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**Parviz Mammadov**

Azerbaijan National Academy of Science  
parvizmammadov@gmail.com

## SECTORAL ANALYSIS OF FOREIGN INVESTMENT

### Abstract

As a principal bridge between Europe and Asia, Turkey attracts high foreign investments in many fields due to its strategic location and strong economic policies. Through this paper, one can get insight into essential sectors like energy, real estate, manufacturing, health, IT, tourism, and agriculture, where massive inflows are recorded, and also it points at the challenges that have to be tackled and opportunities gained. While most of the investment in the energy sector goes into renewable sources such as wind, solar, and geothermal, introducing advanced drilling technologies will go a long way in boosting geothermal production. Real estate investment will also focus on urban development due to rapid urbanization. In contrast, the manufacturing sector will focus on automotive and electronics both vital to the export strategy of Turkey. Other emergent sectors, such as health and biotechnology, have shown demographic and technological changes, hence emerging opportunities in biotechnology and pharmaceuticals. The digitalization of the economy has led to a sustained increase in the demand for digital services. All these combined yield an extremely dynamic business environment where companies grow and fail rapidly, hence great potential in many sectors such as cybersecurity and digital innovation. The rich cultural heritage of Turkey, in general, augments the opportunities in the tourism sector, but it also has to deal with problems such as regional security and political stability. Agriculture continues to be the foundation, but the trend is more toward sustainable practices and organic farming to face the change in climate and resource management. This detailed presentation will guide stakeholders and investors who would like to have a view and navigate through the investment landscape in Türkiye.

**Keywords:** *Foreign Direct Investment (FDI), Turkey's economy, renewable energy investments, technological advancements, sustainable agriculture, economic growth strategies, real estate development, tourism and hospitality industry*

**Pərviz Məmmədov**

Azərbaycan Milli Elmlər Akademiyası  
parvizmammadov@gmail.com

## Xarici investisiyaların sektoral təhlili

### Xülasə

Avropa ilə Asiya arasında mühüm körpü olan Türkiyə strateji mövqeyi və güclü iqtisadi siyasətləri ilə bir çox sahədə yüksək xarici investisiyaları cəlb edir. Bu araşdırma sayəsində enerji, daşınmaz əmlak, istehsalat, səhiyyə, informatika, turizm və kənd təsərrüfatı kimi böyük investisiya axınının qeydə alındığı əsas sektorlar haqqında təsəvvür əldə etmək, həmçinin aradan qaldırılmalı olan çətinlikləri və imkanları qazandığını göstərmək olar. Enerji sektoruna investisiyaların əksəriyyəti külək, günəş və geotermal kimi bərpa olunan mənbələrə qoyulsa da, qabaqcıl qazma texnologiyalarının istifadəsi geotermal istehsalın artırılmasında uzun bir yol keçəcək. Sürətli urbanizasiya ilə əlaqədar daşınmaz əmlak investisiyaları da şəhərin inkişafına yönəldiləcək. Bunun əksinə olaraq, istehsal sektoru Türkiyənin ixrac strategiyası üçün həyati əhəmiyyət kəsb edən avtomobil və elektronika sahəsinə diqqət yetirəcək. Səhiyyə və biotexnologiya kimi digər inkişaf etməkdə olan sektorlar demografik və texnoloji dəyişikliklər göstərərək biotexnologiya və əczaçılıq sahəsində yeni imkanlar yaratdı. İqtisadiyyatın rəqəmsallaşması rəqəmsal xidmətlərə tələbatın daim artmasına səbəb olub. Bütün bunlar şirkətlərin sürətlə böyüdüyü və iflasa uğradığı yüksək dinamik

iş mühiti yaratmaq üçün bir araya gəlir. Buna görə də kibertəhlükəsizlik və rəqəmsal innovasiya kimi bir çox sektorlarda böyük potensial var. Türkiyənin zəngin mədəni irsi ümumilikdə turizm sektorunda imkanları artırır, eyni zamanda regional təhlükəsizlik və siyasi sabitlik kimi məsələlərlə də məşğul olmalıdır. Kənd təsərrüfatı vacib olaraq qalır, lakin tendensiya iqlim və resursların idarə edilməsində dəyişikliklərlə üzləşmək üçün daha davamlı təcrübələrə və üzvi əkinçiliyə doğrudur. Bu ətraflı təqdimat Türkiyədə investisiya mühitini görmək və naviqasiya etmək istəyən maraqlı tərəflərə və investorlara yol göstərəcək.

**Açar sözlər:** *Birbaşa Xarici İnvestisiya (BXİ), Türkiyənin iqtisadiyyatı, bərpa olunan enerji investisiyaları, texnoloji irəliləyişlər, davamlı kənd təsərrüfatı, iqtisadi inkişaf strategiyaları, daşınmaz əmlakın inkişafı, turizm və otelçilik sənayesi*

## Introduction

From the strategic point of view, being located at the crossroads between Europe and Asia, Türkiye attracts desirable investments for foreigners. The deep dive down further to the targeted sectors will dwell on growing sectors with mounting potential, challenges, and opportunities close up in some detail, building up the landscape whereby stakeholders can decide correctly, which may influence the form of the economic future of Türkiye.

