

PRESS RELEASE

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Study: Why companies are moving to the Western Balkans

- *Proximity to the EU, a skilled workforce and low labour costs are increasingly drawing investors to the region.*
- *Environmentally sustainable production and CO2 reduction present significant opportunities for future growth.*

The COVID-19 pandemic and its associated supply chain disruptions brought the concept of near-shoring to the forefront among economists. Near-shoring refers to the location or relocation of production facilities or other activities to the EU or its neighbouring regions in order to be closer to European markets. In a recent study, the Vienna Institute for International Economic Studies (wiiw), in collaboration with the chambers of commerce of the six Western Balkan states – Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – analysed the state of near-shoring in the Western Balkans. The study also explored the extent to which these countries are succeeding in attracting investment in green technologies and renewable energy.

The findings reveal that near-shoring is indeed taking place, particularly in Bosnia and Herzegovina, Kosovo and North Macedonia, where foreign direct investment (FDI) inflows between 2020 and 2023 were significantly higher than the long-term equilibrium values calculated. *‘Our analysis identifies concrete cases of near-shoring in five of the six Western Balkan economies – Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia,’* says Branimir Jovanović, Economist at wiiw and lead author of the study. He also notes that noteworthy renewable energy projects have been launched in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia. *‘This illustrates the region’s potential in the green transition,’* Jovanović emphasises.

Asian companies seek proximity to the EU

Foreign industrial companies are increasingly focusing on Albania, Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia, with a notable number coming from China, Japan and South Korea. *‘Asian firms take a highly strategic approach, deliberately positioning their production facilities near the EU’s economic core in order to have shorter supply chains,’* Jovanović explains.

As part of the study, 17 foreign investors in the Western Balkans were interviewed about their motivations. They confirmed the significance of locating production facilities close to the EU so as to mitigate supply chain disruptions and geopolitical risks. They also highlighted the importance of environmental protection and CO₂ reduction. *‘If local suppliers make progress in decarbonising their operations, we see significant opportunities for them to integrate into international supply chains and expand,’* Jovanović adds.

Investors are excited about the region

A survey of 65 foreign companies that have invested in the Western Balkans highlights the region's favourable geographical location, skilled workforce and competitive labour costs as the primary draws. However, several other issues – including poor governance, corruption, weak rule of law, underdeveloped institutions and inadequate infrastructure – remain significant deterrents. Despite these challenges, 72% of respondents expressed satisfaction with their investment in the region, with 11% saying that they have relocated activities from more distant locations to be closer to the EU.

Notably, two thirds of foreign firms view the Western Balkans as a promising region for green investments. Many would increase their investments if there were tangible progress in decarbonisation, with companies often seeking environmentally sustainable local suppliers.

A parallel survey of 382 local companies reveals how they are responding to the push for greener production. The results show that two thirds of businesses in the Western Balkans are aware of strategies to reduce CO₂ emissions, recognising this shift as a potential gateway to increased exports to the EU. However, the majority agree that financial support will be necessary to make significant progress.

'In addition to addressing well-known issues – such as poor governance, corruption and inadequate infrastructure – the governments of the six Western Balkan states should prioritise assisting local companies in becoming more environmentally sustainable and fostering closer collaboration with foreign investors,' Jovanović says. 'Austrian companies, in particular, which have a longstanding reputation in environmental technologies, stand to gain significantly from such efforts in the future.'

[The entire study is available for download here.](#)

About the Vienna Institute for International Economic Studies (wiiw)

The Vienna Institute for International Economic Studies (wiiw) is an economic think tank that has been producing economic analyses and forecasts on currently 23 countries in Central, Eastern and Southeastern Europe for over 50 years. In addition, wiiw conducts research in the areas of European integration, macroeconomics, international economics, industrial studies, labour markets and regional development. www.wiiw.ac.at

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