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Uluslararası Yatırımcılar Derneği

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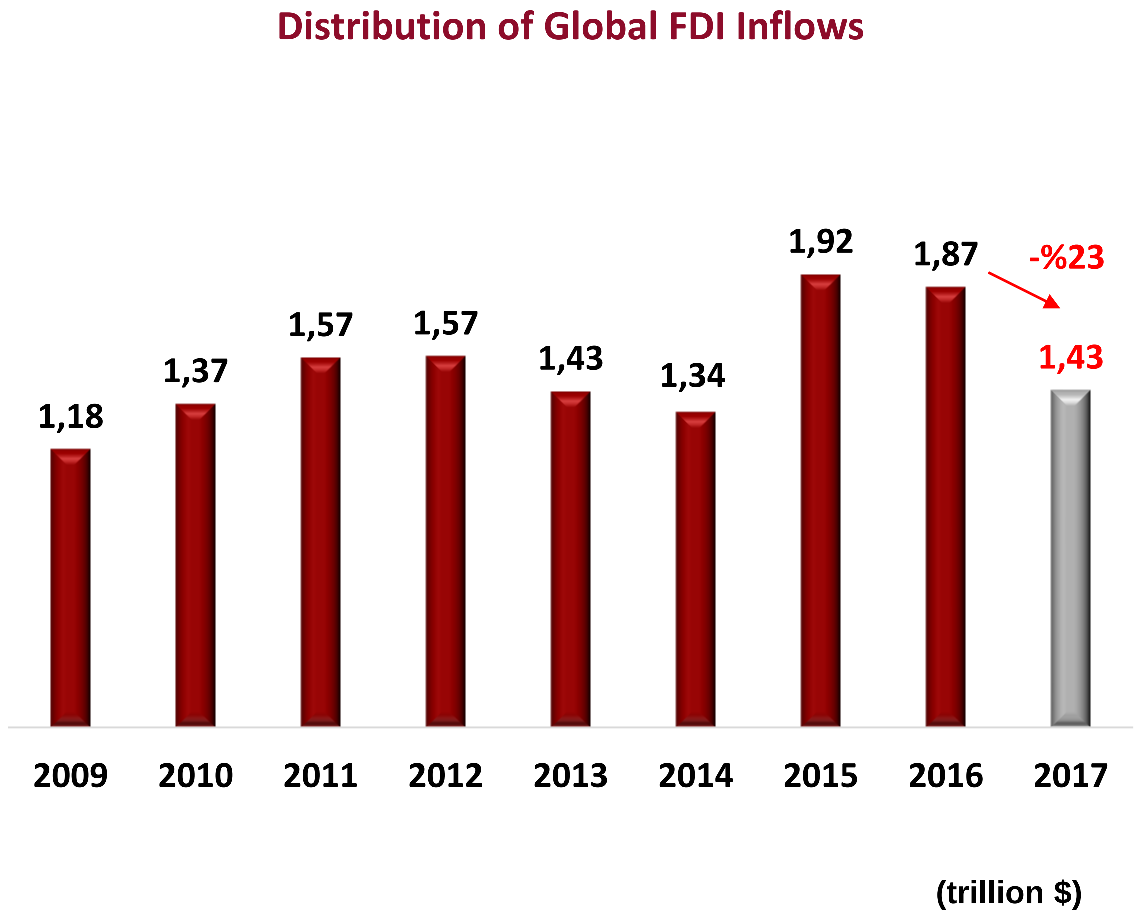
Global FDI Inflows



- Global foreign direct investment (FDI) flows fell by 23 % to $1.43 trillion.
- This is in contrast to the accelerated growth in GDP and trade.
- The fall was caused in part by a 22 % decrease in the value of cross-border M&As.
- The value of announced greenfield investment also decreased by 14 %.

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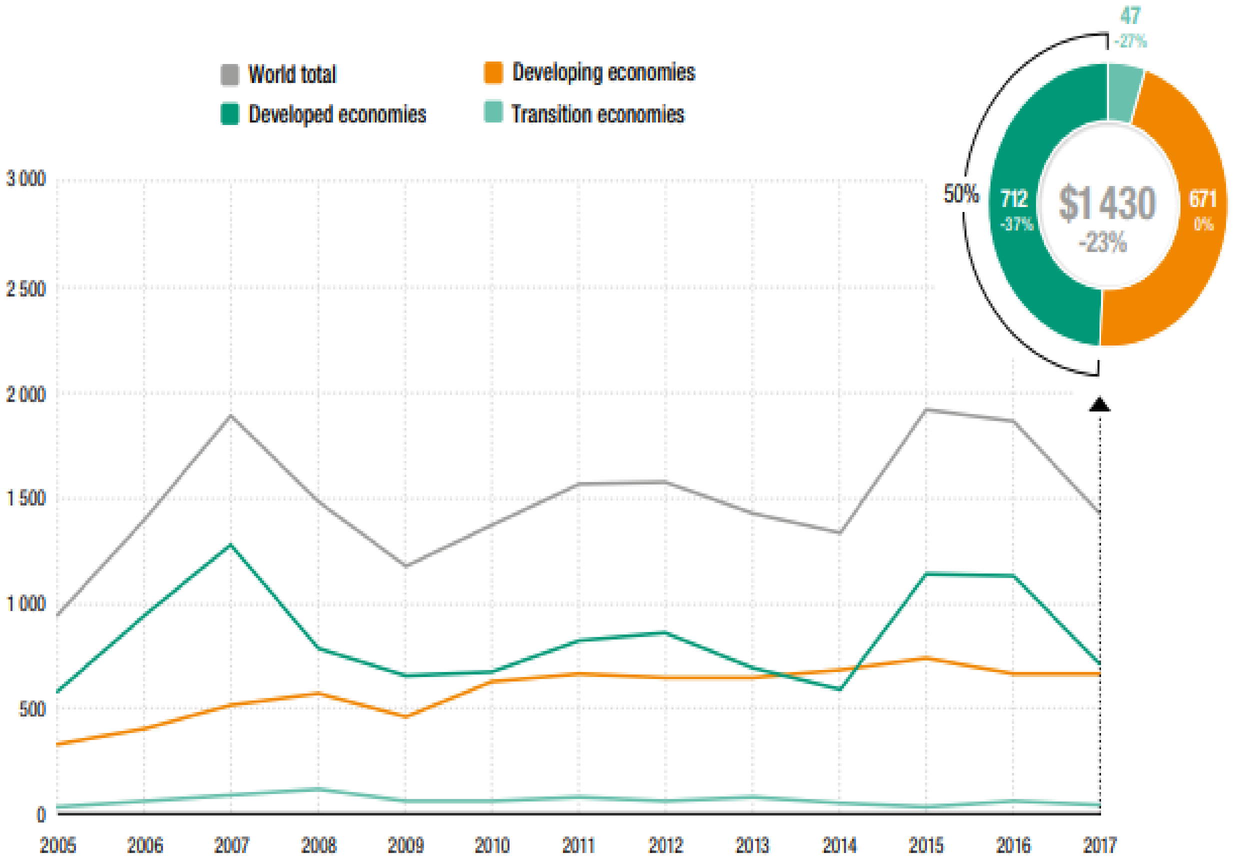
FDI INFLOWS BY GROUP OF ECONOMIES

