



INVEST IN TURKEY

INVESTMENT SUPPORT & PROMOTION AGENCY OF TURKEY

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ISPAT NEWSLETTER



TURKEY CHOOSES STABILITY IN HISTORIC ELECTIONS

Turkey held historic presidential and parliamentary elections on June 24, 2018 and delivered a clear mandate for stability. President Recep Tayyip Erdoğan took the majority of the votes to become the first president under the new constitutional system.

The new presidential system will help implement further reforms and positively shape the investment climate. The election victory of President Erdoğan and the Justice and Development (AK) Party is good news for foreign investors as they can have confidence in a coherent investment environment and expect more rapid action on structural reforms.

TURKEY OFFERS A LESSON IN DEMOCRACY

The elections have removed any concerns related to Turkey's continued stability as President Erdoğan was re-elected with 52.6

percent of the votes in an election that saw record voter turnout of 88 percent, while also positioning Turkey as one of the leading countries globally in terms of democratic participation. Investors can now expect the government to take steps to further increase economic growth, reduce the current deficit, stimulate job creation, and provide a more stable and predictable investment environment.

President Erdoğan addressed the nation from the balcony of the AK Party headquarters in Ankara following the elections and said that the Turkish democracy and 81 million Turkish citizens were the winners of the elections. "We will be working on our promises that we gave to our nation starting from tomorrow. We have not a single moment to lose, and we will start implementing our program immediately," Erdoğan said.



Over the past decade and a half, Turkey has improved its investment climate through sweeping reforms that have enabled the country to emerge as one of the most reformist in the world. Turkey's strong democratic practice proven once again in the latest elections on June 24, which saw a record voter turnout of around 88% – one of the highest globally.

In June, ISPAT held an exclusive seminar on Turkey's investment environment and two workshops on the Turkish automotive and machinery sectors in Stuttgart, Germany, as part of the Global Connect 2018 event. We also attended an investment seminar in Tokyo, Japan.

PRESIDENT ERDOĞAN MAKES FIRST-EVER LANDING AT ISTANBUL NEW AIRPORT



Almost 30 percent of Turkey's infrastructure investment need till 2023 is expected to be made through public private partnership model mega projects. One of these, the Istanbul New Airport, will be built by a consortium of five construction giants - Cengiz, Mapa, Limak, Kolin, and Kalyon. The new airport will take its place among the outstanding examples of world architecture with its special design that draws inspiration from Istanbul, its unique geographical location, and rich and diverse history that spans many different civilization.

On June 21, 2018, President Erdoğan's aircraft took off from

Gaziantep and then made a historic first-ever landing on the 3,750-meter-long runway at Istanbul New Airport, which is expected to formally open to air traffic on October 29, 2018. President Erdoğan said that the Istanbul New Airport, which is set to become the world's largest airport, is not simply a prestige project, but that it is a landmark and that it will be inaugurated on the anniversary of the foundation of the Republic on October 29.

The new airport will assume most of the passenger traffic from Atatürk International Airport. Hosting 250 airlines flying to more than 350 destinations, Istanbul New Airport

will be one of the world's largest transport hubs. The airport will initially have an annual passenger capacity of 90 million, and officials plan up to 3,500 aircraft movements (landings or take-offs) daily.

The initial annual cargo capacity of the airport is estimated at 5.5 million tons, and Minister of Transport, Maritime Affairs and Communications Ahmet Arslan has announced that giants such as UPS, DHL, and FedEx, have submitted applications to register for leasable area at the Istanbul New Airport.

The airport is expected to provide employment to 225,000 people.

UNCTAD REVEALS WORLD INVESTMENT REPORT 2018

Global foreign direct investment flows fell by 23.4 percent in 2017, to USD 1.43 trillion from USD 1.87 trillion in 2016, according to UNCTAD's World Investment Report 2018. The global fall was caused in part by a 22 percent decrease in the value of cross-border mergers and acquisitions. The value of announced greenfield investments – an indicator of future trends – also fell by 14 percent, to USD 720 billion.

