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The Current State of Investment Facilities and Their Impact on Attracting Foreign Investments: A Comparative Study between Turkey and the Hashemite Kingdom of Jordan

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Abstract

Foreign investment has become an essential phenomenon in the global economy today. It represents a major driver of economic development for many countries. It is carried out by investors in order to attain a variety of business advantages. However, investments do not flow into economies randomly, but they move to countries based on the available investment facilities that encourage investors to select certain countries over others. Therefore, investment facilities are of utmost importance for attracting foreign investments. The present study aims to investigate the current state of investment facilities and their impact on attracting foreign investments. It presents a comparison between two contexts, which are Turkey and the Hashemite Kingdom of Jordan. The author adopts the literature review methodology, which involves reviewing recent relevant literature. In the light of insight provided by literature, the study has obtained the following findings: both Turkey and Jordan are examples of countries that have succeeded in attracting foreign investments through investment facilities; strengths of the Turkish experience include granting foreign investors rights equal to those of their domestic counterparts as well as economic openness and liberalization, while its weaknesses include the failure to attract flows of foreign investments to a level comparable to that of domestic investments; and the strengths of the Jordanian experience include the introduction of a variety of laws, strategies, and plans to create an attractive investment environment, while its main weakness is the failure to maintain consistency of growth in the net investment of foreign in-

vestors. In light of these findings, the study presents a list of relevant research suggestions and practical recommendations.

Keywords

Investment Facilities, Foreign Investments, Turkey, Jordan

1. Introduction

In today's globalized world, forming cross-border partnerships has become a pressing need for companies in order to promote the effectiveness and efficiency of production capabilities and processes. This has resulted in the emergence of foreign investment as a form of partnership and expansion. In fact, foreign investment has become preferable to other forms of partnerships such as licensing and export-import partnerships. Foreign investment is associated with the creation of wide cross-border value chains, thereby leading to increased integration of international markets and acceleration of production processes (Lee, Degtereva, & Zobov, 2021).

There are several positive impacts of foreign investments, and these impacts include promotion of economic development in host countries, expansion of exports, increasing the efficiency of production processes, knowledge spillover, and generation of employment opportunities. Therefore, countries are increasingly interested in attracting foreign investments through amendment of pertinent policies and improving the quality of business climate (Lee et al., 2021).

Due to the economic advantages of foreign investments, the ability to attract foreign investments has become a significant indicator of the economic wellbeing of countries. Therefore, countries seek attracting foreign capital and investments. The competition in attracting foreign investments is especially notable among developing countries, as many of these countries seek accelerating their rates of economic development and compensating for the lack of adequate financial resources for development on the national level. In order to attract foreign investments, developing countries employ a wide range of investment facilitations (Sheshgelani & Badri, 2017).

In essence, investment facilitations are a range of procedures implemented by a country for the purpose of aiding foreign investors in establishing, operating, and closing their enterprises. The purpose of investment facilitations is the elimination of ground-level obstacles, promoting the predictability and transparency of investment regulations, facilitating and simplifying administrative procedures, and improving the methods of responding to foreign investors' complaints. With measures such as those aforementioned, foreign investments can be attracted more effectively and their contributions to the national economy can be further maximized (Singh, 2018).

The preceding discussion highlights the main topic addressed by the present

study. The present study aims to investigate the current state of investment facilities and their impact on the attraction of foreign investment. The discussion in this study aims to provide a general discussion on the topic and also a focused discussion on two specific contexts, which are the contexts of Turkey and the Hashemite Kingdom of Jordan.

2. Definitions of Terms

This section provides a brief explanation of the key terms used in the present study the investment facilities and foreign investments:

2.1. Investment Facilities

Investment facilities are defined as a set of procedures implemented by a government for the purpose of attraction of foreign investments and attaining optimal efficiency of management of investment across the phases of the investment cycle (Yue, 2019). Another definition of investment facilities is that they are a set of practices by a host country to improve the efficiency, predictability, and transparency of administrative and legal procedures pertaining to investment (Berger, 2018).

For the purpose of the present study, investment facilities are defined a set of practices for attracting foreign investments and improving the efficiency, predictability, and transparency of procedures pertaining to managing investments across all phases.

2.2. Foreign Investments

One of the definitions of foreign investment is that it is a form of investment in which the firm receiving the investment is located in one country while the investing entity is headquartered in another country (Apostolov, 2016). Another similar definition of foreign investment is that it is a long-term contract in which one firm invests in another firm located in a different country (Delitheou, 2011).

For the purpose of the present study, foreign investment is defined as an investment in which the investing companies and the company invested in are based in two different countries.

3. Statement of the Problem

Attracting foreign investment has become a prominent research topic in recent years, with emphasis on effective ways to attract it. The capability of attracting foreign investments is reliant upon the availability of appropriate investments facilitations. Chen, Liu, & Liu (2020) finds a significant positive correlation that exists between the investment facilitation level and a country's capability of attracting foreign investments. In addition, Effiom & Edet (2019) highlights some of the factors that influence the capability to attract foreign investments such as include tax incentives, business environment friendliness, and openness of the hosting country's market.

However, studies do not agree on the assumption that the availability of investment facilitations automatically leads to attracting foreign investment at an acceptable rate. In fact, research highlights various issues in employing investment facilitation as an effort to attract foreign investments. These challenges vary in terms of underlying causes and resulting impacts. Tuomi (2011) highlights the challenges of employing investment facilitations for attracting foreign investments which suggests that investments facilitations, alone, do not guarantee the successful attraction of foreign investments. The study argues that several factors may adversely affect the extent to which investment facilitation can yield desired outcomes, such as including the size of the host country's domestic market as well as the country's geographical location. This view is congruent with that expressed by (Effiom & Edet, 2019).

This study suggests that investment facilitations may fail to attract desired volumes of foreign investment due to several factors related to the host territory itself. An area that is not well-known among potential foreign investors may encounter difficulties in becoming acknowledged by investors as a destination for their investments. The present study aims to investigate in Turkey and the Hashemite Kingdom of Jordan the significance of investment facilities in attracting foreign investments, the types of investment facilities used for attracting foreign investments, the impacts of attracting foreign investments, and the factors that influence the capability of attracting foreign investments. Next, the above arguments are briefed as research questions.

