

Insights from surveys and interviews with German companies

Data Base

1	DIHK SURVEY "GOING INTERNATIONAL 2021"	2,400 companies in Germany which work with companies abroad
2	SURVEY WITH COMPANIES CONSIDERING AN INVESTMENT IN WB	46 German companies that are planning to invest abroad and are considering the Western Balkans as their destination
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Insights from surveys and interviews with German companies

DIHK SURVEY "GOING
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SURVEY WITH COMPANIES
CONSIDERING AN INVESTMENT
IN WB

SURVEY WITH GERMAN
COMPANIES IN THE WB

IN-DEPTH INTERVIEWS
WITH GERMAN COMPANIES
IN THE WB

"Going International 2021"

- 40% of the companies with foreign activities are experiencing supply-chain problems
- 68% of those with problems are thinking of changing their supply-chains
- Of the companies that want to diversify, 47 percent are looking for new or additional suppliers for their products.

What other countries do they consider in parallel to the Western Balkans?

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SURVEY WITH COMPANIES CONSIDERING AN INVESTMENT IN WB

SURVEY WITH GERMAN COMPANIES IN THE WB

IN-DEPTH INTERVIEWS WITH GERMAN COMPANIES IN THE WB

Eastern Europe (incl. Turkey, Bulgaria, Romania, Ukraine)	28%
Central Europe (Visegrad countries)	20%
No other region	11%
South-East Asia	10%
India	7%
China	6%
Middle East and North Africa	6%
Central Asia	1%
Other	10%

Source: Survey conducted among companies that are planning to invest abroad and are considering the WB

Insights from German investors in the Western Balkans

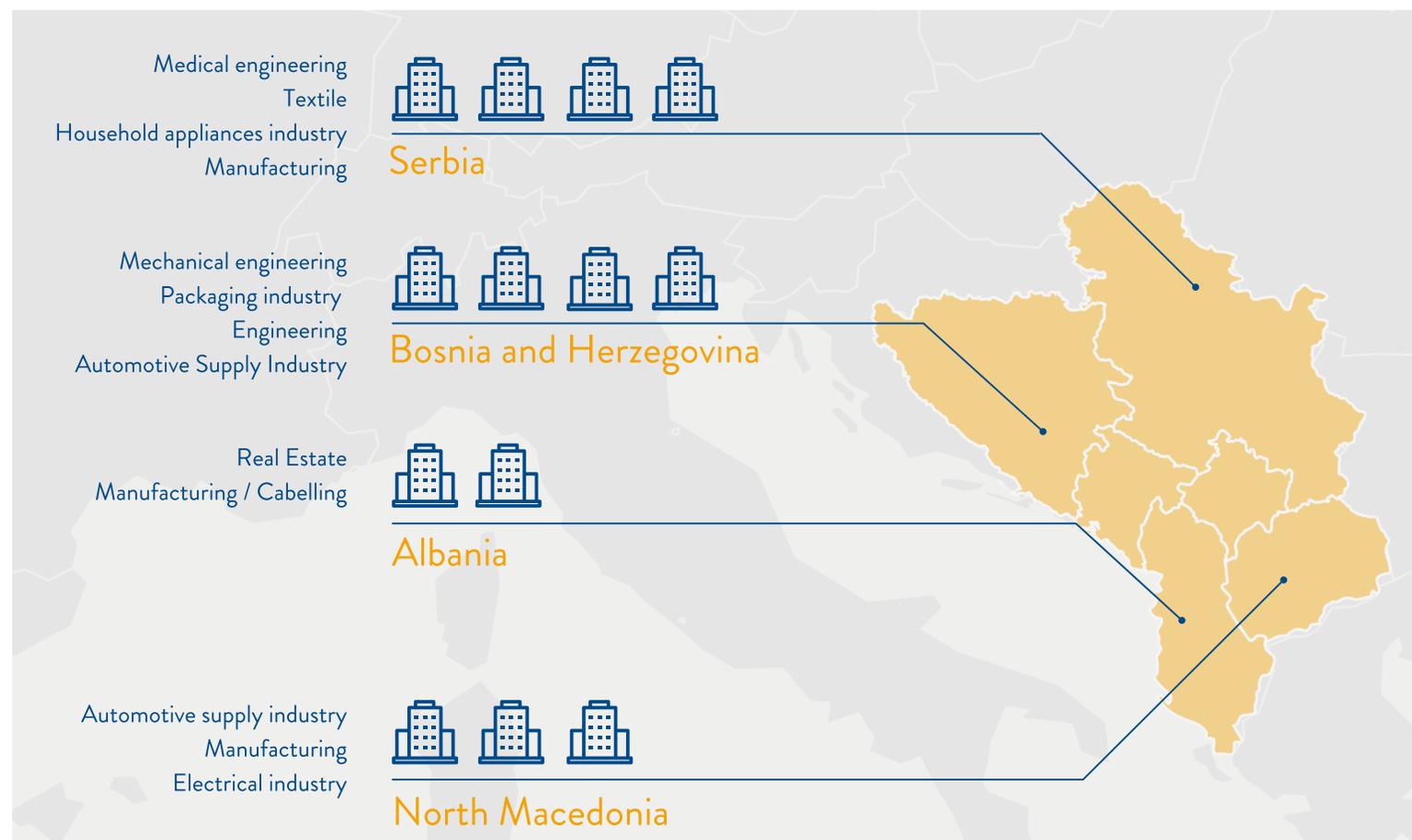
74 German investors in the WB6 took part in the survey
13 German investors in the WB6 were interviewed

