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ORIGINAL PAPER

The attractiveness of the Western Balkans for the FDI

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ABSTRACT - *As the EU expands, the focus is on the Western Balkans region[1], which is rich with opportunity and potential. It is experiencing significant improvements in terms of reforms, economic growth and foreign direct investment (FDI). Developing economies such as those in the Western Balkans are particularly dynamic, which can mean rapidly changing costs and conditions for investors. The region has made strong progress, outpacing Central Europe in economic growth with an average gross domestic product (GDP) increase, these latest years. For the next several years, the markedly strong economic development is expected to continue in Western Balkans. Inflation has largely been kept under control, and is expected to decline further in the near future. The Western Balkans are improving risk profile and economic outlook are also validated by the international credit ratings. As unemployment (in almost all Western Balkans countries) is still high, sustainable economic growth (Redzepagic and Llorca 2007) and job creation are the major challenges the region faces. It is important to mention, for example, that the FDI into the region was 3.4 billion of euros in 2005, but also the cumulative FDI inflow in the region was near 15 billion of euros for the five-year period of 2001-2005 (Redžepagić and Richet 2008). As the countries of the region rarely invested abroad, net FDI inflows also played a key role in financing foreign trade imbalances that stem from ongoing structural reforms and significant investment demand in the transition to free markets.*

Introduction

As the EU expands to the east and south, the Western Balkans are considered by many current and prospective investors to offer opportunities as Europe's next high-growth business location. Croatia and Macedonia are candidates for EU membership, and Stabilization and Association Agreements are in force or under negotiations for the other countries of the region. Generally analyzing, the characteristics driving investment in this region include:

- Access to a growing market of over 150 million consumers
- A competitive business environment, with labor costs under the levels of the Czech Republic and Hungary in parts of the region
- Abundant availability of a highly skilled and well-educated workforce
- Economic reforms delivering an enhanced investment climate
- First-mover advantage to those entering the market at the front end of a growing wave of investment

The FDI in the new market economies in Eastern Europe (now for New Member States of the EU) is interesting to be analyzed from the several points of view (Redžepagić 2006):

- the motivations of the foreign firms – mainly European (the share of the FDI except Europe are lower than 20% of the total) are divided between the access to new markets, on the one hand and with a regional integration by the means of a vertical segmentation from the other side. This contributes to redraw the industrial landscape of

[1] Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Montenegro and Serbia

these economies by specializing them around activities mainly with high added value. The analysis of flows and the contents in value added of the exchanges between these countries and the countries of the EU-15 emphasize well this phenomenon: intra-branch, mainly, are initially characterized by inter-branches exchanges

- the transformation of these economies into market economies could not have taken place without the assistance of the foreign capital. The companies with foreign capital contribute in a very significant way to employment, the investment, exports and the new specialization of these economies
- the effect of proximity, the "nearshoring"[2], of the FDI: the delocalization of activities is required for well-known advantages (cost of work, growth of new markets, etc). It appears that the effect of proximity plays such a significant role, because of constraints related to the production of products or services integrated in the production of the goods and the services in the country of origin.

Some Evidences From Western Balkans Countries

The operation of the multinational firms shows, on the contrary, that the step which animates them is rather an operation in network, at the same time in terms of division of competences, of entry on the markets, of research and development. The opening of the Western Balkans and Central and East European Countries (CEEC) more than ten years ago has fundamentally altered the political and economic landscape of the European continent. The region has been transformed into a marketplace with dynamic growth, attracting a significant amount of FDI. Much of this success can be attributed to the efforts of local governments, international organizations, and other non-governmental institutions. Foreign investors have shared information on their experiences and on best practices within countries in which they have invested. This direct approach with authorities and cooperation with several international organizations has helped to create a more accurate picture of the investment landscape within various countries in the region. The Western Balkans region, along with some of the other CEECs, lags in many ways behind the Central European transition economies. The private sector is not as well developed in the Western Balkans; the public sector is only partially reformed, and the informal economy is more evident than in the CEECs.