4. Research Questions

The preceding discussion outlines the problem of the study. The problem of the study is highlighted in the following question in both Turkey and the Hashemite Kingdom of Jordan:

- What is the current state of investment facilities and their impact on attracting foreign investments?
- What is the significance of investment facilities in attracting foreign investments?
- What are the types of investment facilities used for attracting foreign investments?
- What are the impacts of attracting foreign investments?
- What are the factors that influence the capability of attracting foreign investments?

5. Significance of the Study

The significance of the present study stems from the fact that most countries are keen on raising the inflows of foreign investments into their economies, as foreign investments play a significant and positive role in improving a country's economic and internal conditions. The significance of the study is highlighted in the following points:

- The present study may contribute to highlighting the significance of investment facilities in attracting foreign investments in Turkey and the Hashemite Kingdom of Jordan as well as each country's success in attracting foreign investments.
- The present study may contribute to drawing decision maker's attention to the importance of developing and updating laws and regulations pertaining to investment in Turkey and Jordan in order to increase the volumes of foreign investments.
- The present study may provide enlightening findings for decision makers in other countries in the Middle East region regarding disseminating the foreign investment culture and identifying the factors that influence the capability of attracting investments.
- The author hopes to present a valuable contribution to literature pertaining to the current state of investment facilities and their impact on attracting foreign investments in Arab countries.

6. Relevant Research

The adoption of investment facilitations for attracting foreign investment has received research attention in recent years. This reflects the growing importance of attracting foreign investments in today's globalized economies. Recent studies highlighted the factors that promote the attraction of foreign investments and the challenges encountered in that regard.

The study of Chen et al. (2020) investigated the effects of investment facilities on attracting foreign investment internationally. In specific, the study assessed the impact of investment facilities on Chinese investments in countries of the "Belt and Road" agreement. The study investigated the impact in 66 countries, which are located in Asia, Africa, Europe, and the Americas, over the period between 2007 and 2018. The data for this study was derived from the "Doing Business Report". According to the data analysis, regions with the highest concentrations of Chinese outward investments include Europe as well as Southeast and East Asia. Findings also show that Chinese investments increase by approximately 2.17% for every increase by 1% in the investment facilities level in the host country.

The European context has received increased attention recently. The study of Ginevičius & Šimelytė (2011) investigated the role of incentives provided by the government in attracting foreign direct investment (FDI). Countries under investigation in the study are mainly in Europe, and they included Latvia, Estonia, Lithuania, Slovenia, Slovakia, Romania, Poland, Hungary, the Czech Republic, Cyprus, and Bulgaria. The methodology of the study involved conducting a survey of the patterns of FDI in the aforementioned countries during the period between the years 2000 and 2009. Data was derived from the Eurostat database. According to the findings obtained by the study, tax incentives are the most impactful factor in FDI attraction. Findings also highlight the role of exogenous

factors in attracting FDI. Exogenous factors highlighted by the findings include business environment friendliness and openness of the country's market.

Another study that focused on the European context is that of Ślusarczyk (2018), which investigated the effectiveness of tax incentives in attracting FDI in Poland. The Polish government implements two key forms of tax-related facilities and incentives to attract FDI. These forms are tax property exemptions and aid provided to companies operating in special economic zones (SEZs) in the country. Data collected for analysis was derived from relevant reports, documents, and studies that assess the performance of SEZs and highlight governmental support provided to foreign firms. The time scope of the analysis is the period between 2004 and 2016. Findings of the study show that tax incentives provided by the Polish government has benefitted foreign investors consistently and tangibly. However, the study warned from potential detriments of attracting FDI. Such detriments include increasing the competitive pressures for domestic companies and emergence of favoritism for foreign companies. This is likely to be accompanied by corruption among government officials who would be willing to make profits through serving the interests of foreign companies, without similar regard to those of domestic companies.

There are other studies that indicate the challenges of providing facilities for attracting foreign investment in other regions of the world. Effiom & Edet (2019) examined the impact of the strategy adopted for attracting private investments on attracting FDI in Nigeria. The specific context of the study was the Cross River State in Nigeria. The study adopted a descriptive and qualitative research methodology. Data was collected from a variety of national and international databases. Findings of the study indicate that although the Cross River State has exerted efforts for supporting its investment attracting strategy, the strategy has received only little attention from foreign investors. This is attributable to several reasons, such as the fact that the Cross River State is not well-known as well as that its competiveness is not adequately acknowledged by investors.

Another study that focused on the African context is the study of Tuomi (2011). This study explored how tax incentives and the quality of the investment climate influence the success in the attraction of FDI in South Africa. The population of the study consisted of managers in (136) foreign companies that own investments within South Africa. Data was collected from personnel assuming the positions of GM, CEO, operation manager, or financial director. The sample of the study included a total of (43) personnel, (33) of whom were interviewed and (10) were contacted via e-mail. Findings of the study indicate that the South African government provides support for attracting foreign investments in the domestic automotive industry by providing monetary incentives in the form of offsets of import duty. Moreover, findings show that despite the support provided by the South African government for attracting FDI, success in attracting FDI in the country remains comparatively limited, and that is a result of the

small size of the domestic automotive market as well as the relatively distant geographical location of South Africa in the world.

Based on the findings of the demonstrated studies, it can be stated that many of the world's countries are aware of the positive impacts of attraction of foreign investment on the economy, and therefore they introduce a variety of investment facilities for creating a strong and attractive investment climate. However, the introduction of investment facilities does not guarantee the successful attraction of inflow of foreign investments, in addition to the fact that the attraction of foreign investments can, in fact, result in adverse impacts on the host country. Therefore, it can be stated that the success of investment facilities necessitates the availability of an appropriate environment and climate as well as careful examination of the potential detriments that may arise as a result of attraction of foreign investment. As much as the attraction of foreign investment represents a promising opportunity for improving the performance of the national economy, it is also a considerable challenge in itself. The above review of literature shows the significance of investment facilities in attracting foreign investments in which we discuss next.