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SURVEY WITH COMPANIES CONSIDERING AN INVESTMENT IN WB

SURVEY WITH GERMAN COMPANIES IN THE WB

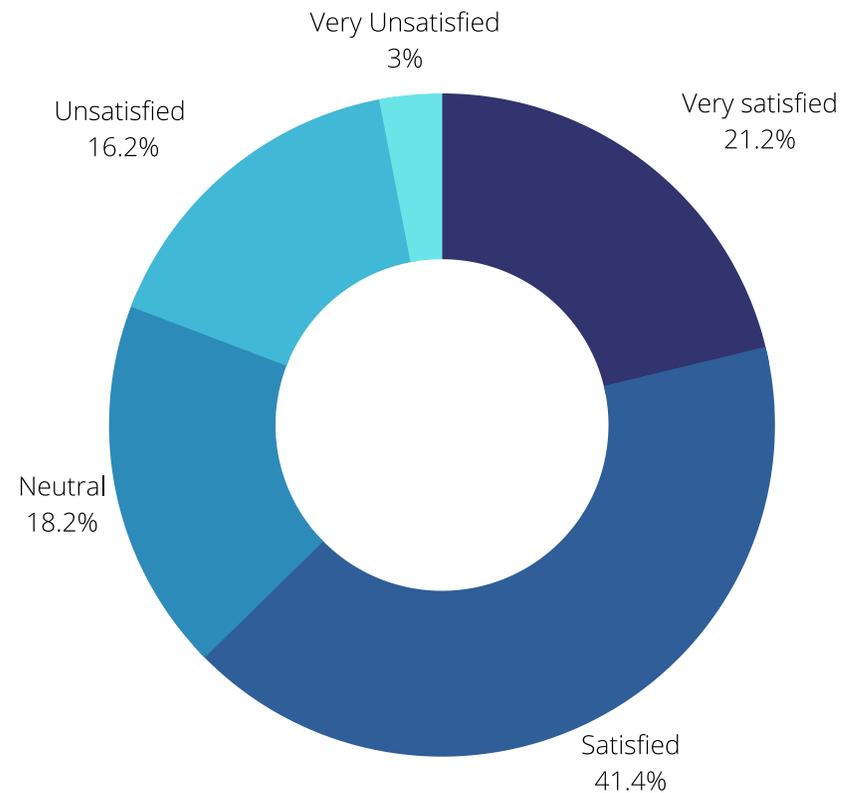
IN-DEPTH INTERVIEWS WITH GERMAN COMPANIES IN THE WB



Investing in the Western Balkans



How satisfied are you with the overall experience of working in the Western Balkans?



Source: Survey conducted among German investors in the WB

Investing in the Western Balkans – Reasons

Why did your company invest in the Western Balkans? (multiple options)

Because of the relatively low wages	22%
Because of the geographical location of the country	19%
Because of the educated workforce in the country	16%
Because of the prospects of the new market	14%
Because of the relatively low taxes	9%
Because of the incentives scheme that the government provided	9%
Other	5%
Because of the good infrastructure in the country	4%
Because of the good institutions and governance in the country (rule of law, control of corruption, government effectiveness etc.)	2%

Source: Survey conducted among German investors in the WB

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Investing in the Western Balkans – **Reasons: low wages**

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“For sure, this is and will still be for a while, a low-labour-cost country, which we use as a competitive advantage, having a plant here.” (BiH)

SURVEY WITH COMPANIES
CONSIDERING AN INVESTMENT
IN WB

SURVEY WITH GERMAN
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“The countries that are closer to Germany have three times the wage level compared to the wages here and have also dried up of workers.” (North Macedonia)

**IN-DEPTH INTERVIEWS
WITH GERMAN COMPANIES
IN THE WB**

Investing in the Western Balkans – Reasons: Geographical Location

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“We can load the truck here on Friday afternoon and it will be in the parent plant [in Germany] on Monday or could be with the customer. You could never do anything like that from Morocco.” (North Macedonia)

SURVEY WITH COMPANIES
CONSIDERING AN INVESTMENT
IN WB

“When it is about the geographical position of the plant, we are surely more competitive than Bulgaria, because we are around 500 km closer than Sofia.” (BiH)

SURVEY WITH GERMAN
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Investing in the Western Balkans – Reasons: Geographical Location