In Albania, with most state-owned small and medium-sized enterprises (SMEs) already privatized the inflow of FDI into Albania has been moderate since 1999. FDI peaked in 2004 at 275 million of American dollars, helped by Albania's largest-ever privatization deal. Specifically, in April 2004, the Austrian *Raiffeisen Zentralbank (RZB)* acquired full ownership in the *Savings Bank*, Albania's largest commercial bank, in exchange for 126 million of American dollars. Italy and Greece are the predominant sources of FDI in Albania, with roughly 48% originating in Italy and 34% in Greece. These two countries are also Albania's major trading partners for both import and export. Foreign investments are mainly concentrated in the key commercial districts of the country. Approximately two-thirds of all FDI is targeted toward either the capital, Tirana, or the main cargo port, Durres. Since the beginning of 2003, key foreign direct investments in Albania include: multiple flour mills, including one in Tirana with a daily production capacity of 300 tons of wheat and 10,000 tons of grain, by *Flour Mills Loulis* of Greece; from *Aprider* of Israel, six greenhouses in dif-

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[2] « Nearshoring » means sourcing service activities to a foreign, lower-wage country that is relatively close in distance or time zone (or both). The customer expects to benefit from one or more of the following constructs of proximity: geographic, temporal, cultural, linguistic, economic, political, or historical linkages. Similar terms include nearsourcing and nearshore outsourcing. The service work that is being sourced may be a business process or software development. As with offshore, the term "nearshore" was originally used in the context of fishing and other ocean-based activities and later adapted by the business world.

ferent regions of the country; a 2.5 million of American dollars investment by the Japanese Government in a vegetable oil plant in Fier; and, as announced in 2005, a planned investment of 1.9 million of American dollars by *Berlinwasser International*, a German water company, to increase the supply of drinking water in Durres.

The FDI inflow, in Bosnia and Herzegovina, in 2003 amounted to 338 million of American dollars, more than 20% higher than in 2002. Progress has been achieved in foreign investment law and promotion, although there remain duplicating government structures at the state, entity, and cantonal levels. The federal government of Bosnia and Herzegovina has selected *LNM Holding* to purchase *BH Steel*, Zenica. In addition, some food processing plants in Banja Luka were recently privatized. In June 2003, the Swiss company *Kreis-Industriehandel AG* (a majority shareholder in Vitaminka) purchased 51% of *Fruktona*. The company also announced further investment plans in both entities. This kind of privatization is considered vital for former Yugoslav companies to restructure and regain their domestic and regional markets. Several domestically owned companies report that they have had discussions with foreign investors. Incoming investors intending to serve the domestic market in addition to pursuing exports may require reassurance with respect to purchasing power growth locally and in the regional economy, as well as continued macro political-economic stability. It is expected that the effective functioning of designated free zone areas will increase Bosnia and Herzegovina's attractiveness to foreign investors.

Since 1999, the inflow of FDI into Croatia has exceeded 1 billion of American dollars each year. The FDI inflow reached its peak of US$1.8 billion in 2003, largely due to the sale of oil company INA to Hungarian MOL. In 2004, a year with no large privatization deals, FDI inflows slid to 1.08 billion of American dollars. Greenfield investments are not yet common in Croatia, particularly in the export oriented manufacturing sector. Nevertheless, Croatia ranks first among CEECs in FDI stock per capita and is competitive in this area with the new EU member states. At year-end 2004, Croatia (with FDI inward stock of 13 billion of American dollars) ranked ahead of Slovakia and Poland, trailing only Hungary, Estonia, the Czech Republic, and Slovenia in South East and Central Europe. In Croatia 30-40% of the inflow takes the form of equity investment, with the balance consisting mainly of loans from the mother company and, since 2003, reinvested earnings. Equity investment (the only form of FDI for which a sector breakdown is available) amounted to 888 million of American dollars in 2003 and 319 million of American dollars in 2004. The main economic activities attracting FDI in 1993-2004 were financial intermediation (21% of equity investment), telecommunications (16%), pharmaceuticals (11%), petroleum (8%), and cement manufacturing (3%). While the manufacture of machinery and transport equipment together accounts for 30% of exports (a figure trending upward), they attracted only 3% of FDI. Rapid export increases and high export revenues in 2002-2004 were registered in the sector of other transport equipment, as well as for electrical and other machinery. These data[3] indicate that medium high-tech manufacturing is booming, but that the role of FDI is still small. Locally owned companies are increasingly competitive in certain industries. The *Croatian National Bank* registered 77 Greenfield investments in the manufacturing sector through the end of 2000, mainly in small enterprises in the textile and clothing sectors (accounting for 5,600 employees at year-end 2002). The Bank identified 76 foreign affiliates established by takeover through the end of 2000, accounting for 17,000 employees at year-end 2002, constituting a far greater impact than the Greenfield projects. FDI companies in 2002 accounted for 15% of registered capital, 16% of revenue, 24% of exports, and 9% of employment – much smaller shares than for Central European countries, where foreign penetration typically exceeds 50%. Greenfield investment in Croatia, as in Slovenia, has been hindered by a lack of industrial real estate outside the former socially owned companies. The general attitude toward FDI in

[3] For more details see EBRD Transition report (2007).