7. Significance of Investment Facilities in Attracting Foreign Investments

Investment facilities are a method that governments used in the context of global competition for attracting foreign investments. Most of the world's countries use investment facilities for attracting foreign investments in a variety of sectors. There is a variety of commonly used investment facilities, such as grants (subsidies), tax holidays, and facilitating the acquisition of land (Sauvant et al., 2012).

Investment facilities are important for the attraction of foreign direct investments (FDI). Due to its importance, the attraction of FDI has emerged as a form of contest and competition among countries. Investment facilities are a decisive factor in this international competition. Investors compare among many countries in terms of investment facilities in order to decide on where their investments should go. There are factors several taken into consideration in such comparisons, with examples of these factors including the general investment climate, potential gains generated from the available investment incentives, and a variety of factors specific to the country, such as the size of the country's domestic market, proximity to other important markets, availability of workers with the needed skills, and availability of needed raw materials. In today's globalized world, capital has become the production factor with the freest cross-border movement, and therefore providing appropriate investment facilities has become a geopolitical priority for many countries, especially with the growing importance of investment attraction for strengthening the position of governments (Perera, 2014).

The majority of the world's countries have adopted policies and facilities for promoting foreign investment. The main purpose of adopting investment facili-

ties is the establishment of healthy and strong business climate in which foreign investors feel trust in the host country's financial and legal frameworks and enjoy the opportunity to establish projects with high profitability potential. The continuous increase in the global volumes of cross-border investments since the 1980s has encouraged countries to adopt measures for attracting foreign investments (Ginevičius & Šimelytė, 2011).

Based on the above, it can be stated investment facilities play a significant role in the attraction of foreign investments. The introduction of investment facilities has become a universally adopted practice. This is largely attributable to the fact that countries have become aware of the role that the attraction of foreign investment can play in yielding positive impacts on the economy. Hence, types of investment facilities used for attracting foreign investments are emphasized in the next section.

8. Types of Investment Facilities Used for Attracting Foreign Investments

Countries have employed a variety of measures for facilitating and attracting foreign investments. First, imposing comparatively low corporate taxes to establish an attractive environment for foreign investments. Second, there are various other strategies used for attracting foreign investments such as the implementation of preferential tariff schemes, investments with a stepped-up basis in infrastructure, and granting the privilege of red-tape cutting in projects. In many cases, investment attraction strategies focus on certain prioritized sectors (e.g., the automotive sector in South America and the tech industry in East Asia) or specific regions (e.g., "economic zones"). Some other strategies are more generic and involve providing direct investment subsidies to investors Organisation for Economic (Co-operation & Development, 2003).

Third, direct incentives and fiscal incentives are commonly employed as instruments for attracting investments. However, due to the intrinsic differences between the two instruments, their economic implications and effects are significantly different. The main differences between direct incentives and fiscal incentives were summed up in the by Bellak & Leibrecht (2016).

Fourth, it is important to note that these facilities can come from either the state of the investment climate itself or incentives introduced by the government. For example, some countries such as Ireland, and Canada have introduced a variety of incentives for attracting foreign investments. At the same time, these countries enjoy political stability and have mature and advanced institutional and governance capacities. In fact, having a strong investment climate is probably what has encouraged these countries to introduce more enhancements to their investment facilities for attracting foreign investments. However, countries with bureaucratic systems, the impacts of tax incentives are far less impactful than they would be in countries with strong investment climates. Thus, investment facilities have little impact in compensating for the weakness of the in-

vestment climate. In fact, the introduction of investment incentives may entail incurring a double loss for a country with a weak investment climate; this loss stems from allocation of subsidies to investments that would have been made regardless of facilities and the reduction of resources used for developing the country's investment climate (Perera, 2014).

The preceding discussion shows that investment facilities differ in terms of the most appropriate investor group to be targeted it, as some investment facilities are more preferable for attracting large foreign investments, while others are more appropriate for supporting small and domestic enterprises. In order to use investment facilities effectively and achieve desirable outcomes, a country has to study its own situation and the area(s) or economic sector(s) with the highest priority for the national economy.

9. Impacts of Attracting Foreign Investments

The attraction of foreign investment can be described as a double-edged sword. Many countries in the world are seeking to increase the inflow of foreign investments in order to benefit from the positive impacts of foreign investments. However, it is important to note that the increased inflow of foreign investment can result in adverse impacts on the host country. Thus, making the maximum benefit out of foreign investment requires working on striking a balance between maximizing the positive impacts and addressing the negative impacts of foreign investment.

9.1. Positive

Success in attracting foreign investments can have a variety of positive impacts on the host country. Examples of such impacts include promoting economic growth, creating a stimulating economic environment, and importing of new technologies and expertise from developed nations. These impacts can lead to improving competitiveness and productivity of sectors receiving foreign investments (Mukhtarov, Alalawneh, Ibadov, & Huseynli, 2019).

Some of the major benefits of attracting foreign investments in many countries include the increase of employment rates, fostering competition in sectors receiving investments, and productivity spillovers. The employment impacts have received increased attention in recent years. For example, in many of the OECD countries, investments by multinational companies (MNCs) are responsible for generating approximately 25% of job opportunities generated in the manufacturing sector. MNCs have sufficient resources to enjoy the liberty of selecting several locations for establishing new production plants, while targeting host countries with an educated workforce, availability of low-wage workers, and growing domestic markets. Therefore, there has been a trend whereby large MNCs relocate production plants to other countries in which investment is more cost-effective. A particular case in point is the multinational company Nokia, which decided in 2008 to shut down a production plant in Bochum (Ger-

many) and move to Jucu (Romania), where investment would be attractive decision due to the aforementioned factors (Mittermaier & Haufler, 2010).

