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Comparative Analysis of Foreign Direct Investment Strategies in Western Balkan Countries

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Batı Balkan Ülkelerinde Doğrudan Yabancı Sermaye Yatırımı Stratejilerinin Karşılaştırmalı Analizi

Öz

Bu çalışmada Batı Balkan ülkelerinin doğrudan yabancı sermaye teşvik stratejileri OLI paradigması çerçevesinde mukayeseli olarak araştırılmıştır. Nitel araştırma metotlarından Politika-Eylem Araştırması yöntemiyle yürütülen çalışma kapsamında ilgili ülkelerinin yatırım-promosyon ajansı niteliğindeki resmî kurumlarının sunduğu bilgi ve belgeler analitik bir çerçevede incelenmiştir. Bulgular; WB-6 ülkelerinin dış yatırım paradigmalarının liberalize edildiği ancak girişim başlatma prosedürlerinin karmaşık olduğu, politik güven unsuru olarak AB ve NATO perspektifine odaklanıldığı, coğrafi konum ve vergi avantajlarının fazlaca vurgulandığı, düşük teknoloji içeren sektörlerdeki mavi yakalı işgücü stokunun öne çıkarıldığını göstermektedir. Buna göre iç çatışmalar kontrol altına alınması, bürokratik kalite ve yolsuzlukla mücadelenin güçlendirilmesi, yüksek nitelikli işgücü istihdamını destekleyecek orta-yüksek teknoloji içerek sektörlerin öne çıkarılması, kamu işbirliği modelleri ve özelleştirme programı benzeri spesifik yatırım alanlarının güncel şekilde tanıtılması tavsiye edilmektedir.

Anahtar Kelimeler: Batı Balkan Ülkeleri, Doğrudan Yabancı Sermaye Yatırımları, Yatırım İklimi, Politika-Eylem Araştırması, Kurumsal Kalite

Comparative Analysis of Foreign Direct Investment Strategies in Western Balkan Countries

Abstract

This paper comparatively analyzes the foreign direct investment promotion strategies of the Western Balkan countries within the OLI paradigm framework. The study used the Policy-Action Research method, a qualitative research approach, to analyze information and documents from official institutions in relevant countries, similar to investment-promotion agencies, within an analytical framework. The findings reveal that although the external investment frameworks of WB-6 countries have been liberalized, the process of starting a business remains intricate, the political security dimension is oriented towards the EU and NATO, geographical positioning and tax incentives are significantly underscored, and the availability of blue-collar labor in low-tech industries is accentuated. It is advisable to manage internal conflicts, enhance efforts against bureaucratic inefficiency and corruption, emphasize sectors involving medium-high technology to facilitate the employment of highly skilled labor, and to advance targeted investment areas such as contemporary public-private partnership models and privatization initiatives.

Keywords: Western Balkan Countries, Foreign Direct Investment, Investment Climate, Policy-Action Research, Institutional Quality

Makale Türü: Araştırma Makalesi

Paper Type: Research Article

1. Introduction

In the Western Balkan transition economies (WB-6; Albania, Bosnia-Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia), which experienced a radical economic transformation after the Cold War, the amount of foreign direct investment (FDI) remains below potential. FDI has become one

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of the most important components of economic development after the gains of the globalization process to liberalize the movement of goods and capital. However, the variables that multinational companies that dynamize foreign capital investments take into account when making investment decisions differ. Theoretical explanations and empirical findings in the literature indicate that the host country needs to implement institutional transformation to reduce political, social and economic risk factors in order to create an attractive investment climate for foreign investments (Lucke and Eichler, 2016; Peres, Ameer and Xu, 2018; Sabir, Rafique and Abbas, 2019; Addi and Abubakar, 2024).

