Near-shoring perspectives in the post-pandemic world and the implications for the Western Balkans
GLOBALISATION OF PRODUCTION

1980
TECHNOLOGICAL ADVANCEMENT
The internet revolution eased communication and information exchange.

1989
OPENING UP OF CHINA AND THE FALL OF THE ‘IRON CURTAIN’

2007-2009
GREAT RECESSION

1995
ESTABLISHMENT OF WTO
Trade liberalisation, with significant reductions in tariffs and other trade barriers.

SINCE 2010
RETURN OF PROTECTIONISM
USA and China imposing retaliatory tariffs.

SINCE 2020
COVID-19 PANDEMIC

WHY DO GERMAN COMPANIES INVEST IN THE WESTERN BALKANS?

- Relatively low wages
- Geographical Location
- Educated workforce
- Prospects of a new market
- Relatively low taxes
- Government incentive schemes
- Other
- Good Institutions and Governance

CAN THE WESTERN BALKANS BECOME A NEAR-SHORING WINNER?

Percentage of German companies with supply chain problems

- Autumn 2020: 31%
- Spring 2021: 40%
- Autumn 2021: 54%

GREAT RECESSION
SINCE 2010
SINCE 2020

USA and China imposing retaliatory tariffs.

RETURN OF PROTECTIONISM
COVID-19 PANDEMIC

THE INTERNET REVOLUTION EASED COMMUNICATION AND INFORMATION EXCHANGE.

TRADE LIBERALISATION, WITH SIGNIFICANT REDUCTIONS IN TARIFFS AND OTHER TRADE BARRIERS.

INTERNATIONAL TRADE, WITH SIGNIFICANT REDUCTIONS IN TARIFFS AND OTHER TRADE BARRIERS.

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WHAT CAN THE WESTERN BALKANS OFFER...

Low labour cost  Geographical location  Educated workforce

Reasons we did not expect a priori: Cultural Proximity and Social Ties

‘It is a cultural area that is very similar to Germany. [...] I simply take the experience of how employees from other cultures developed over the years with us. [...] And there we agreed that people from former Yugoslavia were the best match for us.’ (German company working in Serbia)

...AND WHAT ARE THE DOWNSIDES

Availability of skilled workforce  Poor governance and institutions  Non-tariff barriers

CONCLUSIONS

→ Near-shoring is likely to increase after the COVID-19 pandemic.

→ The Western Balkans are the natural choice for near-shoring from EU companies.

→ But the region also has downsides. To benefit fully from the likely near-shoring trends, Western Balkan economies need to maximise their strengths and minimise their weaknesses.

→ The green transition offers a big opportunity for the Western Balkans.

→ Governments should consider near-shoring policies, such as innovation and industrial policies for re-shoring.