The competition for foreign investment in itself leads to the improvement of quality of life for populations in host countries. In the quest for attracting investment, many governments work on providing public services at lower costs. Another positive impact of attraction of foreign investment stems from the fact that the allocation of investment incentives often targets investments located in areas with high unemployment rates, and thus investment incentives can play a prominent role in addressing unemployment issues. The introduction of investment incentives that successfully attract new foreign investments can lead to the generation of positive spillovers on society. Thus, investment incentives may generate a social of rate of return that even exceeds the private rate of return generated for foreign investors (Cedidlová, 2013).

9.2. Negative

Although the attraction of foreign investments can lead to positive impacts, it can lead to negative outcomes as well. For example, foreign investments may lead to increasing the volumes of imports, as production investment may entail importing the needed material from abroad. Therefore, expansive support for foreign investment can lead to disruption of the balance of payment along with trade deficit. These consequences are a result of the loss of profits occurring as an outcome of transferring abroad (Mukhtarov et al., 2019).

It is a misconception to believe that investment facilities produce only positive impacts. In fact, investment facilities are associated with certain costs, which can be both direct and indirect. One of the most notable costs associated with investment facilities is what is known as the "redundancy rate", which is the ratio of governmental revenue lost to support investors who would have made investments regardless of any investment incentives or facilities. This loss of revenue occurs in the form of transfer of resources from taxpayers to foreign investors. In many cases, the incentives and facilities provided to investors exceed what is necessary to persuade them to make investments. It is also possible that investors that receive support through investment incentives and facilities may fail to meet the projected investment outcomes. For example, it is possible that firms benefitting from investment facilities will fail to generate the projected number of employment opportunities (Tuomi, 2012).

There is a variety of other potential negative aspects of investment facilities that aim at attracting foreign investments. For example, it is challenging to estimate the potential benefits to be generated from the investment facilities. Moreover, although investment facilities may actually result in positive impacts on investment, it may be associated with adverse impacts on the host country as well. For example, the introduction of investment facilities may lead to degrading the quality of public services. The allocation of investment facilities may result in reducing the funding available for programs in various areas of public

services, such as infrastructure and education. The lowering of taxes for the purpose of attracting investors may, in fact, result in lowering the levels of public spending below optimal levels (Cedidlová, 2013).

Based on the above, it can be stated that the attraction of foreign investment is not an endeavor that leads to only favorable outcomes. Although the attraction of foreign investments means attracting new capital, the practices used for attracting and encouraging foreign investment may lead to certain challenges. The use of investment facilities entails incurring certain costs. These costs may lead to unintentional and unneeded loss of resources, thereby leading to certain negative impacts on society. A particular issue that further complicates the challenges associated with the attraction of foreign investments is that some of them are difficult to avoid (e.g., identification of investments that would have been made regardless of the availability of any facilities or incentives). This issue may be addressed, albeit partially, through the adoption of measures for more careful targeting of groups of foreign customers; this may aid in defining investor groups that require the use of investment facilities and incentives in order to be persuaded to direct their capital to the host country.

10. Factors that Influence the Capability of Attracting Foreign Investments

There is a wide variety of factors that influence a country's capability of attracting foreign investments. First, the country's macroeconomic factors which include the GDP growth, the trade openness of a country's economy, as well as a lower level of inflation. Higher level of inflation is a negative indicator of the economy's stability, which often leads to creating a discouraging environment that repels potential foreign investors (Anyanwu & Yameogo, 2015).

Second, the country's level of urbanization. This is attributable to the fact that urbanization is a proxy indicator measuring the country's market size. Major foreign investors (e.g., MNCs) often perceive the country's urban population as the main group of consumers in the host country. However, at the same time, urbanization can be a repelling factor for potential foreign investors, as rapid urbanization may lead to a variety of social issues, such as overcrowding and the potential infestation of crime, all of which are discouraging factors for foreign investors (Anyanwu & Yameogo, 2015).

Third, the improvement level of governance which involves fighting corruption and promoting the rule of law as well as the availability of strong labor market and product regulations (Azémar & Desbordes, 2010). Moreover, the design of an effective scheme for attracting foreign investments necessitates designing it to be stable, transparent, and capable of attaining goals of the investment policy with minimum allocation of tax revenues. It has been suggested that prior to devising a new policy for attracting foreign investments, a government should first determine the role of foreign investments in its economy, assess the potentiality of increased foreign investments, assess the extent to which existing

laws support this potentiality, and define the needed measures for turning this potentiality into reality. This should be followed by devising a list of the goals that the investment facilities aim to achieve (e.g., market shortcomings that facilities aim to reduce); these goals should be compared against the costs expected to be incurred as a result of the facilities. In order to achieve improved outcomes, this comparison should be carried out on a periodical basis (Tuomi, 2012).

The preceding discussion shows that the capability to attract foreign investments is influenced by a wide range of factors in different aspects. Foreign investors inspect various aspects of the investment climate before making a decision to invest in a specific country or search for an alternative. Investors are not only interested in economic factors, but they also pay significant attention to social factors. The government plays a significant role in the creation of an investment climate that is capable of attracting foreign investors. Decision makers should define priorities and define clear economic goals in order to devise plans that would lead to the creation of a strong investment climate along with a range of investment facilities and incentives that cater to the needs of the targeted group of investors. Investors are encouraged by certain motives that discuss next.

Motives for Investing in Foreign Countries

There are several key motives that encourage investors, especially MNCs, to direct their investments abroad. The most prominent of these motives are outlined in **Table 1**.

This discussion reveals that investors do not share the same motives from directing their investments abroad. Some of them seek entry into promising and profitable markets, while others invest for attaining advantages related to resources, efficiency, and strategic position. Countries should be attentive to these motives and work on exploiting them if the circumstances in favorable. For example, a country that has comparatively low wage levels may benefit from the introduction of new measures to facilitate the entry of new foreign investors who are interested in achieving improved efficiency for their business operations. Thus, countries have, with varying degrees, control in shaping the investment climate. Poor planning or lack thereof can undermine a country's strengths as an international investment hub, and that is because positive factors do not lead automatically to attracting investors, but they require the presence of effective management that direct a country's investment attraction assets properly.

