



# Foreign Direct Investment in the Western Balkans



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# Foreword

- Western Balkans: Croatia, Bosnia Herzegovina, Serbia (Kosovo), Montenegro, Macedonia, Albania
- +Slovenia => CIRPET Research “Economic relations between Italy and former Yugoslavia” (2007)
  - Research financed by Unicredit and Intesa San Paolo’foundations and supported by Regional Agency for Investments, Export and Tourism-Piedmont
- Aim: to provide practical information for Italian companies interested in the target area
  - Main sources: EBRD Transition Report and “on the field” research

# Why the Western Balkans?

- As the Eastern EU enlargement for the moment is stopped (Turkey and European Neighborhood Policy-ENP countries left), the focus is on the Western Balkans
    - Europe's next high-value location for manufacturers
- => the Western Balkans can be a valid production platform

# Relations with EU and NATO

	European Union		NATO		
	State of negotiation	Joining date	Partnership for Peace	Membership Action Plan	Joining date
<b>Slovenia</b>	-	2004	-	-	2004
<b>Croatia</b>	2005 Membership negotiations started	2010?	2000	2002	2008 invitation 2009 expected
<b>Bosnia Herzegovina</b>	2008 SAA signature	2018?	2006	n.a.	n.a.
<b>Serbia</b>	2008 SAA signature	2018?	2006	n.a.	n.a.
<b>Montenegro</b>	2007 SAA signature	2018?	2006	2010?	n.a.
<b>Macedonia</b>	2005 Candidate Status received	2014?	1995	1999	2008 vetoed invitation
<b>Albania</b>	2006 SAA signature	2016?	1994	1999	2008 invitation 2009 expected
<b>Kosovo</b>	n.a.	n.a.	n.a.	n.a.	n.a.

# Macroeconomic data (2006)

	Slovenia	Croatia	Bosnia Herzegovina	Serbia	Montenegro	Macedonia	Albania
Surface (Km <sup>2</sup> )	20.300	56.500	51.100	77.500 (+11.000)	1.400	25.300	28.700
Population (millions)	2,0	4,4	3,8	7,8 (+2,1)	0,7	2,0	3,2
GDP <sup>a</sup>	38,4	42,2	11,4	29,9 <sup>d</sup>	2,3	6,2	9,2
Per capita GDP <sup>b</sup>	19.218,5	9.582,0	2.999,8	3.834,7 <sup>d</sup>	3.425,6	3.113,1	2.866,3
GDP growth	+5,7	+4,8	+6,2	+5,7	+6,5	+3,2	+5,0
Unemployment rate	5,6	10,5	41,0	33,2	19,7	36,0	13,7
Inflation rate	2,5	3,2	7,0	12,5	3,0	3,2	2,5
Exchange rate <sup>c</sup>	0,8	5,6	2,0	62,0	0,8	46,5	94,1

<sup>a</sup> Billions of US\$; <sup>b</sup> US\$; <sup>c</sup> Local currency for 1US\$; <sup>d</sup> Excluding Kosovo

# Despite some differences...

Per capita GDP

19.000US\$ Slovenia – 3.000 BiH

Unemployment

5,6 % Slovenia – 41% BiH

Inflation rate

2,5% Slovenia, Albania – 12,5% Serbia

# 5 Common Location Key Advantages

1. Highly competitive overall cost structure (labor, land and utilities cheaper than new EU member countries)
2. Labor availability, cost and quality (well educated and experienced workforce, technical expertise)
3. Strategic location and proximity (Adriatic access and adjacent to both Western and Central Europe)

4. Local availability of raw materials and supply network (wood, metals, agricultural products)
5. Improving fiscal and incentive regimes (regulatory, fiscal and tax reforms and investor incentives)



# Commercial Indicators

Western Balkans: trade indicators (2006) – Millions of dollars, excluding services

	Slovenia	Croatia	Bosnia Herzegovina	Serbia	Montenegro	Macedonia	Albania
Export	21.397,1	10.606,2	3.358,0	6.500,0	602,9	2.396,3	792,9
Import	22.823,5	21.117,2	7.651,0	12.700,0	1.800,0	3.681,5	2.915,6
Trade balance	-1.426,4	-10.511,0	-4.293,0	-6.200,0	-1.197,1	-1.285,2	-2.122,7
Current account	-941,5	-3.255,4	-1.338,0	-3.700,0	-657,0	-23,7	-671,0

# Main features

- All countries register trade and current account deficit
  - Slovenia and Croatia are the most open economies
- Almost all the trade is with EU and neighboring countries => foreign investors should act with a “regional approach” (opportunity to serve a “regional” market)

# FDI flows (2001-2007)

Foreign Direct Investment in the Western Balkans (2001-2007) – Millions of dollars