Croatia is positive. Government and most business representatives recognize that a transfer of technical and managerial know-how is required for many Croatian companies to survive over time and that this will most likely arrive through FDI. However, the study elicited comments by some firms on the need for the Croatian government to take a proactive stance in removing barriers and in truly understanding the concerns and interests of business.

Macedonia has historically attracted higher FDI per capita than most other countries in the region, but has experienced a downturn in recent years. About 40 foreign investments entered the country via privatization between 1995 and 2001, accounting for a substantial portion of the total FDI. Subsequently, however, unstable civil conditions and the subsequent halt of privatization have resulted in minimal FDI inflows. Macedonia's inclusion in the EU Stabilization and Association process, as well as its official application for EU membership in 2004, may encourage investors. Furthermore, a new government program for stimulating FDI was launched in August 2003, with privatization re-started in 2004, raising expectations of higher inflows by year-end 2005. The majority of foreign investment comes from Hungary, since its German-owned telecom provider purchased the privatized *Maktel* in 2001. The next largest amount of FDI flows from Greece. Telecom is the most significant recipient of FDI, while manufacturing has a share of only 25%. The most important manufacturing FDI target is the food and beverage processing industry, which serves the local market and exports to neighboring territories, such as Kosovo.

In Serbia, net FDI inflows increased more than twofold between 2002 and 2003, to 1.2 billion of American dollars, reflecting progress in privatization. The net inflow was US$149 million for the first quarter of 2004. Tenders generated privatization revenues of about 245 million of American dollars in 2002 and 740 million of American dollars (roughly 5% of GDP) in the first ten months of 2003. Transactions in 2003 include the acquisition of steel producer *Sartid* by *U.S. Steel*, the purchase of specialty tire producer *Ruma Guma* by *Galaxy Tire*, and the acquisition by *Uniworld* of Serbia's largest travel and tour company. Developments in 2004 include the announcements of Serbia's largest Greenfield investment since its political transition in October 2000, a new plant to produce aluminum cans by Ball (a U.S. packaging company) of up to US$75 million, and a 10 million of American dollars investment by *Henkel* (Germany) in its existing factory. In addition, Kikinda's foundry Livnica has accepted the sole bid placed by Slovenian automotive firm CIMOS. An important segment of the corporate sector, constituting 41 large enterprises that require restructuring, has not yet been placed on the agenda for privatization. Their restructuring and privatization will likely take several years, and some must first undergo bankruptcy procedures based on a recently created legal framework. Bank privatization is proceeding step by step, starting with the closure of non-viable banks at the end of 2001. Authorities anticipated that the *Jubanka* privatization would generate proceeds of 138 million of American dollars. Furthermore, an institutional framework was started in 2003 for the privatization of public utilities.

Despite the relatively small size of its economy, Montenegro has managed to attract solid interest from foreign investors, especially through its privatization program. Investors from more than 40 countries have vested interests in Montenegro. The primary sources of investment have been Greece, Slovenia, and Russia, and to a somewhat lesser extent Italy, China, and Croatia. Recent examples of investments in Montenegro include the following:

- Hellenic Petroleum acquired a majority stake in Montenegro's oil refinery, *Jugopetrol Kotor*, for 65 million of euros, plus an additional 36.5 million of euros for capital investment and social programs.
- *Daido Metal*, a Japanese-owned bearings producer, acquired the *Kotor Baring Plant*, with total investment around 1 million euros.

- Slovene investors have invested in a variety of important sectors, such as agriculture, tourism (including the purchase of multiple hotel assets on Montenegro's coast), industry, and banking (e.g., the sale in 2003 of *Montenegro Banka* to a Slovene strategic partner, N*ova Ljubljanska Banka*).