FDI Inflows By Group of Economies

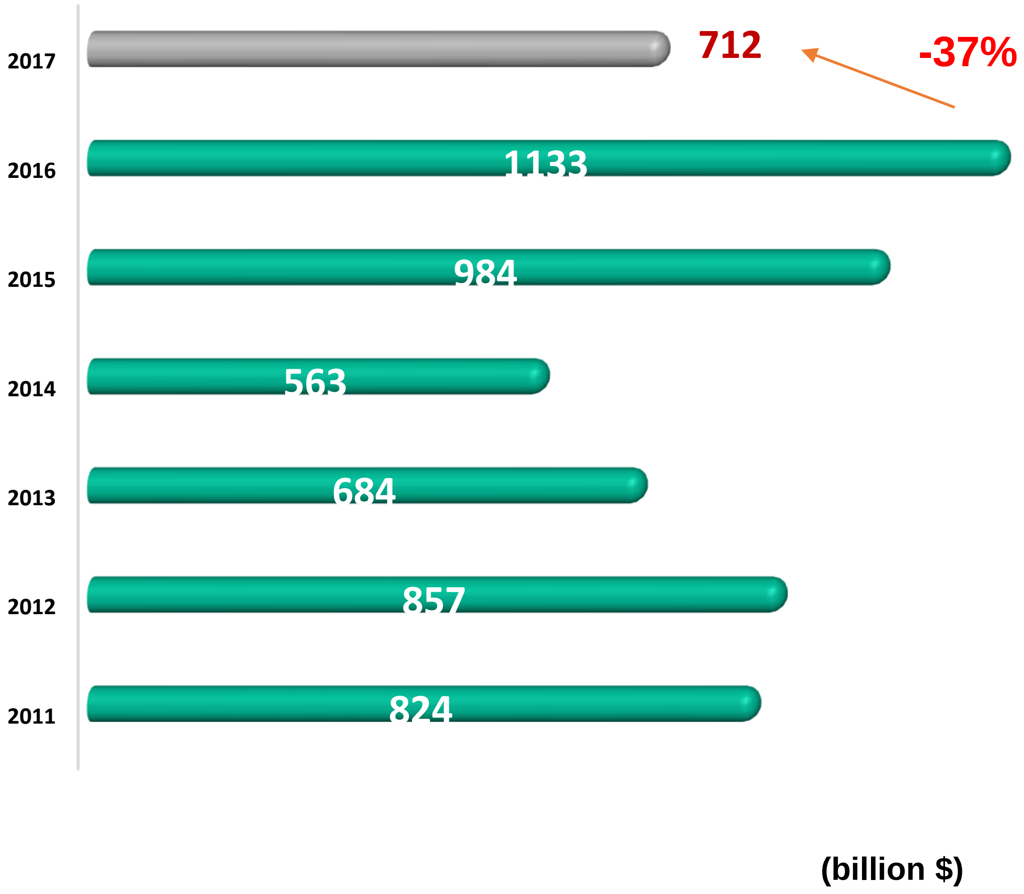
Figure I.1. | FDI inflows, global and by group of economies, 2005–2017 (Billions of dollars and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

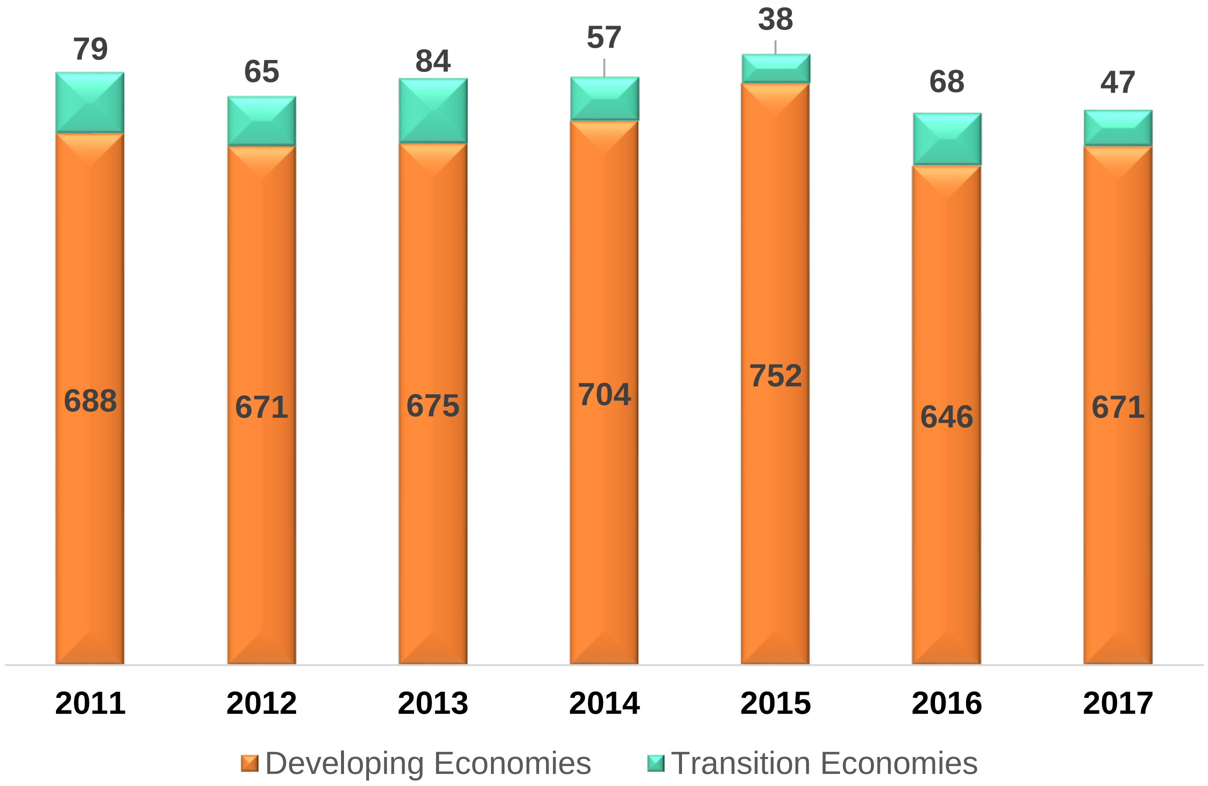
- Inward FDI flows to developed economies fell sharply, by 37 %, to $712 billion.
- FDI flows to developing economies remained stable at $671 billion.
- FDI flows to transition economies declined by 27 %, to $47 billion, the second lowest level since 2005.

FDI Inflows to Developed Economies



- FDI flows to developed economies fell sharply, by 37 %, to $712 billion.
- Cross-border M&As registered a 29 % decrease, with fewer of the megadeals and corporate restructurings that shaped global investment patterns in 2016.
- The strong decrease in inflows was in large part the effect of a return to prior levels in the United Kingdom and the United States, after spikes in 2016.
- A significant reduction in the value of cross border M&As and corporate reconfigurations (i.e. changes in legal or ownership structures of multinational enterprises (MNEs), including tax inversions) resulted in a decline of 40 % in flows in the United States.
- Similarly, the absence of the large megadeals that caused the anomalous peak in 2016 in FDI inflows in the United Kingdom caused a sharp fall of FDI in the country, to only $15 billion.