	2001	2002	2003	2004	2005	2006 <sup>a</sup>	2007 <sup>b</sup>
<b>Slovenia</b>	226	1.508	-174	281	-88	-377	1.012
<b>Croatia</b>	1.188	580	1.932	732	1.551	3.170	3.845
<b>Bosnia Herzegovina</b>	119	266	382	608	550	420	1.500
<b>Serbia</b>	165	475	1.360	966	1.481	4.400	3.000
<b>Montenegro</b>	10	84	44	63	474	650	750
<b>Macedonia</b>	441	78	96	156	97	350	170
<b>Albania</b>	207	135	178	344	277	360	450

<sup>a</sup> Estimate; <sup>b</sup> Projection

# Main features

- In all countries there were some years with decreasing flows, due to internal factors (e.g. Albanian rise in Macedonia) or external (general decrease of FDI in 2001-2002)

BUT

=> The general trend is positive

# FDI flows and stocks (1989-2006)

Foreign Direct Investment in the Western Balkans (1989-2006)

	FDI stock (1989-2006) <sup>a</sup>	Per capita FDI stock (1989-2006) <sup>b</sup>	Per capita FDI inflow 2005 <sup>b</sup>	Per capita FDI inflow 2006 <sup>b</sup>	FDI Inflow 2005 <sup>c</sup>	FDI Inflow 2006 <sup>c</sup>
Slovenia	2.652	1,333	-44	-189	-0,2	-0,9
Croatia	13.623	3.067	349	714	4,1	7,5
Bosnia Herzegovina	2.680	705	145	111	5,4	3,7
Serbia	9.837	1.312	197	587	6,1	15,3
Montenegro	1.326	2.009	719	985	22,8	28,7
Macedonia	1.628	814	49	175	1,7	5,6
Albania	2.098	656	87	113	3,3	3,9

<sup>a</sup> US\$ mln; <sup>b</sup> US\$; <sup>c</sup> In per cent of GDP

# Main features

- Croatia has an exceptional capacity to attract FDI: more than 13 billions US\$ (higher per capita stock)
- Slovenia is the richest country and the most open to world trade BUT has a low stock of FDI, due to national aversion to privatize some sectors (e.g. Nova Ljubljanska Banka). Outward investment
  - Montenegro has an high per capita stock
  - Albania has the lowest per capita stock
- Positive expectations for Serbia (Fiat-Zastava)

# **Countries' most interesting sectors for FDI**

# Slovenia

- Tourism
- Construction
  - Infrastructure and logistic
- Privatizations (insurance, public utilities, TLC)
  - Wood processing industry
    - Plastic industry
- Information and communication technology.



# Croatia

- Tourism
- Information and communication technology (Siemens, Ericsson are already present)
- Pharmaceuticals (Pliva-Barr Pharmaceuticals USA, Belupo, GlaxoSmithKline)
  - Biotechnology (project for a tech-park in Varaždin)
  - Business services (processing data, call centers, data entry, telemarketing, back office).

# Bosnia Herzegovina

- Textile and footwear industry
- Metals (Birac Zvornik, Aluminium Mostar, Bh Steel Company-Mittal Zenica)
  - Automotive (Skoda, Volkswagen) and mechanics
  - Wood processing industry and agriculture
- Tourism (mountains-Sarajevo Olympic Games)
- Information and communication technology
  - Privatization (TLC, public utilities)
  - Infrastructure.

# Serbia

- Mechanics
- Specialized manufacture (e.g. jewelry)
  - Furniture production
  - Privatization
- Other manufactory sectors
- Automotive and supply chain (Zastava in Kragujevac)

# Fiat - Zastava

- On 28 July 2008, Fiat signed a letter of intent, undertaking to take control of the automobile division, investing 700 mln. euro in return for a 70% stake in the company (currently owned by the state) and an additional 100 mln. euro of investment from the Serbian government

# Montenegro

- Tourism and infrastructure (e.g. PortoMontenegro)
  - Wine industry
- Privatization (public utilities e.g. Telecom Montenegro-Matav and ProMonte-Telenor)
  - Automotive (Daido Metal Kotor).

# Macedonia

- Textile and footwear industry
- Informatics and telecommunications (software production, etc. USAid wireless Project)
- Business services (data entry, data processing)
  - Chemical industry
- Agriculture, food and beverage processing industry
  - Tourism.

# Albania

- Textiles and garments
- Shoe manufacture and leather processing
  - Agribusiness
  - Business services (processing data, call centers, data entry, telemarketing, back office, etc.)
- Infrastructure and tourism.