Table 1: FDI Inflows, 1998-2004
(million of euros)

	1998	1999	2000	2001	2002	2003	2004
Czech Republic	3,317	5,933	5,404	6,296	9,012	1,863	3,596
Hungary	2,988	3,106	2,998	4,391	3,185	1,909	3,365
Poland	5,676	6,824	10,334	6,372	4,371	3,660	4,892
Slovakia	629	402	2,089	1,768	4,397	506	891
Slovenia	194	99	149	412	1,750	299	422
Subtotal: New EU members (5)	12,805	16,364	20,974	19,240	22,716	8,237	13,165
Estonia	511	284	425	603	307	797	742
Latvia	317	325	447	147	269	267	522
Lithuania	824	457	412	499	772	160	623
Baltic countries	1,653	1,066	1,284	1,248	1,347	1,224	1,887
Subtotal: New EU members (8)	14,457	17,430	22,258	20,488	24,063	9,460	15,052
Albania	40	39	155	232	151	158	275
Bosnia & Herzegovina	60	166	159	133	282	338	400
Bulgaria	478	775	1,103	903	980	1,851	1,958
Croatia	843	1,369	1,142	1,503	1,195	1,788	921
Macedonia	114	31	189	493	83	84	122
Romania	1,763	964	1,147	1,294	1,212	1,946	4,098
Serbia	101	105	55	186	502	1,197	775
Montenegro	NA	NA	NA	NA	NA	NA	NA
Subtotal: South East Europe	3,398	3,448	3,950	4,743	4,405	7,361	8,549
Belarus	181	416	129	107	262	152	136
Moldova	67	36	137	114	138	61	NA
Russia	2,424	3,105	2,933	3,069	3,660	7,042	9,388
Ukraine	658	466	644	884	734	1,260	1,380
European CIS	3,331	4,023	3,843	4,174	4,794	8,514	10,904
Asian CIS	2,676	2,308	2,025	4,424	4,270	5,300	6,000
CIS	6,006	6,331	5,868	8,598	9,064	13,814	16,904
Eastern Europe	23,862	27,209	32,076	33,829	37,532	30,636	40,506

Source: National banks of respective countries, based on balance of payments statistics and World Investment Report 2003 for Asian CIS; EBRD Transition report (2007)

Table 2: FDI Inflows per Capita, 1998-2004
(million of euros)

	1998	1999	2000	2001	2002	2003	2004
Czech Republic	322	577	526	616	884	183	352
Hungary	291	303	294	431	314	188	333
Poland	147	177	267	165	114	96	128
Slovakia	117	74	387	329	817	94	166
Slovenia	98	50	75	207	877	150	211
Total: New EU members (5)	192	246	315	290	344	125	200
Estonia	369	207	310	442	226	589	550
Latvia	132	136	188	62	115	115	226
Lithuania	232	130	118	143	222	46	181
Baltic countries	225	146	177	173	188	172	266
Total: New EU members (8)	196	236	302	278	329	130	206
Albania	12	11	45	75	48	50	86
Bosnia & Herzegovina	16	45	42	35	74	88	104
Bulgaria	58	94	135	114	125	237	252
Croatia	187	301	257	339	269	403	208
Macedonia	57	15	93	242	41	41	60
Romania	78	43	51	58	56	90	189
Serbia	NA	14	7	24	67	159	103
South East Europe	62	66	76	92	87	146	169
Russia	17	21	20	21	25	49	65
Ukraine	13	9	13	18	15	26	29

Source: National banks of respective countries, based on balance of payments statistics and World Investment Report 2003 for Asian CIS; EBRD Transition report (2007)

Movement Of The Capital: The Case Of Eastern Europe

The question of the compared attractivity of the CEECs already was discussed several among some authors (Redžepagić and Richet 2008) who agree to recognize that the FDI in this area of Europe have creates a strong effect of ousting, engaged quite front in programs of adjustment even if relatively, flows which were directed in this area, on the beginning were modest and still remain it with respect to other destinations (intra developed countries, China). They also recognize that the nature of specializations is different: intrabranche in the case of the EU-CEECs exchanges. It is not necessary to reconsider here the history of the transformation of the countries from the region which is well-known (Drouet and Richet, 2007). We can focus, on the other side, to know why the foreign capital moved in the one area and not worms of others, or more exactly, why for the European firms it is necessary to be at the same time present in Eastern Europe and China[4] factors played, even if they appeared contradictory. The first factor is related to the level of economic development and with the emergence of new needs for consumption which were strongly constrained in the old system by a rigid or non-existent offer. The second factor is related to the nature

