17
Resolving Insolvency	138	102

Table VI summarized all international indices and ranks of Iran and Turkey. As Table VI shows, despite large market size, more GDP, better geo strategic position of Iran, Turkey is more successful to attract FDI.

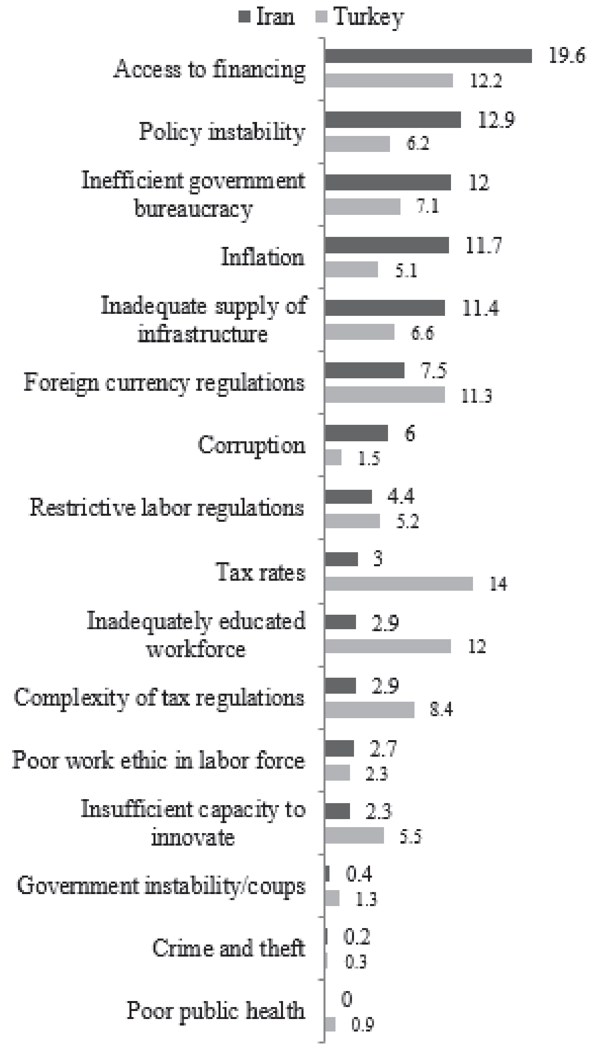

Fig. 9 Turkey and Iran most problematic factors for doing business

TABLE VI
INTERNATIONAL INDICES AND COUNTRIES RANKINGS

	Iran	Turkey
World Economic Forum Competitiveness Index (out of 140)	74	51
World Bank 'Ease of Doing Business' (out of 189)	118	55
Economic Freedom (out of 178)	171	70
Transparency International (out of 175)	136	64
A.T. Kearney's FDI Confidence Index (out of 25)	22	-

IV. CONCLUSION

FDI is not only a source of finance and employment. For developing country governments, FDI can also be a medium for acquiring skills, technology, organizational and managerial practices and access to market. In a competitive market for attracting FDI, countries that can meet investor expectations are likely to be more successful. We suggest that this result should be considered by governments wishing to market the country as a destination for FDI as well as by companies seeking attractive locations for FDI.

Government should carefully consider the costs and benefits of incentives in light of the available evidence whether they are financial, fiscal or in kind. Such incentives can be costly in terms of government revenues without having much of an impact on investors' decisions. Also Put emphasis on the presence of a reliable and transparent legal and regulatory environment.

Government should focus on enhancing the investment climate

- Infrastructure e.g. ports, traffic, telecommunications
- Doing business – Customs, business registration, permits
- Quality of life – Crime, environment
- Market access – Aligning trade agreements with sector development initiatives e.g. services sectors to serve foreign markets
- Reduce bureaucracy
- Appropriate funding of implementation agencies

Nowadays, flow of FDI to countries has shifted from market-seeking and resource-seeking FDI to more technology, so human resources (skill workforce) are now perhaps the key competitive asset for firms as well as for countries. The important point is that, compared to natural resources, these new types of resources can be created by host countries and influenced by governments. So Iran or any other countries that have a goal to attract FDI have to invest in education field in order to have skill and professional workforce.

To make the economy more competitive, crucial improvements on issues such as access to finance, government and work force efficiency, and an effective judicial framework for resolving business disputes will be needed for Iran to compete in a more open and global market.

Iran has to build on its solid education, infrastructure and human capital foundations to move further towards a knowledge-driven economy. Contributing to a sector development plan for Maritime Services is vital.

Good investment climates are nurtured by broad public support. Open and participatory policymaking and efforts to ensure that the benefits of a better investment climate extend widely in society can help to build that support and change the cultural behaviors and barriers against foreign investor.

The sanctions relief represents a key opportunity to enhance competitiveness by providing a more stable economic and opportunity for improving the economy. Iran will be able to build on its solid macro-economic positioning, its large market size, and its fairly well-educated population. These are strong attributes that will likely improve once sanctions are lifted.

Government should target the right industries companies and investors for country and know their needs and take action according that.

Marketing activity, in order to introduce the investment opportunities, has to be taken in broad plan.

Government should organize commercial missions per year for investor to show them:

- Foreign companies in the region, associations and suppliers.
- Academic and R&D institutions
- Infrastructure points of interest: airports, seaports railways
- Real estate facilities,
- Regional development projection and how to get government incentives

Government should develop a local administrative umbrella program for international investor legal and operational permits, customs, human resources, payroll, fiscal accounting and compliance.

Government should develop a global website with eBooks & investor follow up system that must contain:

- The investment opportunities, cost simulator, testimonials and success stories.
- Local information: map, directors of companies stablished in the region, photo gallery, infrastructure, connectivity, accessibility, cost of doing business in the region, quality of life.
- Multi language to attract investor from targeted countries and international access
- Mobile responsive website: viewable on any internet browser and device.

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