# Automotive Sector

Company	Origin	Location	Product/Activity
<b>AUTOMOTIVE</b>			
Daido Motor	Japan	Montenegro	ball bearings
VW Sarajevo	Germany	Bosnia and Herzegovina	vehicle assembly, spare parts
Prevent Sarajevo	Slovenia	Bosnia and Herzegovina	leather interiors
St. Jean Industries	France	Croatia	aluminum casts
Le Belier	France	Serbia and Montenegro	aluminum casts
Iskra Avtoelektrika	Slovenia	Bosnia and Herzegovina	electronic parts
Plastal	Sweden	Serbia and Montenegro	plastic parts
ThyssenKrupp Belisce	Germany	Croatia	vehicle tires
MZT Hepos	Italy	Macedonia	brake equipment
Ruen Intl. Technologies	Luxembourg	Macedonia	clutches, gears, metal parts
Dura Auto. Systems	USA	Bosnia and Herzegovina	control systems



# Food and Beverage Sector

FOOD AND BEVERAGE			
Flour Mills Loulis	Greece	Albania	flour and wheat processing
Coca-Cola	USA	S/M, B/H, Croatia	soft drink bottling
Delta Ice Cream	Greece	Serbia	ice cream
Bramburi	Austria	Croatia	potato packing facility
Citrus D.O.O.	Slovenia	Bosnia and Herzegovina	meat processing
Chipita Intl.	Greece	Serbia and Montenegro	snacks and croissants
Aprider	Israel	Albania	greenhouse agriculture
Zito Luks-Skopje	Greece	Macedonia	baked goods
Ideal Sipka	Bulgaria	Macedonia	cheese
Van Drunen Farms	USA	Serbia and Montenegro	organic fruits and vegetables

# **ALBANIA**

Agency for Foreign Investment

[www.albinvest.gov.al](http://www.albinvest.gov.al)

Albanian Centre for International Trade

[www.acit-al.org](http://www.acit-al.org)

Chamber of Commerce of Tirana

[www.cci.gov.al](http://www.cci.gov.al)

Ministry of Economy

[www.mete.gov.al](http://www.mete.gov.al)

Ministry of Finance

[www.minfin.gov.al](http://www.minfin.gov.al)

Ministry of Foreign Affairs

[www.mfa.gov.al](http://www.mfa.gov.al)

National Bank

[www.bankofalbania.org](http://www.bankofalbania.org)

# **BOSNIA HERZEGOVINA**

## **Bosnia Herzegovina (BiH)**

Agency for statistics	<a href="http://www.bhas.ba">www.bhas.ba</a>
Central Bank	<a href="http://www.cbbh.ba">www.cbbh.ba</a>
Directorate for European Integration	<a href="http://www.dei.gov.ba">www.dei.gov.ba</a>
EPPU Office	<a href="http://www.eppu.ba">www.eppu.ba</a>
European Regional Economic Development Project	<a href="http://www.eured-bih.org">www.eured-bih.org</a>
Foreign Investment Promotion Agency	<a href="http://www.fipa.gov.ba">www.fipa.gov.ba</a>
Investment Guarantee Agency	<a href="http://www.igabih.com">www.igabih.com</a>
Ministry of Foreign Affairs	<a href="http://www.mfa.gov.ba">www.mfa.gov.ba</a>

## **Federation of Bosnia Herzegovina (FBiH)**

Agency for Privatization of FBiH	<a href="http://www.apf.com.ba">www.apf.com.ba</a>
Chamber of Economy of FBiH	<a href="http://www.kfbih.com">www.kfbih.com</a>
Investment Bank of FBiH	<a href="http://www.ibf-bih.com">www.ibf-bih.com</a>

## **Srpska Republic (SR)**

Agency for SMEs of SR	<a href="http://www.rars-msp.org">www.rars-msp.org</a>
Chamber of Commerce of SR	<a href="http://www.komorars.ba">www.komorars.ba</a>
Directorate for Privatization of SR	<a href="http://www.rsprivatizacija.com">www.rsprivatizacija.com</a>
Institute of Statistics of SR	<a href="http://www.rzs.rs.ba">www.rzs.rs.ba</a>

# **CROATIA**

Central Bureau Of Statistics	<a href="http://www.dzs.hr">www.dzs.hr</a>
Chamber of Commerce (Zagreb)	<a href="http://www.zg.hgk.hr">www.zg.hgk.hr</a>
Chamber of Economy	<a href="http://www.hgk.hr">www.hgk.hr</a>
Croatian Bank for Reconstruction and Development	<a href="http://www.hbor.hr">www.hbor.hr</a>
Croatian National Bank	<a href="http://www.hnb.hr">www.hnb.hr</a>
Croatian Privatization Fund	<a href="http://www.hfp.hr">www.hfp.hr</a>
Hitro Service	<a href="http://www.hitro.hr">www.hitro.hr</a>
Istrian Development Agency	<a href="http://www.ida.hr">www.ida.hr</a>
Ministry of Economy	<a href="http://www.mingorp.hr">www.mingorp.hr</a>
Ministry of Foreign Affairs	<a href="http://www.mvpei.hr">www.mvpei.hr</a>
Ministry of Tourism	<a href="http://www.mmtpr.hr">www.mmtpr.hr</a>
Trade and Investment Promotion Agency	<a href="http://www.apiu.hr">www.apiu.hr</a>