[4] One of the reasons of the strong competitiveness of German industry in spite of the recession, the strong Euro comes owing to the fact that mainly German industries assemble products whose components are manufactured at low cost in the CEECs. A considered German economist, W. Sinn goes even until qualifying the German saving in "saving in bazaar"

of the "national system of innovation" of these economies. In spite of a "bad industrialization" (i.e. an industrialization around an economic development, within an autarkical framework privileging heavy industries), on the one side, and of a not very effective industrial engineering (autonomy of the firms, quality of management, signal and intermediary, information system) of the other side, the National System of Innovation (NSI) was able to create a scientific and technical environment with relatively high standards, with a qualification of the labor close to those of the countries of the EU.

The differential of cost of work was also a significant factor: to equal qualification and for a level of productivity are equivalent (in the firms which were restructured by the foreign investors, the differential is still significant, between a fifth and a quarter of the German average wages. The narrowness of the labor markets, the competition of the low costs induce also a delocalization of the investments carried out in the production of goods with low value added in the area towards other regions (China, for example).

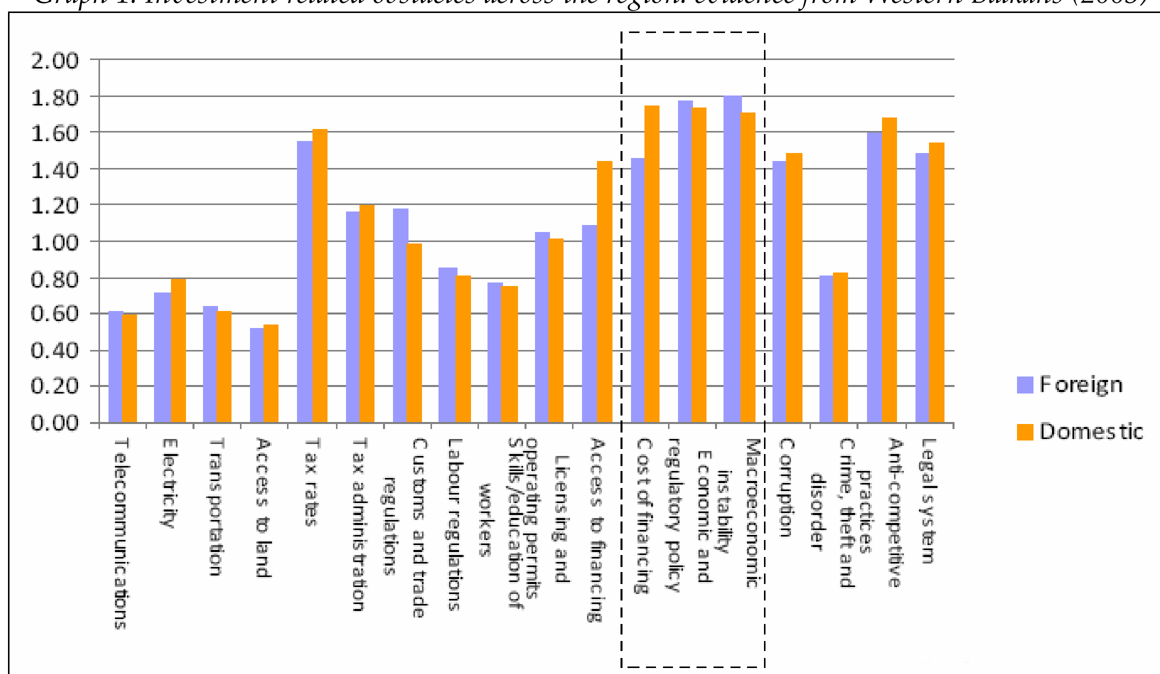
As the last frontier amid a rapidly integrating continent, the Western Balkans have emerged as Europe's next high-growth destination for FDI. The region, now directly adjacent to the EU's expanding border, has attracted the focus of the leadership of the European Commission. It is expected that countries of the Western Balkans will enjoy membership in the EU within few years. As has been demonstrated in the economic booms of recently acceded EU member countries, the period leading up to full EU integration is a strategic time for forward-looking investors to maximize their opportunity. To confirm this opinion, we can precise some important and significant elements:

- In a comparison of the largest operating costs (i.e., labor, land and utilities), Western Balkans countries rank well ahead of New Member States of the EU (such as the Czech Republic and Hungary).
- The workforce, in the Western Balkans countries, is well educated and experienced in production processes; so this is the reason why current investors cite local technical expertise and the strong work ethic as competitive advantages of this region.
- Geographically, uniquely situated with Adriatic port access and adjacent to both Western and Central European major country markets, the region is well positioned for serving the EU, Russia and beyond.
- In the Western Balkans countries, inputs increasingly can be locally sourced in key sectors, and an existing supply network is based in the region's longstanding history as a production center.
- The governments of the Western Balkans region are committed to the attraction of FDI, as evidenced on several fronts, including progress on regulatory, fiscal and tax reforms and investor incentives.

FDI in the Western Balkans are mostly concentrated in the service sector (banks, telecommunications, insurance) in non-tradable inward oriented sectors (constructions, real-estate). Some preliminary analysis indicated that there was an underlying problem with competitiveness and productivity level:

- Labor flexibility and skills shortages and gaps
- Infrastructure (energy, transport, telecommunication)
- Access to land (cadastre, registration, permits)
- Complex regulatory environment

Graph 1: Investment related obstacles across the region: evidence from Western Balkans (2005)



Source: World Bank, BEEPS (2005)

Some analyzes are pursuing two approaches:

- “Macro approach” exploring the links between trade liberalization and FDI, in particular the impact of regional liberalization through Central European Free Trade Agreement (CEFTA) and external liberalization on FDI inflows
- “Sectoral analysis” looking at competitiveness factors in selected industry sectors.

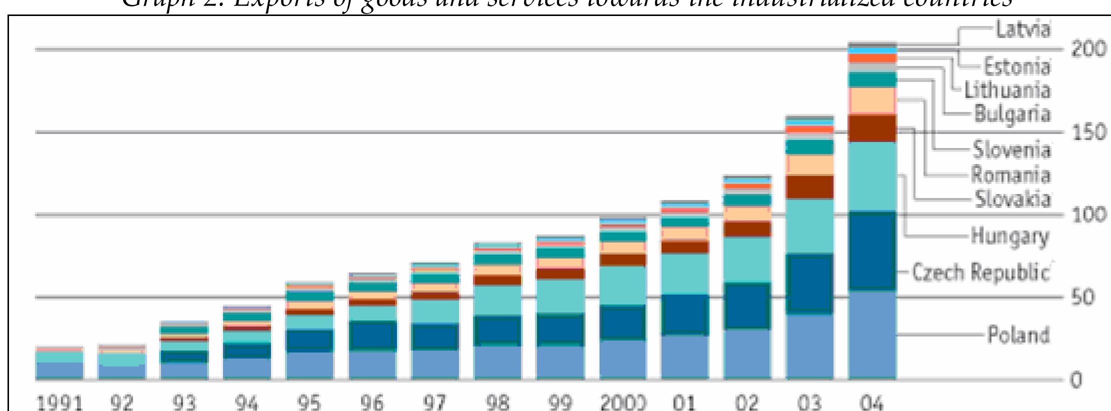
The model of privatization of the companies contributed, in certain countries (Hungary, for example) to attract the IDE quickly, leading, then, with the fast reorganization of the economies of the countries hosts (Calf & Richet, 2004). The fast creation of a legal environment protecting the investments made the remainder. The adjustment of the firms to the new environment of market was facilitated by the implementation of macroeconomic policies and stabilization continuous, supported by the assistances structural provided by the EU within the framework of the future integration of these economies which intervened in 2004 and in 2007.

Lastly, it is necessary to mention the effect of proximity which, associated the costs and the human capital accentuated the process of delocalization of the large firms of the EU in direction of these market. A great number of FDI concern vertical integration[5]. These FDI contribute to create a true industrial crown in the region with the integration of the existing manufacturing units in the strategy of the great European groups, on the one side, that is to say by the creation of investments “ex-nihilo” in the region, on the other side.

The following graph measure the impact of the FDI, the countries hosts of the region at the same time in terms of specialization of the sectors, of export of goods and services in direction of the industrialized countries (mainly European, in terms of contents in value added of exports. The graph shows the growth of exports of the countries of the area in direction of the developed industrialized countries which were carried out during these last years in particular around the three countries which received the most FDI (Poland, the Czech Republic and Hungary).

