



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 OPENIN

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.

# Percentage of German companies with supply chain problems

Autumn 2020

31%

Spring 2021

40%

Autumn 2021

54%

#### **SINCE 2010**

RETURN OF PROTECTIONISM

USA and China imposing retaliatory tariffs.

#### **SINCE 2020**

**COVID-19 PANDEMIC** 

# CAN THE WESTERN BALKANS BECOME A NEAR-SHORING WINNER?

WHY DO GERMAN
COMPANIES INVEST IN
THE WESTERN
BALKANS?

Relatively low wages
Geographical Location
Educated workfoce
Prospects of a new market
Relatively low taxes
Government incentive schemes
Other

Good Institutions and Governance



# 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





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**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 nearshoring policies, such as innovation and industrial policies for re-shoring