FDI Inflows to Developing and Transition Economies



(billion $)

- FDI flows to developing economies remained stable at $671 billion, seeing no recovery following the 10 % drop in 2016.
  - Flows to developing Asia remained stable, at $476 billion. The region regained its position as the largest FDI recipient in the world.
  - FDI to Latin America and the Caribbean rose 8 % to reach $151 billion, lifted by that region's economic recovery.
  - FDI flows to Africa continued to slide, reaching $42 billion, down 21 % from 2016. The decline was concentrated in the larger commodity exporters.

- FDI flows to transition economies declined by 27 %, to $47 billion, the second lowest level since 2005. The decline reflects geopolitical uncertainties and stagnant investment in natural resources.

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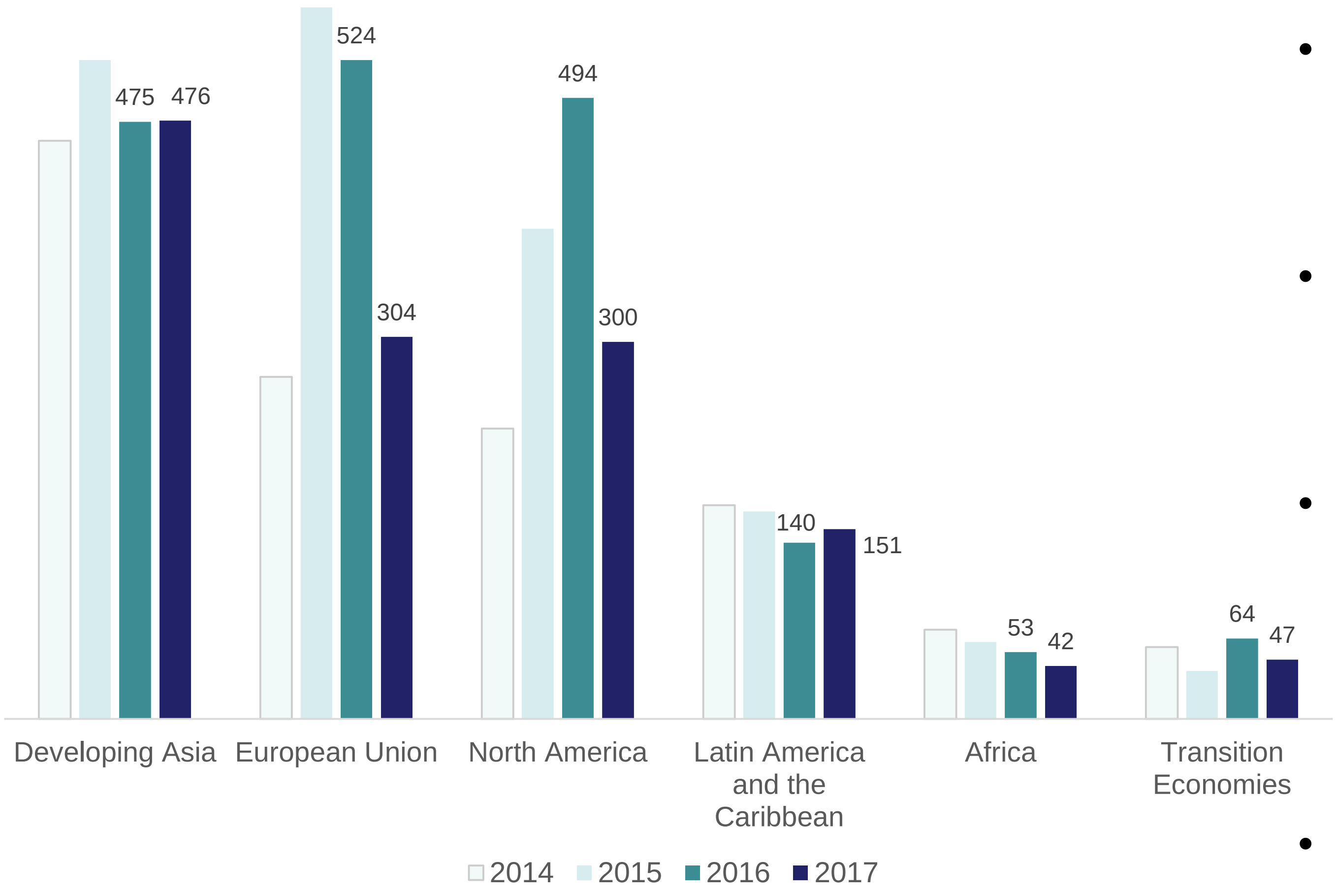
FDI INFLOWS BY REGIONS

FDI Inflows By Regions



- Developing Asia regained its position as the largest FDI recipient region. The largest three recipients were China, Hong Kong (China) and Singapore.
- Inflows to North America fell by 39 %, partly due to falling cross-border M&As in both Canada and the United States.
- The decline in FDI flows to Africa was due largely to weak oil prices and lingering effects from the commodity bust, as flows contracted in commodity-exporting economies such as Egypt, Mozambique, the Congo, Nigeria and Angola.
- FDI to Latin America and the Caribbean rose 8 % to reach $151 billion, lifted by that region's economic recovery.

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FDI INFLOWS
TO
TURKEY & TURKEY'S RANK

Global FDI Inflows Ranking - I

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International Investors Association

Country	2016 (Billion $)	2017 (Billion $)	2016 Ranking	2017 Ranking
USA	457	275	1	**1**
China	134	136	3	**2**
Hong Kong (China)	117	104	4	**3**
Brazil	58	63	7	**4**
Singapore	77	62	6	**5**
Netherlands	86	58	5	**6**
France	35	50	14	**7**
Australia	48	46	9	**8**
Switzerland	48	41	8	**9**
India	44	40	11	**10**
Germany	17	35	19	**11**
Mexico	30	30	16	**12**
Ireland	15	29	20	**13**
Russia Federation	37	25	13	**14**
Canada	37	24	12	**15**
Indonesia	4	23	47	**16**
Spain	20	19	18	**17**
Israel	11.9	19	27	**18**
Italy	22	17	17	**19**
Rep of South Korea	12.1	17	26	**20**
Sweden	12.1	15.3	25	**21**
UK	196	15	2	**21**
Colombia	14	14.5	22	**23**
Vietnam	12.6	14.1	24	**24**
Argentina	3	12	54	**25**
Turkey	13	11	23	**26**

- Developed and Developing Economies are sharing of Top-10.
- 60 % of the global FDI flow was consituted to Top-10 countries and 78 % was to Top-20 countries.
- **Turkey in 2017;**
  - **The ranking at global level was dropped by 3 layers and Turkey has become the 26th FDI attacting country in the world.**
  - **In Developing Economies, Tukey has become the 13th FDI attracting country,**
  - **In Asia Region, Turkey has become the 8th FDI attracting country,**
  - **In West Asia Region, Turkey has become the most FDI attracting country.**

Global FDI Inflows Ranking - II

Country	2016 (Billion $)	2017 (Billion $)	2016 Ranking	2017 Ranking
USA	457	275	1	1
China	134	136	3	2
Hong Kong (China)	117	104	4	3
Brazil	58	63	7	4
Singapore	77	62	6	5
Netherlands	86	58	5	6
France	35	50	14	7
Australia	48	46	9	8
Switzerland	48	41	8	9
India	44	40	11	10
Germany	17	35	19	11
Mexico	30	30	16	12
Ireland	15	29	20	13
Russia Federation	37	25	13	14
Canada	37	24	12	15
Indonesia	4	23	47	16
Spain	20	19	18	17
Israel	11.9	19	27	18
Italy	22	17	17	19
Rep of South Korea	12.1	17	26	20
Sweden	12.1	15.3	25	21
UK	196	15	2	21
Colombia	14	14.5	22	23
Vietnam	12.6	14.1	24	24
Argentina	3	12	54	25
Turkey	13	11	23	26