# MACEDONIA

Agency for Foreign Investments	<a href="http://www.investinmacedonia.com">www.investinmacedonia.com</a>
Agency for Promotion of Entrepreneurship	<a href="http://www.apprm.gov.mk">www.apprm.gov.mk</a>
Chamber of Commerce	<a href="http://www.mchamber.org.mk">www.mchamber.org.mk</a>
Free economic Zones	<a href="http://www.fez.gov.mk">www.fez.gov.mk</a>
Government	<a href="http://www.vlada.mk">www.vlada.mk</a>
Macedonia competitiveness activity	<a href="http://www.mca.org.mk">www.mca.org.mk</a>
Ministry of Economy	<a href="http://www.economy.gov.mk">www.economy.gov.mk</a>
Ministry of Finance	<a href="http://www.finance.gov.mk">www.finance.gov.mk</a>
Ministry of Foreign Affairs	<a href="http://www.mfa.gov.mk">www.mfa.gov.mk</a>
National Bank	<a href="http://www.nbrm.gov.mk">www.nbrm.gov.mk</a>
Privatization Agency	<a href="http://www.mpa.org.mk">www.mpa.org.mk</a>
Secretariat for European Affairs	<a href="http://www.sei.gov.mk">www.sei.gov.mk</a>
State Statistical Office	<a href="http://www.stat.gov.mk">www.stat.gov.mk</a>

# **MONTENEGRO**

Centre for Entrepreneurship and  
Economic Development

[www.visit-ceed.org](http://www.visit-ceed.org)

Central Bank

[www.cb-mn.org](http://www.cb-mn.org)

Government

[www.vlada.cg.yu](http://www.vlada.cg.yu)

Institute for Strategic Studies  
and Prognoses

[www.isspm.org](http://www.isspm.org)

Investment Promotion Agency

[www.mipa.cg.yu](http://www.mipa.cg.yu)

Montenegro Business Alliance

[www.visit-mba.org](http://www.visit-mba.org)

Statistical Office

[www.monstat.cg.yu](http://www.monstat.cg.yu)

# SERBIA

Agency for Investment  
Promotion in Central Serbia

[www.invest-in-central-serbia.org](http://www.invest-in-central-serbia.org)

Agency for Privatization

[www.priv.yu](http://www.priv.yu)

Agency for SMEs

[www.sme.sr.gov.yu](http://www.sme.sr.gov.yu)

Chamber of Commerce

[pks.komora.net](http://pks.komora.net)

Foreign investors council

[www.fic.org.yu](http://www.fic.org.yu)

Government of Serbia

[www.srbija.sr.gov.yu](http://www.srbija.sr.gov.yu)

Ministry of Foreign Affairs

[www.mfa.gov.yu](http://www.mfa.gov.yu)

Ministry of International

Economic Relations

[www.merr.sr.gov.yu](http://www.merr.sr.gov.yu)

National Bank of Serbia

[www.nbs.yu](http://www.nbs.yu)

Serbia Investment and

Export Promotion Agency

[www.siepa.sr.gov.yu](http://www.siepa.sr.gov.yu)

Statistical Office

[webzrs.stat.gov.rs](http://webzrs.stat.gov.rs)

# **SLOVENIA**

Agency for Entrepreneurship and Foreign Investments	<a href="http://www.podjetniski-portal.si">www.podjetniski-portal.si</a>
Agency for Foreign Investments	<a href="http://www.investslovenia.org">www.investslovenia.org</a>
Biz Opportunities Exchange System	<a href="http://www.borza.org">www.borza.org</a>
Central Bank	<a href="http://www.bsi.si">www.bsi.si</a>
Chamber of Commerce	<a href="http://www.gzs.si">www.gzs.si</a>
Ministry of Economy	<a href="http://www.mg.gov.si">www.mg.gov.si</a>
Ministry of Finance	<a href="http://www.mf.gov.si">www.mf.gov.si</a>
NLB-Nova Ljubljanska Banka	<a href="http://www.nlb.si">www.nlb.si</a>
Public Institutions	<a href="http://www.gov.si">www.gov.si</a>
Statistical Office	<a href="http://www.stat.si">www.stat.si</a>



# Other websites

- Balkan Academic News (Central European University-Budapest) [www.seep.ceu.hu/balkans](http://www.seep.ceu.hu/balkans)
- Many other links on the Balkans at disposal on demand

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Thank you for your attention!