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“China was competitive in terms of wages, but simply too far away, because we had a lot of project business and therefore had to get closer to it. And that is why we were looking for an intersection between China and Slovakia. At that time, I traveled about 10 or 11 different countries, (...) Of course, the main ones in the East, like Ukraine, Belarus, Russia, Turkey, Romania, Bulgaria, Slovenia, Croatia etc. And in the end, we came to Serbia.” (Serbia)

Investing in the Western Balkans – Reasons – Quality of workforce

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“What really impressed me was the honest and hard-working people who wanted to protect workplaces and wanted to work. Because the people are loyal, responsible (...).” (BiH)

SURVEY WITH COMPANIES
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The general level of education of the total population as compared to other regions is quite high. And one finds more easily highly skilled work force compared to other locations that we envisaged.” (Serbia)

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Investing in the Western Balkans – Cultural Proximity

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“It is a **cultural area** that is very similar to Germany. (...) I simply take the experience of how employees from other cultures develop over the years with us. (...) And there we agreed that people from former Yugoslavia were the best match for us.”
(Serbia)

SURVEY WITH COMPANIES
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“Many young Bosnians were in Germany during the **Balkan war**, learned the language and got to know the culture. That makes it easy to work together.” (BiH)

SURVEY WITH GERMAN
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IN-DEPTH INTERVIEWS
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“The company became aware of the Balkan state through **personal contacts** and their positive experiences in Southeastern Europe” (BiH)

Investing in the Western Balkans – Challenges

Which are the negative sides of working in the WB?

Availability of skilled workforce	5.19
Wages are relatively high	2.54
Taxes are relatively high	3.83
Government does not provide enough support (incentive schemes, zones...)	5.52
Poor infrastructure	4.80
Poor governance and institutions (rule of law, corruption, government ineffectiveness)	5.72
Geographical location	2.70

Source: Survey conducted among German investors in the WB

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Investing in the Western Balkans – Challenges – Political Stability

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“There is limited legal certainty and predictability as governments and their approaches to FDI incentives, tax schemes, etc. change over time.” (North Macedonia)

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“After we closed the Bosnia and Herzegovina venture, we were harassed by the authorities and had to pay fines. Fortunately, we had the support of an excellent lawyer, but I am glad that this project is over.” (BiH)

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Investing in the Western Balkans – Challenges – Political stability

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"I think that the efforts of joining the EU offer a certain guarantee that rule of law exists. So the effort of EU accession candidates to join the EU at some point might give more rule of law guarantee than the self-emancipation trends you can see in younger EU member states from Eastern Europe." (Serbia)

Investing in the Western Balkans – Challenges – Infrastructure

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“Travnik is in the middle of Bosnia and Herzegovina. That means you must face bad infrastructure until you reach the border. This is how it is. Every year or every time elections come up, we are promised by politicians that a highway will be built. But nothing is done. So, we just deal with the situation. This means for us we have a little higher transportation cost. But we calculate these costs and the additional time in so that we can reach our clients in time.” (BiH)

“In a broad way infrastructure, partners who you need for your business, like companies that build special machines, or which offer services, which you could easily find in other regions. That is lacking. It is not about streets, but the economic environment .” (Serbia)

Investing in the Western Balkans – Challenges – Education

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“Educated workforce and low wages. This was our expectation in the beginning. The low wages were as we expected them to be, but the educated workforce was not.” (Serbia)

SURVEY WITH COMPANIES CONSIDERING AN INVESTMENT IN WB

“You try at all costs to lure companies into the country, but you don't do your homework. The available skilled labor that you need is nowhere near there. The result is that we have to fight over the available skilled workers. And that doesn't work well in the long run either. There is a huge deficit in terms of education and quality at universities.” (Serbia)

SURVEY WITH GERMAN COMPANIES IN THE WB

“If more trained workers were available here, we could install more advanced production and then wages would automatically be higher. (...) We are happy with the low wages, but we have to train the employees ourselves because we cannot find them. And that's okay too.” (North Macedonia)

IN-DEPTH INTERVIEWS WITH GERMAN COMPANIES IN THE WB

Investing in the Western Balkans – Challenges – Brain Drain

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“People are leaving; Bosniaks, Croats or Serbs. They do not have any hope that things will get better. And the politicians do not give hope to them. Especially the social welfare system, rule of law. Everybody that can leave, is leaving. (BiH)”

Investing in the Western Balkans – Challenges – Upskilling

DIHK SURVEY “GOING
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“The educational system in Bosnia is allowing you to have influence on the curriculum with around 30%. And we use this opportunity, and we create our own programs together with the schools, of course”. (BiH)

SURVEY WITH COMPANIES
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“But as an employer, you have to know that you first have to invest half a year or so in the employee to get even close to the level you need.” (Serbia)

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Conclusion

“So, these are the three points: geographical proximity, competitiveness, and political and economic somewhat stability. And at the end of the day, and this should not be neglected, the last point was also **gut feeling.**” (Serbia)

“**It was by chance.** My intention was not to buy the company. At the time, we were active in the region and in Bosnia and Herzegovina [...] you cannot say that it was a big economic decision, analysing whether wages and taxes are low. [...] In the end it was rather **a human decision than an economic one.**” (BiH)