- FDI flows to **France** rose 42 % (from $35 billion to $50 billion), mainly due to large M&A deals such as the acquisition of Sanofi's animal health business by Boehringer Ingelheim (Germany).
- Inflows more than doubled in **Germany** (to $35 billion), as cross-border M&As targeting assets in the country rose to $23 billion.
- **Indonesia** registered the largest FDI increase in developing Asia as a whole, with inflows rising fivefold to a new record of $23 billion.
- The absence of the large megadeals that caused the anomalous peak in 2016 in FDI inflows in the **United Kingdom** caused a sharp fall of FDI in the country, to only $15 billion. (FDI inflow in 2016: $196 billion)
- Flows into **Argentina** more than trebled to $11.9 billion on the back of the economic recovery and the introduction of new policies to attract investment and upgrade infrastructure.

Global FDI Inflows / Doing Business Comparison

Country	Global FDI 2017 Ranking	Doing Business 2017 Ranking
USA	1	6
China	2	78
Hong Kong (China)	3	5
Brazil	4	125
Singapore	5	2
Netherlands	6	32
France	7	31
Australia	8	14
Switzerland	9	33
India	10	100
Germany	11	20
Mexico	12	49
Ireland	13	17
Russia Federation	14	35
Canada	15	18
Indonesia	16	72
Spain	17	28
Israel	18	54
Italy	19	46
Rep of South Korea	20	4
Sweden	21	10
UK	21	7
Colombia	23	59
Vietnam	24	68
Argentina	25	117
Turkey	26	60

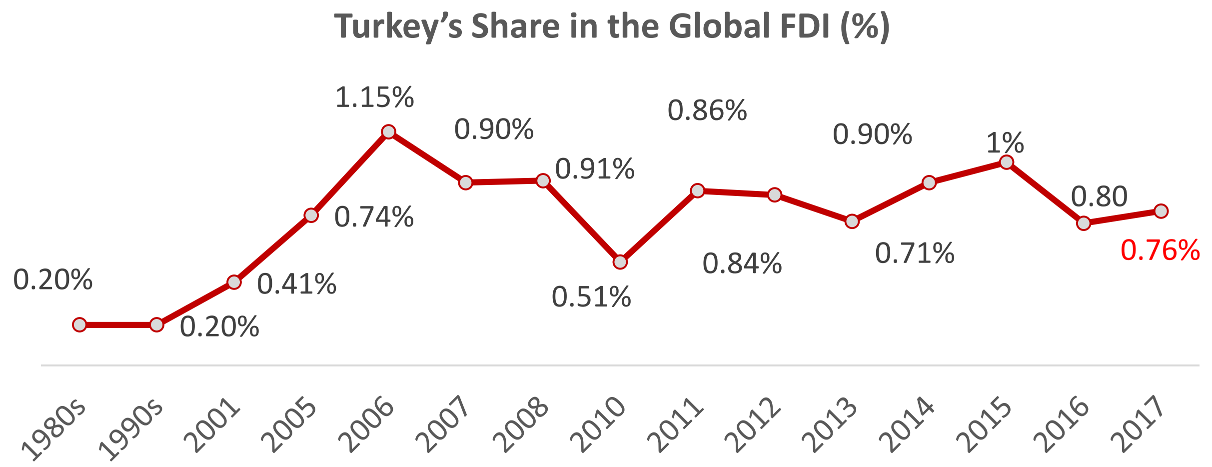
The results indicate that there is no correlation between Global FDI inflow ranking and Ease of Doing Business ranking of countries.

Global FDI Outflows Ranking

Country	2016 (Billion $)	2017 (Billion $)	2016 Ranking	2017 Ranking
USA	280	342	1	**1**
Japan	145	160	4	**2**
China	196	125	2	**3**
UK	-22	100	170	**4**
Hong Kong, China	60	83	8	**5**
Germany	51	82	9	**6**
Canada	73	80	5	**7**
France	63	58	7	**8**
Luxembourg	44	41	10	**9**
Spain	38	41	11	**10**
Russian Federation	27	36	15	**11**
Rep of South Korea	30	32	12	**12**
Singapore	28	25	14	**13**
Sweden	6	24	29	**14**
Netherlands	172	23	3	**15**
Belgium	22	20	17	**16**
Thailand	12	19	22	**17**
Ireland	29	19	13	**18**
United Arab Emirates	13	14	21	**19**
Taiwan	18	11	18	**20**
India	5	11	30	**21**
Austria	-3	10	164	**22**
Denmark	9	10	23	**23**
Turkey	3	3	35	**36**

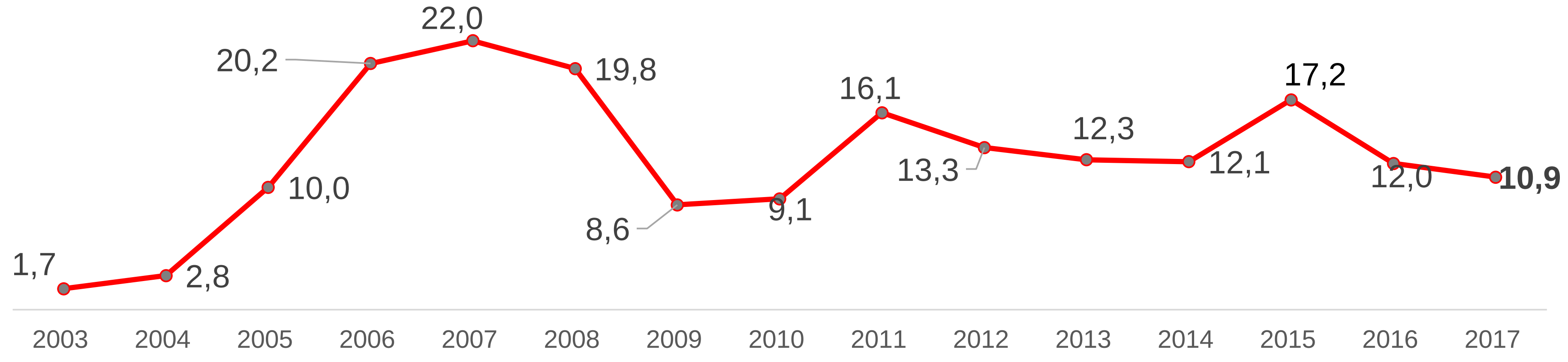
- In Top-20 countries with most FDI outflows, there are 9 Developing Economies,
- FDI Outflow from Turkey;
  - 2016- $ 2.746 billion
  - 2017- $ 2.630 billion
- Although the FDI inflow to the US has been declined significantly by 40 %, the US has remained as the country with the most FDI outflow
- Regarding the FDI outflows from the Developing Economies, Asia region with a share of 92 % has become the leading region with slight decrease of 1 % and was recorded as $381 billion.

