

- 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.

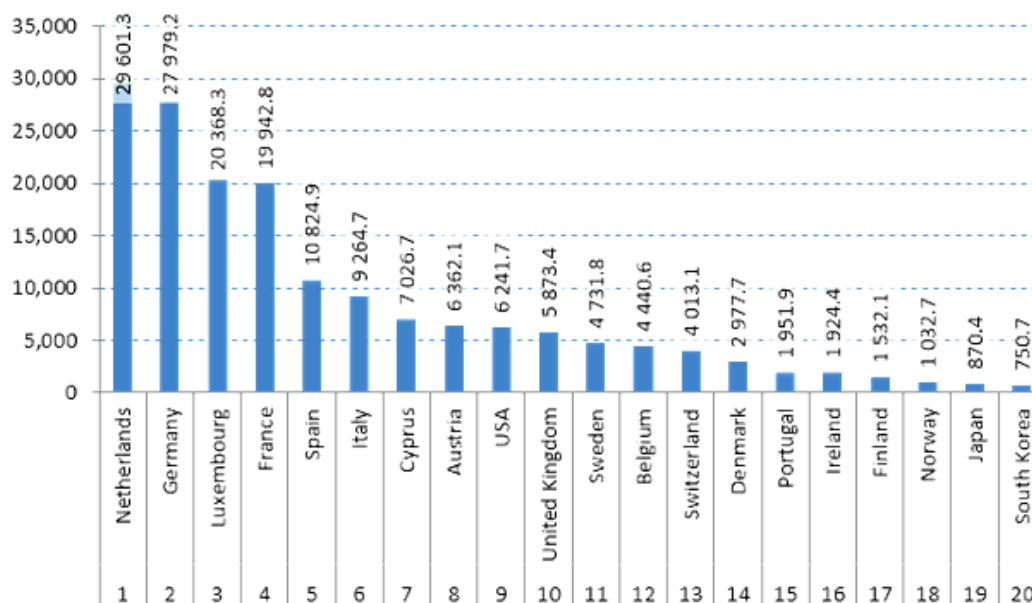
ANASTASIA ZALISHCHUK

POLAND IN GLOBAL FDI SYSTEM

Poland¹ FDI stock equalled to EUR 171.7 billion at 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.

FDI stock at the end of 2014 (million EUR)



Source: NBP

FDI stock division by sector: manufacturing EUR 50.5 billion; financial and insurance activity EUR 39.7 billion; wholesale and retail trade including repair of vehicles 21.1 billion activities related to real estate services 11.6 billion

The biggest investors were: Luxembourg EUR 3.8 billion; the Netherlands EUR 3.5 billion; France EUR 1.2 billion. The biggest desinvestments have been observed from the following countries:

- Austria EUR -900 million
- Sweden EUR -860 million
- United Kingdom EUR -680 million

FDI stock division by sector:

- manufacturing EUR 2.7 billion;
- information and communication
- professional, scientific and technical activities

The chemical manufacturing sector is the largest industry in Poland in terms of revenues. Poland also has a strong presence in the manufacturing of televisions. Over the past five years, Poland has produced from 25 to 35% of TV sets in Europe. The country's industrial production growth rate was -8% in 2009.

The global trends in the chemical sector position Poland in a promising point between the growing competition from Asian countries and the sector in Europe. In 2012 50 the largest concern reached \$ 961,8 billion revenue. At the moment the key markets are Asia and North America.

The chemical sector is very prone to current economic situation. Nearly 70% of total sale comes to other industries and only 30% comes directly to consumers. Thus, the branch is thought to be a sector running the whole economy. Furthermore, chemical products are used by big industrial enterprises as well as individual clients –

from the everyday consumption goods to manufacturing process of oils, fertilizers or plant protection products. This fact only stresses the sector's importance.

In Poland chemical industry has great development opportunities. Sector's participation in the whole country's industry production is below the average level in other states. Europe's manufacture constitutes about 24% of global chemical production while Poland's only 2%. At the same time Poland is the country standing the greatest chance to take advantage of shale gas. Licences of shale gas searching were distributed by the Ministry of Environment.

After Poland's accession to the EU, the domestic chemical industry has become clearly interested in investments in improving energy-efficiency and complying with strict environmental requirements, including those related to emission. Further investments will have been implemented in development. The pace of changes in Polish chemistry entitles to state that this is one of the most pro-investments branch of industry.

Consolidation, especially of great chemical synthesis plants and shifting production towards cheaper raw materials are vital trends on the world chemical markets. These are also noticeable in Poland. In 2012 Grupa Azoty S.A. was created, the group comprises Zakłady Azotowe Kędzierzyn w Tarnowie-Mościcach S.A., Zakłady Azotowe Puławy S.A., Zakłady Chemiczne Police S.A., Zakłady Azotowe Kędzierzyn S.A. and their subsidiaries. This currently is the second-largest fertilizer group in the EU.

Consolidation allows for leveraging economies of scale (synergy effects are already estimated for approx. PLN 100 million) and through an alliance with the Lotos petrochemical group, diversification of production and increasing resilience to fluctuations in the economy. It may also allow for the improvement of the trade balance of the sector in the long-term.

The chemical sector is also an interesting target for foreign direct investment (FDI). Despite considerable volatility in the inflow of FDI, the recent years saw a constant interest in the sector. 2013 was marked by significant capital acquisitions in the chemicals and chemical products industry. In 2011, the sector received a total of EUR 826.3 million in FDI, and in 2012 EUR 681 million.

German BASF acquired from the Polish Ciech Group the production of TDI and started building a catalyst factory in Środa Śląska which after completion will be the largest plant of such type in Europe. The Ciech Group announced narrow specialization in the production of soda (currently second place in Europe).

The value of foreign investment to date (until the end of 2013) amounted to EUR 10.25 billion and investor profits due to FDI in the sector in 2014 are estimated at EUR 1.16 billion. Throughout 2003-2013 the Polish Information and Foreign Investment Agency acquired for Poland 33 investment projects from the chemical industry, including 17 classified as the chemical sector, 12 as the production of plastics and 4 as the production of rubber products and tires. Their total value amounted to EUR 1.11 billion. These contributed to the creation of over 5.1 thousand new jobs.