### Major Sectors Attracting Foreign Investment.

**Energy Sector:** Energy investments in Turkey are becoming increasingly dynamic thanks to government policies covering renewable energy, especially wind and solar energy, and geothermal energy. Sustainability-oriented policies reduce fuel dependency and increase energy security; Therefore, with the contribution of these policies, the planet's fight against climate change is effectively reduced.

It also promotes the use of renewable energy as part of a larger effort to diversify energy sources and promote technology and innovation in the sector.

**Key challenges:** The biggest challenge facing the sector is the investment of significant capital to set up renewable energy facilities. The addition of renewable energy to the National Grid brings technological challenges that must be addressed with the latest techniques and practices to make the plant reliable and efficient. There's also a changing regulatory environment — trends in the industry that require businesses to make many adjustments.

**Opportunities:** Turkey offers many opportunities, especially in terms of taking advantage of renewable resources. Due to their location, major tectonic boundaries contain more geothermal energy. This situation, with government policies and incentives on the one hand, and the development of clean energy projects on the other, thus providing a good market for local and international investors to invest. This will open up opportunities to use drilling technologies derived from oil and gas to more efficiently exploit geothermal resources (Pedrosa, Ochoa, Erdurmus, Oueslati, Siyako, Damcı, 2023).

### Real Estate and Construction: Snapshot View.

Türkiye's real estate and construction are never drying up from attracting massive investments, which are more witnessed in its developed stage for commercial properties and luxury residential units, especially in major key urban centers like Istanbul. This growth is mainly instigated by domestic demand, and there is international interest due to the large investment yields in urban real estate. The other efforts in the modernization effort by the government in both infrastructures and public amenities sections have further driven the development.

**Challenges:** However, the developments identified within the sector do point towards various challenges. In times of economic volatility, there is erratic property value, and changes in interest rates also cause changes in the borrowing cost of development projects. Further compounded by bureaucratic hurdles, delays in obtaining regulatory changes can often derail the timely execution of the projects, thus impacting the overall investment returns adversely. Besides, the political environment would influence market stability to a more significant extent, which forms an essential aspect of long-term investment decisions.

**Opportunities:** Opportunities are many open for this industry, more so with the urban redevelopment projects and expansion of infrastructures that serve cities on the rise. Initiation of new ways of investment has also developed sustainability initiatives and green building practices. In addition, the initiation of a new way of creating mixed-use properties from one source, including residential, commercial, and leisure facilities, tends to come up with new opportunities in holistic urban development (Ozdemir, 2002).

#### **Manufacturing: General Review.**

This is, in fact, the very backbone of the Türkiye economy, helping to drive most of its growth in exports. This significant sector includes many important industries: car and electronics production, textile, and food processing industries, among others. This is a sector that takes advantage of Türkiye's location and opens markets in Europe, Asia, and the Middle East. Government support for the industry comes from incentives of tax exemption and subsidies to support national production and foreign attraction investment.

**Challenges:** This poses the greatest challenge to the manufacturing sector since technological modernization is mandatory for remaining in stiff competition in the world market. This installation will be equipped with fully automated machinery and the latest technology of Industry 4.0, which in turn requires a considerable investment not only in machinery but also in training the human workforce. The difficulties involve the rigmarole of retaining and employing labor with highly technical skills, considering that the demand for such talents is rising.

**Opportunities:** Opportunities that present higher stakes are those relevant to value-added sectors—sectors such as aerospace and defense, automotive, and electronics. These will be the sectors that Türkiye's increasing reputation as a quality manufacturing hub would benefit. It's great to know that there is a potential expansion into new markets, particularly in areas where Türkiye has free trade agreements. The local manufacturers also have a robust market for them since the increased domestic demand highly is for sophisticated consumer goods (Aykal, 2023).

#### **Healthcare and Biotechnology: An Overview.**

The healthcare and biotechnology industry of Türkiye is under rapid transition, with immense investments being dumped into the sector for technology and infrastructure. This is owing to an increasing population, better health awareness, and efforts by the government to enhance the health service scenario across the nation. The industry is massively progressing towards an innovative hub, especially for biotechnology, pharmaceuticals, and medical devices, with extensive activities of research and development through funding both public and private partnerships.

**Barriers:** Among the most urgent of them is the equipping and modernizing health facilities according to the increased volume of service delivery needs, especially in rural and the worst-hit urban underserved areas. Further developing human medical resources in terms of specialists and researchers certainly involves bringing improvements to the programs of education and training. Regulatory barriers and sluggish bureaucratic processes hamper enhancing the capacity for approval and rolling out new medical technologies and treatments.

**Opportunities:** There are excellent opportunities for growth within the field, especially in the emerging areas of genomics, precision medicine, and digital health solutions. These investments are considered to drive current and future growth and innovation. Most importantly, the geolocation of Türkiye as a bridge across two continents allows it to be among the leading regional countries in terms of health care. This will, in effect, attract medical tourism patients from Europe, Asia, and the Middle East (Bedir, 2023).