FDI to Turkey was recorded as $11 billion in 2017



Turkey's Share in the Global FDI	2016 (%)	2017 (%)
Share in the West Asia	42	42.5
Share in the Developing Asia	2,7	2.3
Share in the Developing Economies	1,9	1.6
Share in the World	0,80	0.76

Turkey FDI Inflows ($ Billion)



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Distribution of FDI Inflows to Turkey

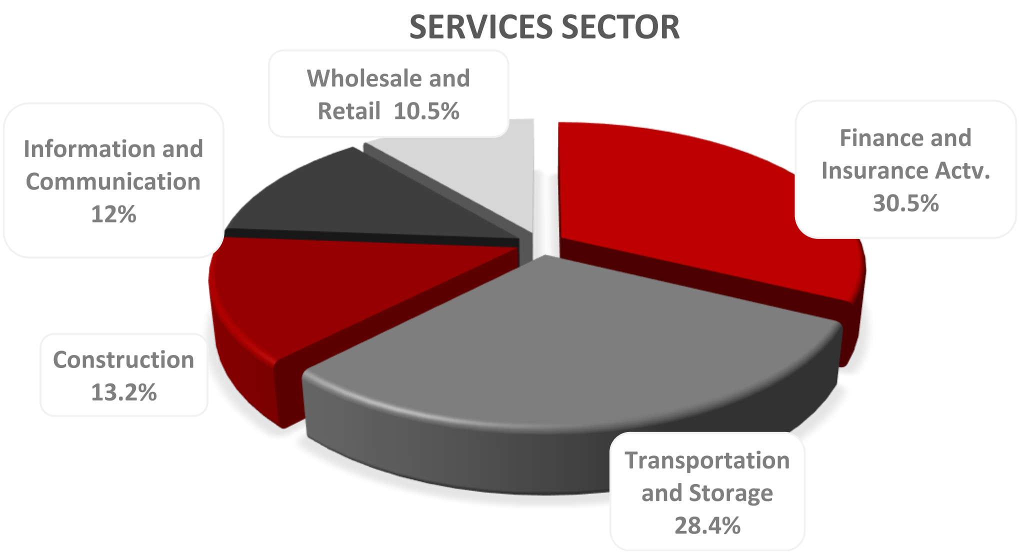
(Million $)	2013	2014	2015	2016	2017
Capital (Net)	9.936	8.371	11.713	6.913	**5.881**
Inflow	10.523	8.632	12.077	7.534	**7.450**
Outflow	587	261	364	621	**1.869**
Other Capital (Net)	578	427	2.133	2.540	**680**
Real Estate (Net) *	3.049	42 % 4.321	4 % 4.156	6 % 3.890	19 % **4.643**
Total (FDI)	**13.563**	**13.119**	**18.002**	**13.343**	%-19 **10.904**

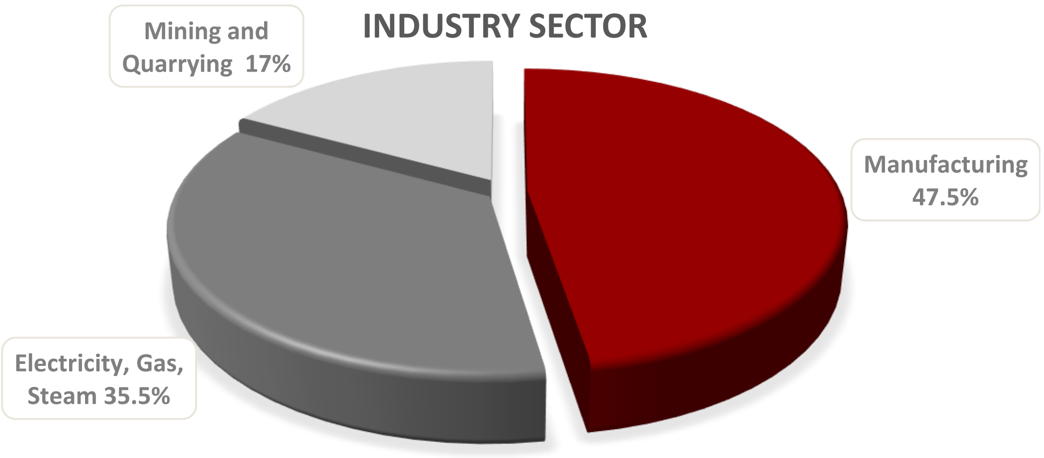
Source: CBT

(incl. real estate purchased by non-residents)

- The total FDI inflow in 2017 ($10.9 billion) is consisted of $5.8 billion net capital, $680 million other capital and $4.6 billion real estate purchased by non-residents.
- Total FDI in 2017 fell by 19% compared to previous year.
- Real estate purchased by non-residents had an important share of 43 % in the total inflows. Inflows to real estate purchases ($4.6 billion) increased by 19 % compared to 2016.

Sectoral Distribution Of FDI Inflows In 2017





Sectors (million $)	2013	2014	2015	2016	2017
Capital Inflow	**10.523**	**8.632**	**12.077**	**7.534**	**7.450**
1. Agriculture	**47**	**61**	**31**	**38**	**31**
2. Industry	**5.390**	**4.258**	**5.774**	**3.067**	**2.658**
Manufacturing	2.843	2.742	4.227	2.241	1.262
Electricity, Gas, Steam	1.794	1.131	1.338	676	947
Mining, Quarrying	717	382	207	148	448
Water Supply, Waste Management	36	3	2	2	1
3. Services	**5.086**	**4.313**	**6.272**	**4.429**	**4.761**
Finance & Insurance	3.415	1.470	3.516	1.766	1.452
Transportation & Storage	364	594	1.524	635	1.350
Construction	178	232	106	291	627
Information & Comms	120	214	150	91	558
Wholesale & Retail	379	1.137	599	688	501
Healthcare and Social Services.	106	204	58	274	62
Capital Outflow	**587**	**261**	**364**	**621**	**1.869**
Other Capital (Net)	**578**	**427**	**2.133**	**2.540**	**680**
Real Estate (Net)	**3.049**	**4.321**	**4.156**	**3.890**	**4.643**
Total	**13.563**	**13.119**	**18.002**	**13.343**	**10.934**

Source: CBT

Distribution Of FDI Inflows By Countries & Regions In 2017

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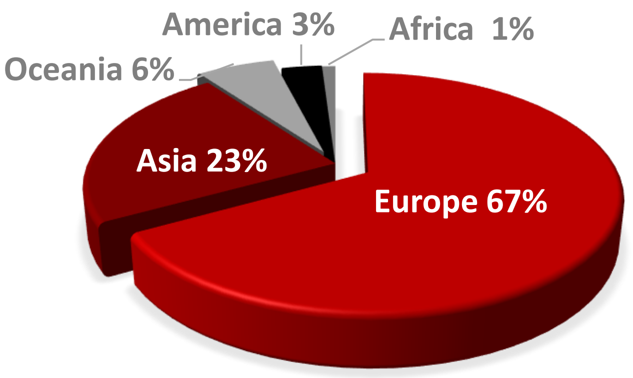
Distribution of FDI Inflows by Countries and Regions in 2017



- As of 2017 year-end, the main FDI sourcing countries to Turkey are the **Netherlands, Spain** and **Azerbaijan** respectively. In regard to the distribution of FDI inflows at regional level; **European countries** are the main source of the FDI inflows by **67 %**. It was followed by **Asian countries** with a share of **23 %**, **Oceania** by **6 %**, **America 3 %** and **Africa 1 %** respectively.