[5] Ernst&Young, European Investment Monitor, 2006

Graph 2: Exports of goods and services towards the industrialized countries



Source: The Economist (2005)

Table 3 shows the contents in value added of exports in direction of the countries developed during these last years. It translates at the same time the importance of vertical integration ("re-exportation" of products which will enter the final assembly), the contents in qualified work and capital intensive intensity.

Table 3: Exports in terms of intensity of factors in 1996, 2000 and 2003

Country classes in terms of stock of IDE in the manufacturing sector per capita in 2003	Leaves intensive qualified work and intensive products in capital in						Value of exports in qualified work and capital Index, 2003
	Exports			Exports minus exports intensive in natural products			
	1996	2000	2003	1996	2000	2003	1996=100
Hungary	46%	73%	76%	65%	84%	87%	535
Czech Republic	61%	68%	73%	77%	80%	83%	267
Slovenia	61%	65%	67%	73%	76%	79%	169
Slovakia	49%	66%	70%	59%	76%	83%	353
Estonia	38%	50%	47%	59%	71%	71%	336
Poland	41%	52%	54%	59%	68%	68%	286
Lithuania	37%	30%	31%	64%	54%	52%	183
Bulgaria	41%	31%	32%	63%	44%	47%	120
Romania	35%	34%	37%	45%	43%	47%	225
Latvia	30%	24%	26%	53%	49%	54%	176

Source: B. Kaminski (2004)

The figure below illustrates the paradox of the delocalization in the sense that the recent movements of delocalization go today on sites close at the same time to the sources of knowledge (economy of knowledge, organizational complexity, "just in time", etc.) and of the final markets with more or less strong purchasing power.

Table 4: The paradox of the outsourcing: proximity vs. costs/quality

Proximity ("nearshoring"): Complex final market: small series, speed of the quasi-integration production on the level of the final assembly Sources of knowledge To answer a double request in the country host and the country of origin	Relatively high costs but with one interesting differential: Labor more qualified and powerful in sectors with high added value
Distance Control, costs of coordination, outdistances, large volume	Weak costs Can become a secondary advantage if integration quality Interest: growth of the local markets Possibility of correction, but mass productions

Conclusion

The Western Balkans prospects have looked mixed for some time, as have general appraisals of the situation in the region. The overall assessment has tended to vary according to the primary focus (economic, political, security) or even temperament of the observer-summed up by the proverbial question of whether the glass is "half empty or half-full". The importance of FDI for the region, and the need for the recent trend to be sustained, cannot be overstated. Despite the strong theoretical case for the advantages of free capital flows, many private capital flows pose "countervailing risks". In contrast, FDI is both less volatile than other flows and has a series of additional benefits. FDI is a key factor for upgrading physical and human capital; for increasing export capacity; for reducing external vulnerability; and for boosting the structural reform momentum. FDI inflows are more likely than other forms of capital flows to translate into increases in domestic investment. FDI is a vehicle for the transfer of technology and managerial and organizational know how, and it can promote competition in the domestic market. Profits generated by FDI contribute to host country tax revenues. It has been shown that for FDI to have a significant positive impact on a host country's performance and growth the host has to already have a certain level of skills, which the Western Balkans countries generally possess. Finally, and crucially, the reliance on FDI is far preferable to dependence on official aid flows – this general proposition is likely to be especially important in the Western Balkans.

Generally analyzed, trade liberalization and FDI inflows in the Western Balkans countries, show us the following:

- The Western Balkans countries are characterized by advanced trade liberalization and open non-discriminatory regime to FDI.
- Proximity to the EU market and significant lower labor costs than in the EU-15, and very competitive tax rates.
- These elements should contribute to generate high FDI inflows into the region replicating the same dynamic Central European countries experienced in the late nineties and early 2000. However, so far this has not been the case.

Table 5: *Advantages and disadvantages of the FDI in the Western Balkans*

Advantages	Disadvantages
Growth	Unhappiness
Macroeconomic stability	External imbalances
Reform speed	Slow implementation
Foreign investment and tax incentives	Problems of corruption and business climate
Trade cooperation	Trade barriers
EU aspirations	Stalled EU progress

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