11. Current State of Foreign Investment Globally

Although the attraction of foreign investments is a goal virtually sought by all nations, investment facilities may, in fact, include certain restrictions. This is evident in the nature of commonly adopted FDI policies regarding MNCs. While FDI policies often include a range of investment promotion measures, such as

Table 1. The main motives for foreign investment (Ramasamy & Yeung, 2010).

Motive	Explanation
Market Seeking	Seeking new markets involves focusing on several aspects, such as market size, purchasing power, and growth potential. Market size is significantly important for shaping investment decisions, as in larger markets investors can employ economics of scale to reduce the costs of entry. High purchasing power allows investors to differentiate products/services, thereby leading to localizing the production. Growth potential attracts foreign capital because foreign investment is, by nature, a long-term business endeavor, and thus markets with growth potential would attract foreign capital.
Resource Seeking	This motive is relatively minor compared to other motives for foreign investment. Investors encouraged by this motive direct their investments to countries where scarce resources can be secured in abundance and at low costs. However, the importance of resource seeking as a motive for foreign investment has decreased significantly in recent years.
Efficiency Seeking	Investors driven by this motive search for investment climates in which cost advantages can be attained. Investors are often attracted to investment in markets in which labor with comparatively low wages can be found easily. This is especially the case with MNCs searching for opportunities for achieving efficiency in the production of labor-intensive products. This motive has also emerged in service sectors, as work tasks are off shored to countries in which wage levels are lower. The intentions of foreign investors are also influenced by cost capital, represented by interest rates. Interest rate is inversely correlated with the cost of capital, as it leads to higher costs of borrowing. Therefore, higher interest rate is a discouraging factor for potential foreign investors. The availability of a large pool of skilled workers is also an important factor that attracts foreign investors. The availability of local talents allows for improved adaptation with the local market. As a result, the investing company would be more capable of expanding not only in the country targeted by investment but also in the region in which the country is located. The availability of reliable infrastructures attracts foreign investors. A strong infrastructure facilitates the movement of production inputs and outputs. Another efficiency-related factor that influences the inflow of foreign investment is the openness of the host country to international trade. This is attributable to the fact that openness to international trade is associated with less restriction on the movement of imported production inputs and exported outputs.
Strategic Asset Seeking	Several strategic reasons may compel a company to invest in a foreign country. A foreign company may invest in a foreign country as a starting point for expansion into the wider region. There are other companies that invest in other countries mainly to follow that same behavioral pattern of other competitors in the same host countries.

production subsidies and tax holidays, FDI policies may also impose certain restrictions on several aspects, such as those pertaining to entry into the market, operation, and access to capital (Pandya, 2016).

The restrictions on the entry of MNCs commonly address certain issues related to ownership. For example, investment restrictions may require MNCs to form joint ventures with domestic companies, which are stipulated to maintain the majority of ownership. Examples of restrictions on operation include imposing certain quotas on the representation of local talents in management

boards as well as minimum export levels (Pandya, 2016).

Another noticeable trend in foreign investment is the growth of investment in service sectors. This trend is especially noticeable in developing nations. There are several reasons for the substantial foreign investment in service sectors. Investment in service sectors is characterized by seeking entry into new markets, and thus investment in service sectors entails establishing new service production units at locations where targeted groups of consumers are located. Therefore, FDI in host countries is more appropriate for the expansion of production of services in targeted markets than other forms of transaction (e.g., trade). A second major reason for the increasing prevalence of foreign investment in service sectors is that many countries have adopted new liberalized economic systems under which the privatization of public-sector institutions has become allowed, thereby resulting in attracting large volumes of foreign investment. This trend has been particularly notable in developing nations. A third reason for the growth of foreign investment in service sectors is that developing nations have witnessed growth in cross-border mergers and acquisitions in many service sectors, such as water supply, banking, and telecommunications. A fourth reason for the growth of foreign investment in service sectors is the increased interest in the outsourcing of work to other countries in which the costs of labor are lower. The feasibility of outsourcing is largely attributable to the advancements in information and communication technologies (ICTs), which have significantly transformed the methods of distributing information-based services (Ramasamy & Yeung, 2010).

There is also another trend in foreign investment worldwide, which is the shift in the nature of the specific service sectors receiving investors' attention. For example, in the early 1990s, the vast majority of movement of foreign capital worldwide focused on two specific service sectors, which are the trading and finance sectors. The landscape of foreign investment has witnessed major transformation since that time. For example, by the 2000s, new service sectors have emerged as targets for foreign capital, with examples of these sectors including water, gas, and electricity supply, communications, storage, transport, and business activities (Ramasamy & Yeung, 2010).

From the discussion above, it can be stated that the state of foreign investment globally has witnessed major changes and shifts. Interestingly, many countries are still implementing restrictions on the rights and actions of foreign investors, even in the context of encouraging investment. Moreover, areas of interest for foreign investment have witnessed significant changes. In the contemporary world, there is a noticeable focus on service sectors. Services differ from commodities in that the former cannot be delivered to other markets without direct investments in these markets, and that is because services must be readily available at the locations where the targeted consumers are located. Recent trends in developing countries, such as increased orientation toward supporting mergers and acquisitions in service sectors, along with continuous advancement in ICTs,

are expected to lead to further growth of investments from developed nations into developing nations. The current trends are promising for the creation of a bright future for economic development globally.

11.1. Investment Facilities and Their Impact on Attracting Foreign Investments—The Case of Turkey

One of the major steps taken by the Turkish government for providing investment facilities in order to attract foreign investments is the launch of the stability program in 1980. The program was the beginning of a new era for the Turkish economy. The program encouraged the transformation into an outward-oriented economy, with emphasis on support for exporting and increasing the attraction of foreign investments. It was envisaged as a strategy to liberate and integrate the Turkish economy, which had been previously highly closed, into the global economy. This involved growing the volume of international trade and growing the inflows of foreign investments (Gökmen & Temiz, 2012).