Countries	FDI Inflow (million $)	Share (%)
Netherlands	1.768	24
Spain	1.451	20
Azerbaijan	1.009	14
Australia	459	6
Austria	326	4
UK	324	4
Germany & Japan	295	4
Belgium	226	3
USA	171	2
Italy	124	2
Other	1.297	13
Total (Capital Inflow)	7.450	100

Source: CBT

Merger & Acquisitions (M&A) In 2017

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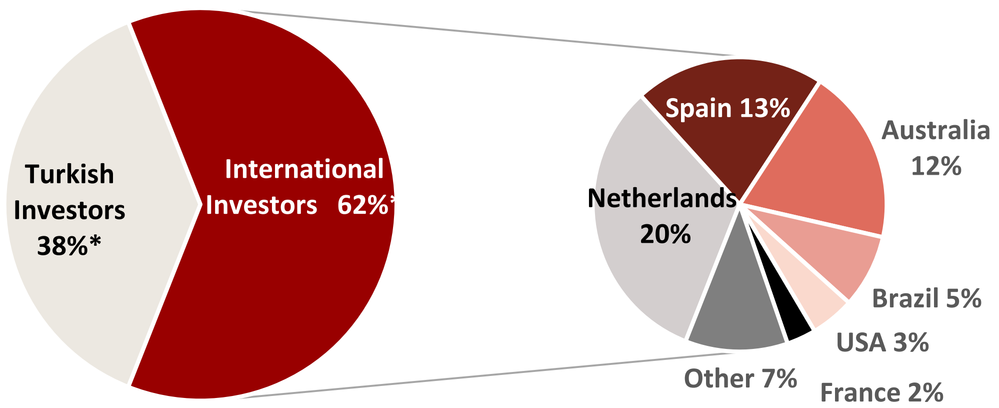
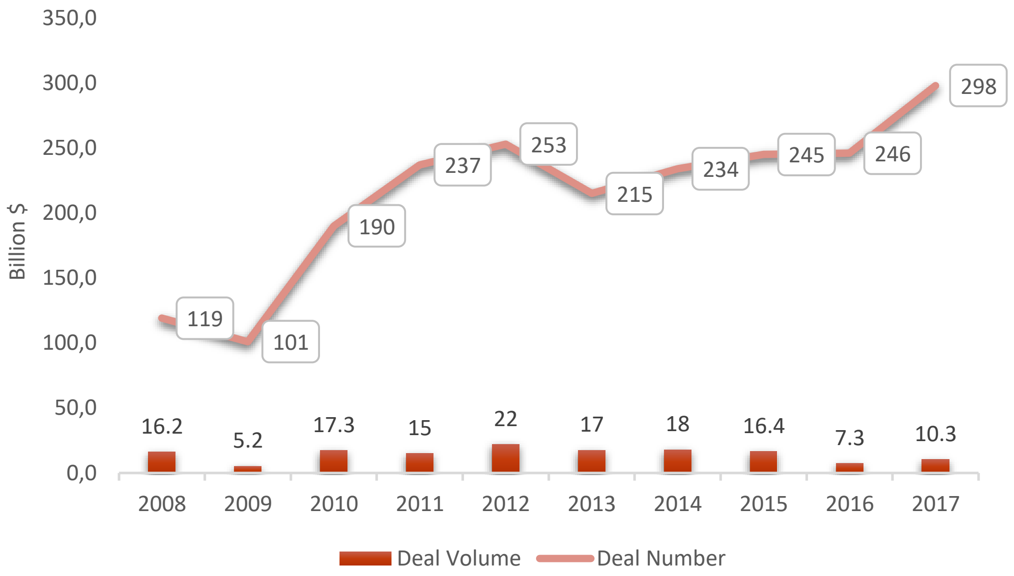
Deal Volume (Disclosed) Share (%)



Soure: Deloitte Annual Turkish M&A Review Report 2017

*(*including non-disclosed deals- Turkish Investors 43%, International Investors 57%)*

Deal Volume and Deal Number in 2017



- The total number of M&A deals was 298 with the estimated volume of $10.3 billion. This estimated volume corresponds to the 41 % increase comparing to 2016.

- In regard to the number of deals realized by International Investors, the deals were decreased by 25 % compared to last year and recorded as 70 deals. However, the deal volume increased by 45 % compared to 2016 and reached $5.5 billion. Excluding the privatizations where Turkish investors are more active, the deal volume of the international investors constitutes the 57 % of the total volume of the deals.

Merger & Acquisitions (M&A) In 2017

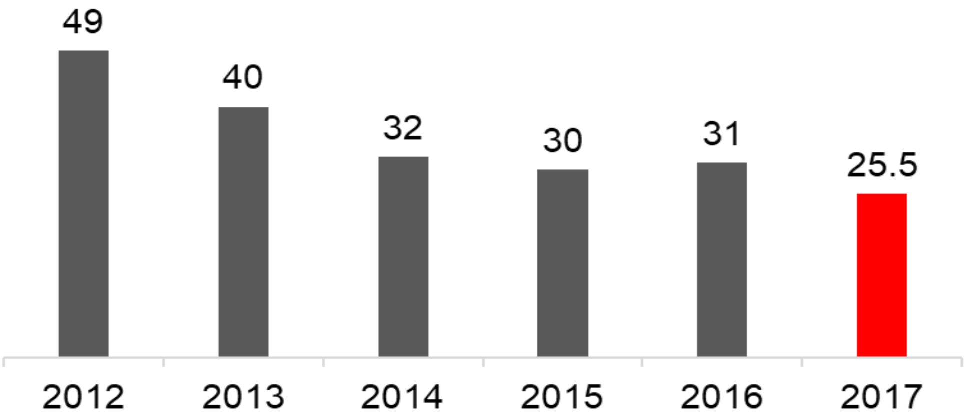
Top 5 Disclosed M&A in 2017

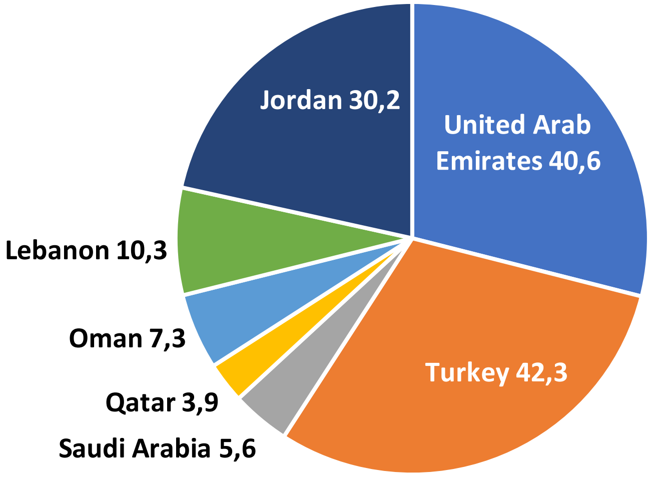
Target	Sector	Acquirer	Country	Stake	Deal Volume (Million $)
OMV Petrol Ofisi	Energy	Vitol Investment	Netherlands	100%	1.441
Garanti Bank	Financial Services	BBVA	Spain	9.95%	917
Mersin Port	Transportation/ Infrastructure	IFM Investors	Australia	40%	869
Banvit	Food and Beverage	BRF, Qatar Investment Authority (QIA)	Brazil, Qatar	92%	315
Unit International Energy	Energy	SK Engineering	South Korea	30%	177

- In regard to deal volume; the European investors' deal volume considerably increased by 65 % compared to last year and represented 55 % of the total deal volume and remained at the top of the list. This is followed by the 29 % share of the Far Eastern Region which placed into the second.
- In 2017, it was observed that the investors from Spain, France and Japan increased their stakes at their existing investments.
- Different from the previous years, this year it was also observed that the merger and acquisition transaction in transportation/infrastructure sector was constituted by an Australian investor indicates that Turkey is becoming more attractive for the investors from the different regions other than Europe, USA and Far East.

