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FOREIGN DIRECT INVESTMENT OF ITALY

Foreign direct investment; net inflows (% of GDP) in Italy was last measured at 0.67 in 2014, according to the World Bank. Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP.

Foreign Direct Investment in Italy increased by 2294.50 EUR Million in January of 2016. Foreign Direct Investment in Italy averaged 1281.74 EUR Million from 1997 until 2016, reaching an all-time high of 14203 EUR Million in January of 2009 and a record low of -10786.60 EUR Million in May of 2009.

Italy recorded a capital and financial account surplus of 1703.30 EUR Million in January of 2016. Capital Flows in Italy averaged -1013.84 EUR Million from 1997 until 2016, reaching an all-time high of 16359.40 EUR Million in July of 2011 and a record low of -27627.60 EUR Million in February of 2009.

Compared to its European neighbours, Italy attracts little foreign direct investment (FDI) but nevertheless still ranks 10th among global investors (UNCTAD, 2015 World Investment Report).

FDI flows are especially volatile and responsive to the circumstances created by the most recent economic crisis. FDI inflows to Italy were last measured by the World Bank at 0.6% in 2014, but this still represents a decrease by more than half compared to pre-crisis levels in 2007 (1.8%). Over the period 2010-2014, FDI inflows to Italy recovered at a rate of 0.7% of GDP.

A privatisation programme of the public railway and post business implemented by the Renzi Government in 2015, along with the liberalisation of the energy sector and telecommunications market, offer interesting opportunities to investors. Italian investment abroad is rising (1.1% of GDP) and exceeds foreign investment in Italy. In spite of recent reforms, various interest groups, including organised crime, are still heavily involved in the country’s economic life. The taxation system and heavy bureaucracy also hinder FDI. Nevertheless, Italy is considered a highly transparent country with a favourable business climate.

Strong points for Italy include:

- Italian SMEs have demonstrated a great capacity for adaptation.
- Italy has a qualified workforce, with technical knowledge and experience in high-quality production.

- New regulations and programmes initiated at the EU level are creating demand
- Italy hosts major trade shows that attract buyers from all parts of the world. The 2015 Milan expo drew in around 20 million visitors from across the globe.
- A reform-minded Government will likely create new opportunities in diverse sectors. The Italian Government has already started to withdraw from several sectors (including energy and telecommunications).

Weak points for Italy include:

- The Italian economy is dominated by SMEs, many of which are family owned (68% of Italy's GDP is produced by SMEs and SMEs make up 99.9% of Italian businesses).
- Elevated procedural costs and slow administration processes. On average, a new business needs to spend 62 days, follow 16 procedures and pay around USD 5,000 in fees. These costs are among the highest in Europe.
- Corruption and organised crime have taken a toll on investment and development. While organised crime has typically been associated with the south of Italy, scandals have been uncovered in the north as well.
- The infrastructure in some regions, especially in the south, is poor.
- Weak enforcement of intellectual property rights is still a problem.

ANASTASIA ZALISHCHUK

POLAND IN GLOBAL FDI SYSTEM

Poland[1] FDI stock equalled to EUR 171.7 billion a the end of 2014. The main foreign investors at the end of 2014 were:The Netherlands: EUR 29.6 billion; Germany: EUR 28.0 billion; Luxembourg: EUR 20.4 billion.

[1] Poland is a country in Central Europe, bordered by Germany to the west; the Czech Republic and Slovakia to the south; Ukraine and Belarus to the east; and the Baltic Sea, Kaliningrad Oblast (a Russian exclave) and Lithuania to the north. The total area of Poland is 312,679 square kilometers (120,726 sq. mi), making it the 69th largest country in the world and the 9th largest in Europe. With a population of over 38.5 million people, Poland is the 34th most populous country in the world, the 8th most populous country in Europe and the sixth most populous member of the European Union, as well as the most populous post-communist member of the European Union. Poland is a unitary state divided into 16 administrative subdivisions.