Projections for global FDI in 2018 show fragile growth. Global flows are forecast to increase marginally, by up to 10 percent, but remain well below the average over the past 10 years. Higher economic growth projections, trade volumes, and commodity prices would normally point to a larger potential increase in global FDI in 2018. However, risks are significant, and policy uncertainty abounds. Escalation and broadening of trade tensions could negatively affect investment in global value chains. In addition, tax reforms in the United States and greater tax competition are likely to significantly affect global investment patterns.

FDI INFLOWS TO SELECTED REGIONS AND COUNTRIES (\$ BILLION)

	2016	2017	CHANGE
World	1,867.5	1,429.8	- 23.4%
Developed Economies	1,133.2	712.4	- 37.1%
Developing Economies	734.3	717.4	- 2.3%
European Union	524.0	303.6	- 42.1%
United Kingdom	196.1	15.1	- 92.3%
Poland	13.9	6.4	- 53.8%
Slovenia	1.3	0.7	- 44.3%
South Africa	2.2	1.3	- 40.7%
United States	457.1	275.4	- 39.8%
Chile	11.2	6.7	- 39.7%
Russian Federation	37.2	25.3	- 32.0%
Czech Republic	9.8	7.4	- 24.5%
Turkey	13.3	10.9	- 18.0%
India	44.5	39.9	- 10.3%
Mexico	29.8	29.7	- 0.2%
China	133.7	136.3	2.0%
Romania	5.0	5.2	3.3%
Brazil	58.0	62.7	8.1%

TURKEY ONE STEP CLOSER TO BECOMING A REGIONAL ENERGY HUB

The Trans-Anatolian Natural Gas Pipeline (TANAP), which constitutes the backbone of the Southern Gas Corridor and which follows the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum oil and natural gas pipelines, in addition to the Baku-Tbilisi-Kars railway, was officially launched on June 12, 2018, in the central Turkish city of Eskişehir. Attending the ceremony were President Recep Tayyip Erdoğan, President İlham Aliyev of Azerbaijan, President Mustafa Akıncı of the Turkish Republic of Northern Cyprus, President Aleksandar Vučić of Serbia, and President Petro Poroshenko of Ukraine.

During the inauguration, President Erdoğan said, "We are opening the Trans Anatolian Natural Gas Pipeline, the backbone of the southern gas



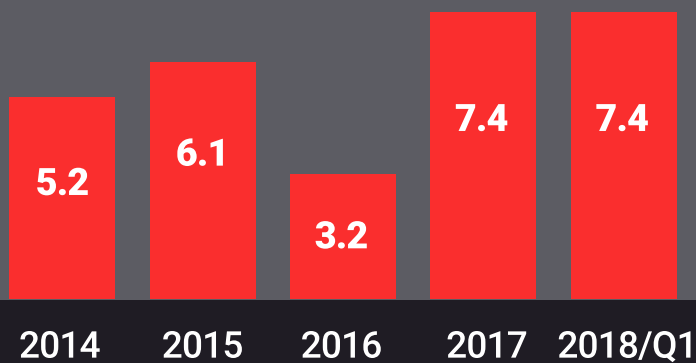
corridor, which we call the Silk Road of energy. With TANAP, Turkey is no longer a transit country. We have a critical role in the value chain extending from producer to final consumer. Turkey is now one step closer to its vision of becoming an energy hub in the region."

TANAP is a natural gas pipeline stretching from the Turkish-Georgian border to the Turkish-Greek border. It will supply natural gas both to Turkey and to European countries. The 1,850-km pipeline is the largest section of the 3,500-km Southern Gas Corridor, which was inaugurated on May 29, 2018, in Baku, Azerbaijan.

With an estimated USD 8 billion in investment, TANAP will deliver 6 billion cubic meters of Azeri gas to Turkey and 10 billion cubic meters in throughput to Europe per year. The European part of the project is expected to be operational in 2020.

TANAP will be followed by an 878-km cross-border natural gas pipeline, the Trans Adriatic Pipeline (TAP). Starting from the Greek-Turkish border, TAP will cross Greece, Albania, and the Adriatic Sea before terminating in Italy. At its entry point, TAP will connect to the Trans Anatolian Pipeline (TANAP) in Turkey.

