

# **Yeni Sanayileşen Ülkelerde Sermaye Akımları ve Büyüme: Türkiye Örneği**

## **Capital Flows and Growth in Emerging Market Economies: The Case of Turkey**

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### **Abstract**

Since May 2013, we have witnessed sudden stops and large reversals in the flow of capital to the emerging market economies (EMEs). What we have witnessed is the reversal of the surge of capital that started in 2009 from the advanced economies to the emerging ones, as has been expected. The episodes of capital surges and retrenchments have been observed repeatedly in the last three decades. In this period, capital flows across countries have increased dramatically, but their fluctuations and volatility have been even more dramatic. Furthermore, these flows have played an increasingly important role in the business cycles of both advanced economies and EMEs and during episodes of crises. Why then, in spite of cycles and crises, there is free flow of capital to EMEs? One answer is that these flows might be used to finance investments and to contribute to the long run growth of the EMEs. The basic aim of this paper is to examine the validity of this assertion. Thus, the paper attempts to establish the effect of capital flows on the growth performance of the EMEs, with special reference to Turkey. After a survey of research on the subject, the paper first provides an account of the recent developments in international capital flows. The paper concentrates more on capital flows to Turkey in terms of categories, namely, foreign direct investment, portfolio investment and credit flows. The paper then empirically investigates the effect of these three categories and total capital inflows on the growth of the EMEs. Policy implications of the findings are also discussed.