The Turkish government introduced legal amendments to provide supports for the stability program. For example, the Foreign Investment Act of 1954 (Law No. 6624) was amended several times over the years to provide more facilitations for attracting foreign investments and supporting the international expansion of the Turkish private sector. However, the regulations of the law stipulate that multinational companies do not form monopolies. The tenets of the amended Foreign Investment Incentive Act can be summed up in the following points (Gökmen & Temiz, 2012):

- FDI in Turkey is permitted without any restriction, given that it is potentially beneficial to the Turkish economy and is not intended or likely to lead to the formation of a monopoly.
- Foreign investors enjoy the same rights and are as equally treated as Turkish investors.
- Lifting all the restrictions on shares of foreign investors in investment projects.
- Removal of all restrictions on hiring workers in Turkey.
- Free movement abroad of revenue generated from investment within Turkey.
- Only registration is required, without the need for complicated procedures related to confirming investment agreements, licenses, or any other similar forms of intellectual rights.
- Permission of use of credit from foreign resources without the need for complicated approval procedures.
- Allowing foreign investors to receive and keep generated returns in their original currencies rather than to be obliged to receive returns in Turkish liras.
- Processing of applications of investors should be carried out immediately.

Another significant legal step taken by the Turkish government for supporting Turkey's position as an international investment hub is the issuance of the "FDI Act" (Law No. 4875) in 2003. The issuance of this law has helped Turkey in at-

tracting large inflows of foreign investments. This law has made the investment climate in Turkey more attractive for foreign investors. This law grants foreign investors equal rights with national investors. Foreign companies with 100% foreign ownership are allowed to remain as such and operate in Turkey without any restrictions or certain performance requirements. Another major event that contributed to Turkey's success in attracting foreign investment is the commencement of talks with the European Union (EU) in 2004 over Turkey's entry into the Union. The annual average of inflows of foreign investments reached $10.3 billion during the years 2005-2007. However, the advent of the global financial crisis (2008-2009) led to a decline in inflows on foreign investments, not only in Turkey, but also in the rest of the world. The adverse impacts of the crisis were largely mitigated by the modification of Turkey's foreign investment policy to become more focused on certain sectors as well as by two large cross-border merger and acquisition agreements, which led the average level of inflows of foreign investments to return to levels similar to those before the crisis (Hisarciklilar, Gultekin-Karakas, & Asici, 2014).

The Turkish government adopted a new package of investment incentives in response to the repercussions of the global financial crisis in 2009. This package was developed to target 12 sectors in the Turkish economy by the incentive system. The main objectives were as follows (Erdoğan & Ataklı, 2012):

- Address the regional economic disparities in Turkey.
- Identification of economic sectors with the highest priority for support, with accordance to the competitive characteristics and regional needs.
- Encouragement of large investments for the purpose of promoting Turkey's economic competitiveness and facilitating the importing of new and more advanced technologies.

The investment incentive system played an effective role in sustaining the inflow of new investments during the financial crisis. However, the majority of investments attracted through the system were domestic. During the crisis, 4234 incentive certificates were issued; this number included only 186 certificates issued to foreign investors, while the remaining 4048 certificates were issued to domestic investors. The total volume of new investments injected by investors was valued at 56.28 million Turkish Liras, out of which only 7.7 million were from foreign investments (Erdoğan & Ataklı, 2012).

More recently, the Turkish government launched several consecutive development plans in order to support foreign investment in the country. From among these plans, two particular ones are notable, which are the Ninth and Tenth Development Plans. The former was carried out during the period between 2007 and 2013, while the latter was carried out between 2014 and 2018. The Ninth Development Plan outlined five main areas of priority, which are the attainment of improved competitiveness, increased employment, stronger social solidarity and human development, sustained regional development, and improved efficiency and quality in public services. During the implementation of

this plan, the Turkish government focused on compliance with the expectations of the EU. In the regards, the government enacted Law No. 6015, which is pertaining to the control and monitoring of state subsidies and was issued in 2010. Therefore, the government established the State Aids Monitoring and Supervision Board for the purpose of reviewing and monitoring the compliance of subsidies with legal obligations. The government also emphasized supporting investment in R & D and innovation. Moreover, the government supported the role of development agencies in the context of regional development (Alıcı, 2019).

The Tenth Development Plan focused on four main areas of priority, which are strong society and qualified people, stabilized high growth and innovative production, sustainable environment and livable spaces, and international cooperation in development. For the implementation of this program, international cooperation was highly emphasized (Alıcı, 2019).

The preceding discussion shows that Turkey has been keen on promoting its position as a hub for international investment for decades. The national vision for attracting foreign investment in Turkey first emerged from the desire to overcome the economic stagnation that the nation struggled with at some point in its recent history. The Turkish government has been aware that economic openness and liberalization are keys for moving forward with the Turkish economy toward development and prosperity. Over the years, Turkey has introduced a variety of investment facilities, such as laws, strategies, and development plans, in order to create an investment climate that would encourage foreign investors to select Turkey as the destination for their investments. More importantly, a pillar of Turkey's modern vision for the attraction of attracting of foreign investments is the maintenance of a strong and sustainable relationship with the EU. Therefore, Turkey has been keen on the introduction of measures for ensuring the openness of the national economy in order to meet the expectations of the EU. Despite the ambitious efforts by the Turkish government for attracting foreign investments, the largest proportion of attracted new investments have been, in fact, domestic. This outcome warrants investigations in order to arrive at explanations for the reasons why the investment facilities provided by the Turkish government have failed in attracting foreign investments to a level that is proximate or comparable to that of domestic investments.

11.2. Investment Facilities and Their Impact on Attracting Foreign Investments—The Case of Hashemite Kingdom of Jordan

Jordan is characterized by high awareness of the significance of attracting foreign investments for its economy. Jordan realizes that attracting foreign investments can contribute to developing its economy and promoting its capability to meet the needs of its citizens. The importance of attracting foreign investments in Jordan stems from the scarcity of the country's economic resources as well as

the need for importing international experiences, which may contribute to enriching technical knowledge in the country's economic sectors (Al-Froukh, 2019).