Turkey and West Asia Region

FDI Inflows to West Asia ($ Billion)





FDI Inflows to West Asia has been constantly decreased in the last 5 years. By 2017, FDI Inflow to West Asia was recorded $25.5 billion with 18 % decrease compare to 2016.

Turkey has remained as the top FDI recipient country in the region.

In 2017, 64 % of FDI Inflow to Turkey was directed to Services Sector. This shows as proof of Turkey differentiates itself from the other countries' economies in West Asia, as they are bound to petroleum, with its diverse opportunities in the investment environment for the investors. For this reason, Turkey has remained as the leader of the region.

Uluslararası Yatırımcılar Derneği
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TRENDS
IN
INVESTMENT POLICIES

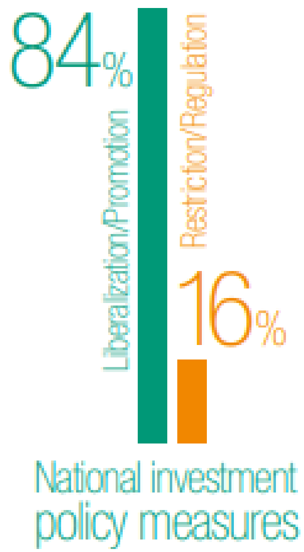
Investment Policy Trends

- Many countries continued policy efforts aimed at attracting FDI. In 2017, 65 countries and economies adopted at least 126 investment policy measures, of which 84 % were favorable to investors. (i.e. Liberalization of entry conditions in a number of industries including transport, energy and manufacturing. They also promoted and facilitated investment by simplifying administrative procedures, providing incentives and establishing new special economic zones).

- Recently, an increasing number of countries have taken a more critical stance towards foreign investment. New investment restrictions or regulations in 2017 mainly reflected concerns about national security and foreign ownership of land and natural resources.

- Incentives remain the tool most commonly used for industrial policy. Significant progress has been made in making incentives more effective instruments for industrial development.

- A positive short-term global macroeconomic outlook underpins an expected recovery of FDI in 2018, although growth will be fragile. GDP is expected to grow in all developed economies and in leading emerging economies.



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TRENDS
IN
FDI FLOWS

Global FDI Flows and Investments

		DEVELOPED COUNTRIES			DEVELOPING ASIA			LATIN AMERICA AND CARIBBEAN	
		Country	Amount (Billion $)		Country	Amount (Billion $)		Country	Amount (Billion $)
The Most FDI Attracting Countries (2017)	1	USA	275	1	China	136	1	Brazil	63
	2	Netherlands	58	2	Hong Kong, China	104	2	Mexico	30
	3	France	50	3	Singapore	62	3	Colombia	15
	4	Australia	46	4	India	40	4	Argentina	12
	5	Switzerland	41	5	Republic of Korea	17	5	Peru	7
The Most Investing Countries (2017)	1	USA	342	1	China	125	1	Chile	5
	2	Japon	160	2	Hong Kong, China	83	2	Colombia	4
	3	United Kingdom	100	3	Republic of Korea	32	3	Bolivarian Republic of Venezuela	2
	4	Germany	82	4	Singapore	25	4	Argentina	1
	5	Canada	77	5	Thailand	19	5	Peru	0,3

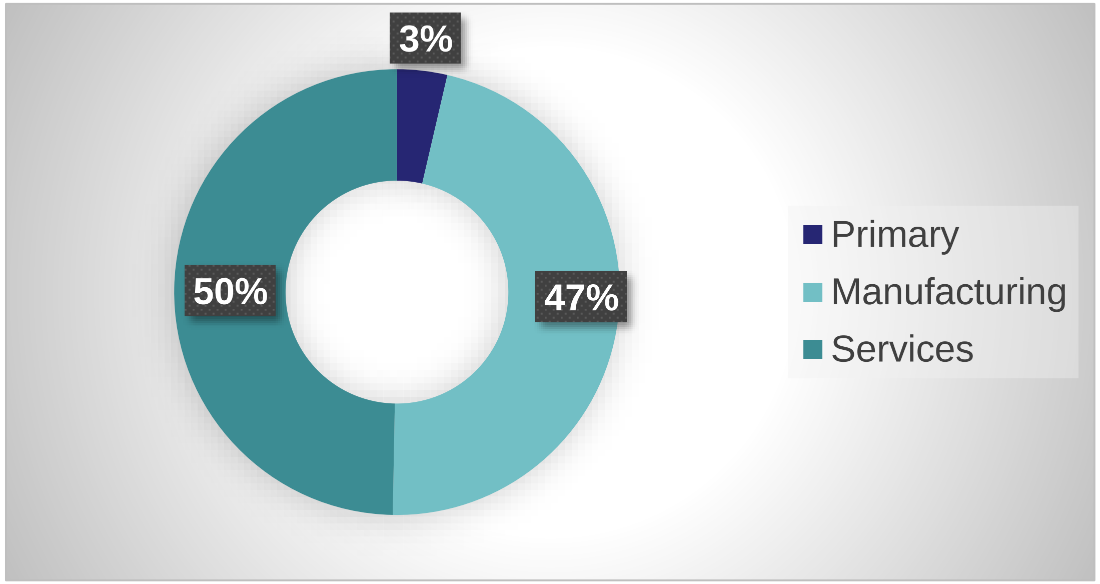
Global Trends – Mega Groups & FDI Movements

Mega Groups	2017 FDI Inflows	Share in world FDI inflows	Share of world GDP	Inward FDI Stock	Share in world inward FDI stock
G20	833 Billion $	58%	78%	18,2 Trillion $	58%
APEC	815 Billion $	57%	60%	17 Trillion $	54%
NAFTA	329 Billion $	23%	28%	9,3 Trillion $	30%
BRICS	266 Billion $	19%	23%	3,2 Trillion $	10%
Commonwealth	237 Billion $	17%	14%	6,1 Trillion $	20%
ACP	37 Billion $	3%	2%	735 Billion $	2%

- In 2017, G20 and APEC continued to dominate global FDI inflows.
- The FDI environment in these interregional groups significantly affected by ongoing policy developments.
- Most countries continued to actively attract FDI in 2017, and the share of investment liberalization or promotion measures increased compared with 2016.
- However, the overall share of restrictive or regulatory investment policy measures has significantly increased in recent months and some countries have become more critical of foreign takeovers.