#### **Information Technology and Telecommunications: Overview.**

Information technology and telecommunications are one of the most rapidly growing industries in Türkiye, owing to increasing penetration preference for digital services and country-infrastructure development marked therein. This sector is critical for the country's economic modernization as it plays a pivotal role in ensuring connectivity among the diverse regions. It has resulted in the government giving more attention to digital transformation, improving the broadband

infrastructure, and encouraging tech startups through incentives, all of which have considerably improved the innovation and entrepreneurship ambiance in the country.

**Threats:** But, like in any other industry, it faces numerous threats. This proves that cybersecurity remains a huge issue and has to be addressed very effectively with the best security measures that will ensure that data stay integral and private from possible tampering and unauthorized access. Rapid technological changes also require constant investment in skills development and training to keep the workforce current. There are also constant regulatory issues, such as compliance required by international standards and data protection laws, which constantly act as hurdles for companies that operate in this space.

**Opportunities:** Digitalization brings many opportunities for development and innovation in artificial intelligence, cloud computing, and the Internet of Things (IoT). Another great opportunity is visible through the possible growth in e-commerce, mobile services, and telecommunication solutions. The location of Türkiye as the main junction point of continents presents itself as a gateway to emerging markets, especially the neighboring countries, and thus further propels its role as the regional hub of technology and telecommunications service provision (Aykal, 2023).

### **Tourism and Hospitality — General Overview.**

Based on an extremely rich cultural heritage, historical sites and outstanding natural beauty, the tourism and hospitality sector is one of the key areas for the development of Turkey's national economy. From the covered bazaars of Istanbul to the tranquil beaches of the Mediterranean, Turkey has it all. The government has continued to invest heavily in infrastructure to support tourism, including transportation and accommodation, to enhance the visitor experience and further increase accessibility to the country's key tourist destinations.

**Challenges:** There are a number of challenges facing the sector in terms of growth and sustainability. Otherwise, a number of other internal and external triggers can sometimes cause political instability and regional security concerns that reduce tourist arrivals; issues such as climate change can pose long-term threats to coastal tourism. In addition, protecting cultural and historical sites, allowing tourist flows and sustainable maintenance requires careful management and planning.

**Opportunities:** There are many opportunities for further expansion and development of innovations in the tourism and hospitality industry. This will attract a new segment of environmentally conscious tourists and therefore eco-friendly tourism practices are being developed for sustainable travel experiences. There will also be increased reach in expanding niche markets such as health and wellness tourism, adventure tourism and culinary tourism. We can also make them competitive by leveraging digital technologies for personalized travel experiences and better customer service (Yilmaz, Yorulmaz, 2023).

### **Agriculture and Food Production.**

**Introduction:** From history and facts, agriculture has been one of the most essential critical sectors in the Turkish economy. It has been an increasing factor and, of course, forms the base for millions of people, and together with produce, it helps substantially in contributing toward the country's exports. Thanks to the diverse climate in the country and fertile land, Türkiye is able to produce many crops, so it's appropriate to call this country an agricultural giant with power that can cover from the European up to Middle Eastern agrarian markets. In recent years, this trend has started to change with the boom of more ecologically sounding and technology-based farming practices representing accompanying sectoral adjustments, in general, to trends and local problems.

**Threats:** The sector faces various threats to its activities. Sustainable management of the use of water for irrigation will also change with the shifting pattern of rainfall and crop yield, which is challenging with increased temperatures, the change in precipitation patterns, and water availability under climate change. The industry is also progressively facing the wave of organic and non-GMO products that represent changed growing practices and certification.

**Opportunities:** These would exist to a great extent for growth and innovation in the industry under such scenarios and situations. The trend is moving towards organic and value-added products,

not only in domestic areas but also in the international market. This trend provides remunerative markets for the farmer and agribusiness man. The massive productivity and sustainability gain emanates from adopting modern agricultural technologies, such as precision farming, IoT sensors, and the use of drones for monitoring to attain improved production of crops. Türkiye further adds to the package because it is very strategically located, acting as a bridge between the continents, hence consequently being able to have easier access to new and emerging markets (Karagoz, 2023; Tekiner-Mogulkoc, 2022).

### Conclusion

Strategic foreign investments play a pivotal role in fueling Türkiye's economic growth across its diverse sectors. By effectively navigating the challenges and capitalizing on the vast opportunities outlined in this analysis, investors can significantly contribute to the country's economic expansion. The insights provided here are invaluable for stakeholders looking to engage with or invest in Türkiye's dynamic economy. From the thriving energy and manufacturing sectors to the burgeoning fields of healthcare, IT, and tourism, Türkiye offers a fertile ground for investment that promises high returns. Moreover, its strategic geographical location enhances its appeal as a bridge between East and West, providing unique advantages in terms of access to global markets. As Türkiye continues to modernize and grow, the sectors highlighted in this report will be crucial in shaping its economic future.

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