The Jordanian economy has been increasingly becoming more open in recent years. This is evident in the country's consistent efforts for attracting foreign investments. The continuous advancement in ICTs has further increased Jordan's need for being economically open to the outside world, as with openness to foreign investment Jordan would become more capable of keeping abreast of the global economic and political changes. In Jordan, foreign investment is an important economic resource, and it plays a significant role in generating employment opportunities. Therefore, there have been major efforts for attracting foreign investments in Jordan (Al-Froukh, 2019).

The facilitation of investment has become a major goal for the Jordanian government. In the Jordanian economic policy, global economic openness is considered a key element. Economic openness represents a major shift from the government's old economic philosophy, which espoused the idea of economic protection. The current economic policy is rooted in a number of economic principles, such as promoting the private sector's competitive advantage, increasing productivity, and economic liberalization. The improvement of the domestic investment climate and making it more attractive for foreign investors has been major economic goals for successive governments in Jordan. To that end, there have been major efforts for amending and developing investment laws to increase the attractiveness of the investment climate in Jordan. Additionally, Jordanian governments have been keen on signing international treaties in order to enhance Jordan's position as a destination for foreign investments. Jordan has signed trading treaties with other Arab states, the European Union, and the United States. Another major effort by Jordan to encourage and attract international investment is joining the World Trade Organization in 2000. Moreover, Jordan established the Qualified Industrial Zone, which plays an important role in attracting foreign investments (Mukhtarov et al., 2019).

Jordan has paid attention to establishing a strong legal system for supporting and attracting foreign investments. A key step taken in that regard was the issuance of the Law No. 16/1995 (Investment Promotion Law), which became effective in September of 1995. The law was issued as a part of major reform initiative launched by the government for the purpose of fostering the competitiveness of the Jordanian economy in attracting foreign investments. Under this law, foreign investors have complete rights and freedom to own assets in any economic sector in the country without any restrictions (Khrawish & Siam, 2010).

The Investment Promotion Law is aimed at providing foreign investments with a wide range of facilities. These facilities mainly include tax and customs exemptions. In addition to the provision of investment incentives, the law is also keen on establishing a strong investment climate. In order to ensure establishing a strong investment climate, the law provides a list of requirements, including

the construction of paved words, providing adequate transportation means, and distribution of petroleum/gas products and water. The law also provides a range of preventive and protective measures for guaranteeing the rights of investors (Al-Froukh, 2019).

The Investment Promotion Law has played a significant role in increasing the inflow of foreign investments since its enactment. For example, the total volume of foreign investments in the Jordanian economy was valued at 287.9 million Jordanian dinars in 1997 and increased to 2301 million Jordanian dinars in 2007. In terms of the percentage of foreign investments to GDP, it rose from 6.34% in 1997 to 20.5% in 2007. This growth in the inflow had reflections on the growth rate of Jordan's GDP. The percentage of foreign investment to GDP rose from 5.2% in 1997 to 6.0% in 2007 (Khrawish & Siam, 2010).

Other positive impacts of the Investment Promotion Law on foreign investment include the growth of foreign ownership in various sectors in the Jordanian economy. For example, the percentage of foreign ownership in the banking sector grew from 45% in 1997 to 58% in 2007; in the insurance sector, the percentage of foreign ownership grew from 15% in 1997 to 20% in 2007; in the services sector, the percentage of foreign ownership grew from 3% in 1997 to 25% in 2007; in the industrial sector, the percentage of foreign ownership grew from 21% in 1997 to 32% in 2007; on the aggregate level of all sectors, the percentage of foreign ownership grew from 29% in 1997 to 43% in 2007 (Khrawish & Siam, 2010).

The Jordanian government is keenly interested in devising new strategies and plans for strengthening the role of governmental bodies in eradicating the various barriers that have plagued the efforts of attracting foreign investments. Examples of the most prominent of such barriers include the following (Al-Froukh, 2019):

- Lack of strategy or vision supporting and promoting investment.
- Inconsistency in the adopted economic policies.
- Crises in the Middle East region.
- High costs of oil/gas in Jordan.
- Bureaucracy in the government.
- Slowness of processes.
- Requirement of acquiring approval from several parties in procedures.
- Weak cooperation between the public and private sectors.
- Contradicting regulations and laws.
- Conflicts and disagreements among governmental bodies.
- High fees and taxes.
- Absence of effective investment facilities.
- High level of perceived uncertainty by foreign investors.
- Instability of the domestic business climate.

More recently, Jordan has embarked on a new investment promotion program that involves initiating comprehensive reforms in order to meet the re-

quirements of financial and economic liberalization. This program is the outcome of cooperation and coordination among the Securities Depository Center (SDC), Amman Stock Exchange (ASE), and the Jordanian Securities Commission (JSC). These bodies have cooperated to create a business environment that is attractive for foreign investments. These efforts have resulted in positive impacts on the Jordanian economy in the form of increased non-Jordanian ownership in the market. As a result of these efforts, the Jordanian economy sustained a high level of foreign ownership in the Jordanian market throughout the 2010s. For example, the percentage of foreign ownership was 51.7% in 2012, 49.9% in 2013, 48.8% in 2014, 49.5% in 2015, and 49.6% in 2016. Thus, the Jordanian government's efforts helped in establishing regional superiority for Jordan as a hub for international investment, as the percentages of foreign ownership in the Middle East region range between 20% and 25% (Al-Smadi, 2018).

Despite the positive and consistent impacts of investment facilities in the increase of foreign ownership, the impacts on the net investment of foreign investment in the country is significantly inconsistent, as the value of net investment is characterized by volatility and noticeable fluctuation (Al-Smadi, 2018). **Table 2** presents an overview of the fluctuation of net investment of foreign investors in Jordan during the period between 2007 and 2016.