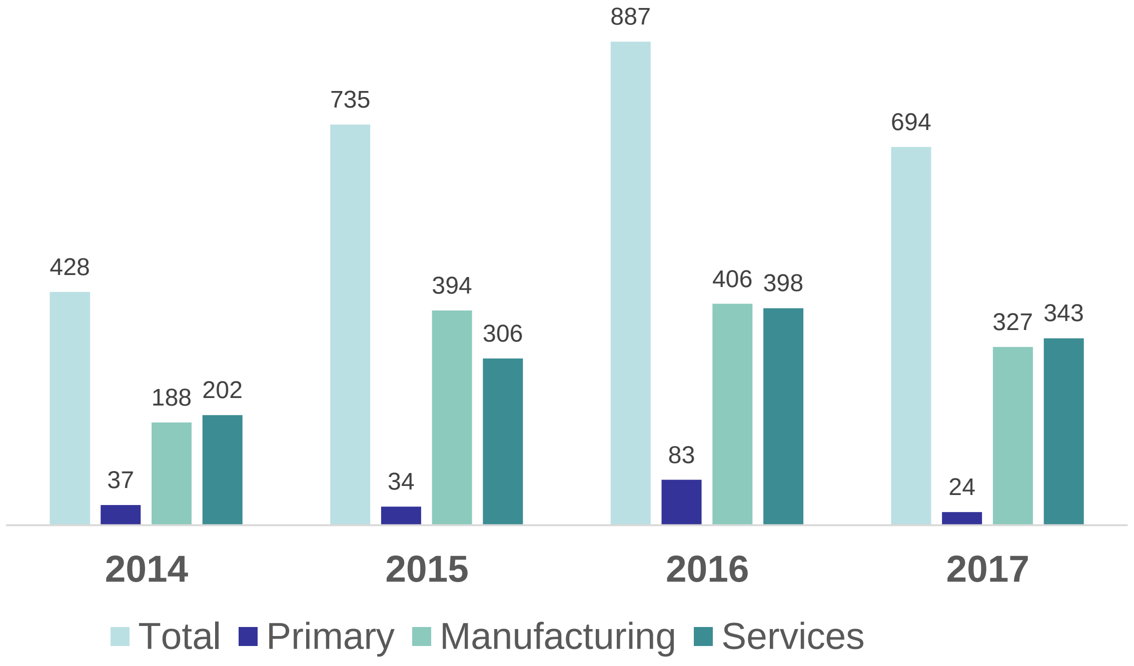
Trends- Global FDI Inflows- Sectoral Breakdown

Greenfield Projects



- The value of announced FDI greenfield projects, an indicator of future FDI flows, declined by 25 % in services and 61 % in the primary sector
- Manufacturing announcements increased by 14 %.
- The values of greenfield projects in manufacturing and services were nearly the same

M&A Transactions



- The value of net cross-border M&As decreased in all three sectors. The drop in the primary sector was sharp – by 70 % to only $24 billion in 2017.
- At the industry level, extractive industries, food and beverages, and electronics registered the largest declines in value terms.

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Uluslararası Yatırımcılar Derneği
International Investors Association

THEME
OF
WIR 2018 REPORT:
Investment and New Industrial Policies

Investment and New Industrial Policies - I

- UNCTAD’s survey shows that modern industrial policies are increasingly diverse and complex, addressing new imperatives, such as global value chain integration and upgrading, the knowledge economy, build-up of sectors linked to the Sustainable Development Goals and competitive positioning for the new industrial revolution.

- Some 40 % of industrial development strategies contain vertical policies for the build-up of specific industries. Just over a third focus on horizontal competitiveness-enhancing policies designed to catch up to the productivity frontier. And a quarter focus on positioning for the new industrial revolution.

- About 90 % of modern industrial policies stipulate detailed investment policy tools, mainly incentives and performance requirements, special economic zones (SEZs), investment promotion and facilitation and, increasingly, investment screening mechanisms.

- Modern industrial policies are a key driver of investment policy trends. More than 80 % of investment policy measures recorded by UNCTAD since 2010 are directed at the industrial system (manufacturing, complementary services and industrial infrastructure), and about half of these clearly serve an industrial policy purpose.

- The report suggests that the new industrial revolution requires a strategic review of investment policies for industrial development. It advises policymakers to keep investment policy instruments up-to-date by re-orienting investment incentives, modernizing SEZs, retooling investment promotion and facilitation, and developing smart mechanisms for screening foreign investment.

Investment and New Industrial Policies - II

Item	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of countries that introduced changes	59	79	77	70	49	40	46	54	51	57	60	41	49	59	65
Number of regulatory changes	**125**	**164**	**144**	**126**	**79**	**68**	**89**	**116**	**86**	**92**	**87**	**74**	**100**	**125**	**126**
Liberalization/promotion	113	142	118	104	58	51	61	77	62	65	63	52	75	84	93
Restriction/regulation	12	20	25	22	19	15	24	33	21	21	21	12	14	22	18
Neutral/indeterminate[a]	-	2	1	-	2	2	4	6	3	6	3	10	11	19	15

- Investment liberalization was among the prominent features of policy measures in 2017. About one third of policy measures were related to partial or full investment liberalization in industries such as transport, energy and manufacturing. Some examples;
- Inflows to **China** could see continued growth as a result of recently announced liberalization plans.
- **India** liberalized rules on inward investment in several industries including single-brand retail trading, airlines and power exchanges.

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Uluslararası Yatırımcılar Derneği
International Investors Association

PROSPECTS

Investment and New Industrial Policies

Group of economies/region	2015	2016	2017	2018
World	**1 921**	**1 868**	**1 430**	**1 450 to 1 570**
Developed economies	**1 141**	**1 133**	**712**	**740 to 800**
Europe	595	565	334	~380
North America	511	494	300	~320
Developing economies	**744**	**670**	**671**	**640 to 690**
Africa	57	53	42	~50
Asia	516	475	476	~470
Latin America and the Caribbean	169	140	151	~140
Transition economies	**36**	**64**	**47**	**50 to 60**
Memorandum: annual growth rate (per cent)				
World	**44**	**-3**	**-23**	**(1 to 10)**
Developed economies	**91**	**-1**	**-37**	**(5 to 10)**
Europe	117	-5	-41	~15
North America	96	-3	-39	~5
Developing economies	**9**	**-10**	**0**	**(-5 to 5)**
Africa	8	-6	-21	~20
Asia	12	-8	0	~0
Latin America and the Caribbean	-1	-17	8	~-5
Transition economies	**-36**	**78**	**-27**	**(~20)**

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Percentages are rounded.

Overall Prospects Assessment

- *FDI inflows to Africa* are forecast to increase by about 20 % in 2018, to $50 billion. The projection is underpinned by the expectation of a continued modest recovery in commodity prices, and by macroeconomic fundamentals. In addition, advances in interregional cooperation, through the signing of the African Continental Free Trade Area (AfCFTA) could encourage stronger FDI flows in 2018.

- *FDI inflows to developing Asia* are expected to remain stagnant, at about $470 billion. Inflows to China could see continued growth as a result of recently announced liberalization plans.

- *Prospects for FDI in Latin America and the Caribbean* in 2018 remain muted, as macroeconomic and policy uncertainties persist. Flows are forecast to decline marginally, to some $140 billion.

- *FDI flows to transition economies* are forecast to rise by about 20 % in 2018, to $55 billion, supported by firming oil prices and the growing macro-stability of the Russian economy. However, they may be hindered by geopolitical risks.

- *FDI flows to developed countries* are projected to increase to about $770 million. Based on macroeconomic fundamentals, flows to Europe should increase by 15 % and to North America by 5 %. However, the repatriation of retained profits by United States MNEs as a result of tax reforms will have a dampening effect on FDI inflows in Europe, as will uncertainties arising from tensions in trade relations.

Thank You...