GDP GROWTH IN TURKEY (%)



Source: TurkStat

ROBUST GROWTH CONTINUES IN TURKEY IN Q1 2018

Turkey rode the momentum of the 2017's impressive GDP growth well into the first quarter of 2018. The Turkish economy grew by a faster-than-expected 7.4 percent year-on-year in the first quarter of 2018, according to the official data of the Turkish Statistical Institute. The breakdown of the data showed that private consumption and the recovery in investments were the main drivers of growth in first quarter. Private consumption grew by 11 percent and investment expenditures by 9.7 percent year-on-year in the first quarter. With strong growth on solid macroeconomic fundamentals, Turkey remains on track as one of the largest economies globally, ranking top among OECD, and second among G20 members after India.

In its June 2018 Global Economic Prospects Report, the World Bank forecast that Turkey's economy will grow by 4.5 percent in 2018, while according to the OECD, Turkey's economy is forecast to expand 5.1 percent this year. For comparison, the global economy as a whole is projected to grow by 3.8 percent.

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TURKEY'S INVESTMENT OPPORTUNITIES SHOWCASED IN GERMANY

ISPAT held an exclusive seminar on Turkey's investment climate and workshops on Turkey's automotive and machinery industries during Global Connect 2018 in Stuttgart, Germany, on June 20-21.

Speaking at the "Turkey's Investment Opportunities for German SMEs" panel, ISPAT President Arda



Ermüt mentioned that Germany has always been an essential country for Turkey. "Trade volume surpassed EUR 32 billion in 2017. Germany ranked 1st in Turkish exports and 2nd in imports. Today, there are more than 7,200 companies with German capital operating in Turkey. German companies that are aiming to go

global by accessing MENA or augment their global footprint must focus on Turkey in relation to international investments," Ermüt added.

During Global Connect 2018, ISPAT held two workshops and offered insights into the opportunities in the Turkish automotive and machinery industries.

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TOKYO



ISPAT HOLDS INVESTMENT SEMINAR IN TOKYO

On June 19, ISPAT Senior Advisor in Japan, Yuichi Aiko, made a presentation on Turkey's investment climate at 'The Turkey Investment Seminar: Opportunities in the Izmir Region'. The seminar in Tokyo was held cordially by the United Nations Industrial Development Organization - Investment and Technology Promotion Office in Tokyo (UNIDO ITPO Tokyo), the Japan Cooperation Center for the Middle East (JCCME), and Izmir Development Agency.

INDIAN GIANT VARROC IN TALKS WITH TURKISH SA-BA

Varroc Lighting Systems, a subsidiary of Indian giant Varroc Group, is in talks with Turkey's light manufacturing company, Sa-Ba Endüstriyel Ürünler A.Ş. Varroc Group is an India-based global automotive component manufacturer and supplier of exterior lighting systems, powertrains, and similar products. Sa-Ba is one of the leading brands of the sector engaged in production in Turkey as well as Bulgaria. Sa-Ba produces signals, plastic-based products, semi-finished products, and lighting equipment for main industries. If an agreement is reached, Varroc Group will acquire 100 percent of Sa-Ba.

U.S.-BASED ZYNGA ACQUIRES TURKISH GRAM GAMES

San Francisco-based gaming giant Zynga acquired Turkish game maker Gram Games for USD 250 million in cash. Founded in 2012, Gram Games has studios in Istanbul and London and has nine live games, some of which are in the top-50-grossing games in the United States.

CEO of Zynga Frank Gibeau said, "Gram Games focuses on culture and creativity. We will keep these values, and they will operate as an independent studio inside Zynga."

Gram Games has an active daily user body of 3 million and its free-of-charge games have been downloaded more than 170 million times.



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ISPAT, the official investment advisory body of Turkey, is a knowledge-center for foreign direct investments and a solution partner to the global business community at all stages of investments. It provides customized guidance and qualified consulting before, during, and after entry into Turkey.

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