



Society

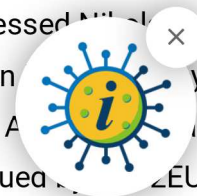
Policy Brief: Weak rule of law in the Western Balkans affects the quality of FDI

by EWB 22. 11. 2021.



Photo: Pixabay

VIENNA – Common features in the Western Balkan countries are inconsistency in the law application, the absence of a solid regulatory framework equal for all, corruption, and clientelism which makes these countries less attractive to “healthy” investors. Taking the example of the Greek investing experience in the region, the EU should advocate more intensively for the genuine implementations of the rule of law which is the essence in attracting Foreign Direct Investments (FDI), assessed by Tzifakis, Member of Balkans in the Advisory Group (BiEPAG) and A. Alvis, authors of the [Policy Brief](#) issued by the EU Network”.



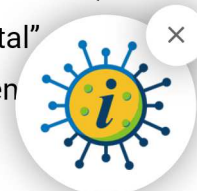
The brief stressed the importance of establishing strong institutional and regulatory frameworks as indispensable mechanisms of government accountability pertaining economic growth and sustainable development.

Rule of law and FDI in the Western Balkans

“The quality of FDI attracted is directly related with the state of the rule of law in a country. Yet, anticipating sustainable FDI requires a robust legal framework and an independent and competent judiciary”, Policy Brief assesses.

Although there are issues and controversies regarding the rule of law and the fact that the current authorities in the Western Balkan countries control almost all state mechanisms, including the economy, this situation has not affected or reduced, by a large margin, regional economic development. However, the question arises as to how sustainable this path of economic development is, the authors note.

Research conducted by the World Bank, European Commission and the U.S. Department of State on the business environment across the region have shown that backsliding of the democracy and structural deficiencies have a negative impact for FDI, hence refrain the potential investor from perceiving the destination as a secure one. Yet, progress and cooperation have been established with countries such as China, Russia, UAE. Such arrangements, from the perspective of the Western countries, are interpreted as “corrosive capital” investments with a negative environmental footprint alongside.



“Captured institutions and corruption remain the

major impediments to economic development and democratic consolidation in the region”, the document reads.

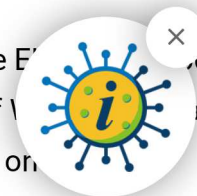
Departure of Greek businesses from the Western Balkans

The situation with the rule of law in the Western Balkans is one of the causes for the decrease of Greek economic presence in the region in the past years, authors stress.

“**Notwithstanding the region’s proximity, its low labor cost, and the very favorable corporate tax regimes for foreign businesses in most Western Balkan countries, many Greek corporations have shifted their attention to other markets”, showed the data collected from the Bank of Greece, Policy Brief points out.**

Moreover, the Greek Embassy in Serbia, in its annual report, incorporated all the obstructions related to doing business in Serbia that consist of “the gap between the adopted legislation and its practical application; non-transparent public procurement processes for the selection of contractors; unfair competition and uneven treatment between national and foreign investors; very slow judicial processes; vaguely determined legal requirements for imports of commodities subject to different interpretations by the relevant custom officers; and inadequate protection of land use rights”.

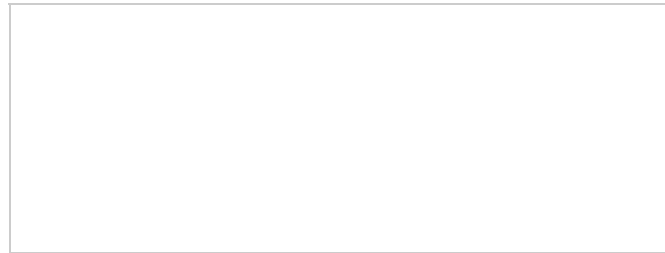
The authors conclude that the E... focus on the genuine compliance of V... in states with EU standards and on comprehensive application of adopted



legislation, as well as to defend more efficiently the rights of European corporations investing in the region when they are treated unevenly and fall victims of weak rule of law practices”.

The Policy Brief is published in the framework of the WB2EU Project, which aims at the establishment of a network of renowned think-thanks, universities, higher education institutes, and policy centers in the Western Balkans, neighboring countries, and EU member states that will be most decisive for the enlargement process and Europeanisation of the region in the upcoming years.

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