From this discussion, it can be stated that Jordan adopts a long-term strategic vision for the attraction of foreign investments. To that end, Jordan adopts a wide range of investment facilities in order to attract flows of foreign capital. The Jordanian government has been keen on the enactment of laws that provide investment facilities and incentives to foreign investors. In order to strengthen its international trade relations, Jordan signed trade treaties with many countries. Jordan also works on the elimination of traditional obstacles that plagued its investment system for a long time. The positive impacts of investment facilities adopted by Jordan are significant, and they are especially evident in the increased ownership in the Jordanian economy. Despite the success of investment facilities adopted by Jordan in the attraction of new foreign investors, a major shortcoming in Jordan's efforts in that regard is the inconsistent impact on net investment of foreign investors. Addressing this issue necessitates careful

Table 2. Net investment of foreign investors during the period between 2007 and 2016 (values are in million Jordanian dinars) (Al-Smadi, 2018).

Year	Net Investment	Year	Net Investment
2007	466.2	2012	37.6
2008	309.8	2013	146.9
2009	−3.8	2014	−22.2
2010	−14.6	2015	10.6
2011	78.6	2016	237.1

examination and devising appropriate solutions by the Jordanian government.

12. Conclusion

This paper has discussed the current state of investment facilities and their impact on attracting foreign investments, with the focus on Turkey and Jordan as the contexts of interest. To that end, the paper has discussed several topics on investment facilities and the attraction of foreign investments. The author believes that the present paper is a valuable contribution to literature on the impact of investment facilities on the attraction of foreign investment in the Middle East region.

The discussions in this paper have shown that countries implement a wide variety of facilities for investors. Investment facilities vary in nature, as they may be found in the form of a strong investment climate or in the form of a range of facilities or incentives to encourage and attract investors to invest in the country. Incentives, in turn, vary in terms of their underlying principle. For example, some incentives are provided in the form of subsidies (direct incentives), while others are provided in the form of certain tax or other advantages (fiscal incentives).

The discussion in this paper has also shown that the attraction of foreign investments is a significant aspect of the global economy, as countries are increasingly seeking to attract foreign investments in order to attain several advantages for their economies. Examples of advantages of foreign investments for the economy include importing of new technologies, increased productivity, and generation of employment opportunities. Foreign investment is beneficial for investors as well. Through investment in other countries, investors seek to attain advantages in several aspects, including accessing new profitable markets, accessing needed resources at lower costs, attaining higher levels of operational efficiency, and acquisition of strategic assets.

In order to attract foreign investments, countries employ a wide range of facilities. Facilities vary in the type of treatment provided to foreign investors. Many of these facilities involve granting foreign investors rights that are equal to those granted to domestic investors, while others are discriminatory in nature (i.e., FDI incentives) and grant foreign investors favorably preferential treatment. However, in many cases, investment facilities targeting foreign investors include certain restrictions (especially on MNCs).

The paper has also presented a comparison between two countries, Turkey and Jordan, in the employment of investment facilities and their impact on the attraction of foreign investment. Both countries have been aware of the role of the attraction of foreign investment in supporting the performance of the national economy. Both countries have devised laws and strategies for supporting foreign investors. Turkey has introduced a variety of measures to provide foreign investors with rights equal to those granted to domestic investors. It has also worked on removing restrictions on investors with regards to ownership and

operation. Moreover, Turkey has been keen on introducing investment facilities in order to improve its regional and international status by strengthening its prospects of joining the EU. On the other hand, Jordan has paid attention to the need for establishing an open economy to attract foreign investment. Foreign investment is of interest for Jordan due to its role in creating job opportunities and overcoming the country's lack of strategic resources. In order to create a strong investment climate, Jordan has introduced a range of laws and signed international trade treaties with many countries. Both Turkey and Jordan have succeeded in raising the volumes of inflow of foreign capital.

Although both Turkey and Jordan represent two cases of successful use of investment facilities for attracting foreign investments, each of the two cases has its own distinctive strengths and weaknesses. The strengths and weaknesses of Turkey and Jordan in the use of investment incentives for attracting foreign investments are summed up as follows:

The Case of Turkey:

- Strengths: Turkey has been keen on attracting foreign investments by granting foreign investors the same rights as domestic investors. The government has also paid attention to simplifying the procedures required for registering investments. Another noticeable strength of the Turkish vision is the strong emphasis on regional development and the desire to attract foreign investments in a manner that supports regional development. The Turkish vision for the attraction of foreign investments has succeeded in mitigating the impacts of economic crises, including the global financial crisis. The heavy focus on meeting the expectations of the EU has driven the Turkish government to take serious measures for liberalizing the national economy and increasing its openness.
- Weaknesses: although Turkey has taken a variety of measures for attracting foreign investments, Turkey has struggled to realize a significant increase in the percentage of foreign ownership in the national economy. The efforts taken by the Turkish government have mostly attracted domestic investors.

The Case of the Hashemite Kingdom of Jordan:

- Strengths: the Jordanian government has introduced a variety of laws, strategies, and plans to create an attractive investment environment. Jordan has succeeded in realizing a significant increase in foreign ownership in several economic sectors. Since the emergence of the orientation toward economic openness and liberalization, Jordan has succeeded in increasing the inflow of foreign capital dramatically. The Jordanian government has been keen on addressing a variety of issues that have plagued the investment climate in Jordan. This has resulted in turning foreign investment into a pillar of the Jordanian economy.
- Weaknesses: despite the various positive impacts, Jordan's efforts have not succeeded in securing consistent increase in net investment of foreign investors.

In the light of the discussions presented in this paper, the author presents a number of suggestions for research and recommendations for practice:

Research Suggestions:

- Conducting further similar research on the differences between countries in the use of investment facilities for attracting foreign investment, while focusing on the examination of cases of countries that vary in terms of geographical region, political and legal systems, and social and cultural norms.
- Conducting empirical research employing qualitative research methods, with focus on the Jordanian context, and that is in order to acquire in-depth information on the most prominent enablers and obstacles of foreign investment in Jordan.

Practical Recommendations:

- The Jordanian government should design new investment policies that are in line with those adopted in the world's leading countries in attracting foreign investments.
- The Jordanian government should carry out periodical assessments of the effectiveness of the adopted investment policies and facilities and their success in increasing the volume of foreign investment inflows.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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