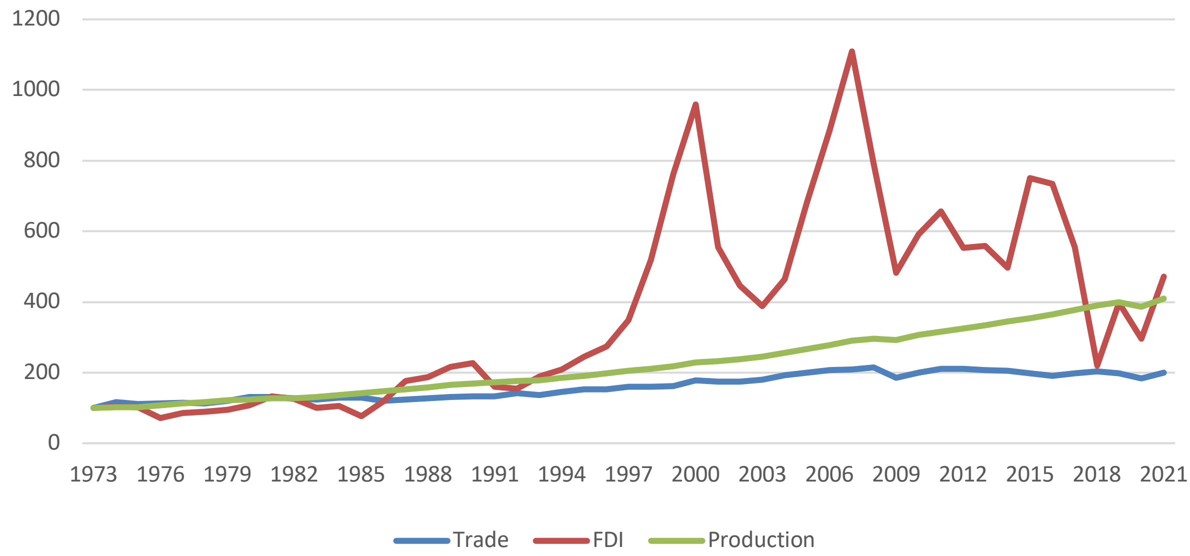
The Western Balkan countries, which are the subject of this study, are struggling with internal and external political instability on the one hand, and with governance problems, policy insecurity, legal security problems, and corrupt behavior growing in the shadow of political uncertainty on the other. This complex set of problems leads to the restriction of trade relations, the most fundamental component of economic activity, let alone attracting foreign investment (ICG, 2022: 1-2). This results in a lack of effective use of resources in the Western Balkan countries, which are expected to utilize their regional potential for sustainable development. Meanwhile, in the European Union member states of the Balkans, despite similar historical experiences, the reform policy is more determined and stable.

This study investigates the FDI attraction strategies of the Western Balkan countries within the framework of the OLI (Ownership, Location, Internalization) paradigm created by John H. Dunning. The main problem of the study is whether there is a systematic foreign capital promotion strategy in the WB-6 countries. The research focuses on the sub-problematic of what the WB-6 countries lack in terms of policy and implementation qualities under the assumption that they have a foreign investment attraction strategy. Since FDI incentive policy corresponds to a public policy area for economic development, Policy-Action Research method, one of the qualitative research methods, was preferred. In this context, the promotional portal of the official institutions of the WB-6 countries, which are investment-promotion agencies, will be examined, classified and analyzed.

2. Foreign Direct Investment and Investment Incentive Framework

FDI is a cross-border investment in which a firm located in the source country transfers assets to the host country and establishes a permanent interest and significant influence over a local enterprise. FDI, which enables the establishment of long-term and stable economic relations between countries, increases the international competitiveness of local firms in the source country, while contributing significantly to capital accumulation, technological capability and new employment opportunities in the host country (OECD, 2009: 14). The expansion in foreign investment has encouraged the increase in international trade, the internationalization of many businesses, and the expansion of the sectoral diversity of the growing number of multinational companies (Paul and Jadhav, 2019: 246).

Since the mid-1980s, when the globalization process gained momentum, FDI has grown at a very strong pace compared to the global production level and trade volume, even though it has experienced cyclical breaks due to the East Asian Financial Crisis and the Global Financial Crisis, as can be seen in Chart 1 (Cardillo et al., 2004: 1). The increase in the volume of foreign investment on a global scale, the concerns raised by the expansion of foreign ownership associated with this trend, and the additional opportunities provided by FDI to emerging economies on the other hand, have made the issue attract attention (Lizondo, 1990: 1).



Graph 1. Long-Term Development Index of Global Trade, Production and FDI (1973-2021)
Note: 1973=100
Source: Prepared from World Bank (2023a) database.

There is a vast literature on the definition and classification, measurement and methods, causes and motivations, effects and consequences of FDI. In the context of this study, since the contribution of foreign investments to capital accumulation, production know-how and employment of host countries, especially those with low-income levels and low propensity to save, is at the forefront, it would be useful to address the motivation dimension of the issue. The generally accepted approach to the motivation of MNEs for outward investment is the OLI paradigm. According to the OLI paradigm, MNCs' investment motivations are expected to gain ownership (O) benefits by acquiring brands and patents, to benefit from location/geography (L) advantages such as cheap labor or easy access to raw materials, and finally to internalize (I) these gains by adapting them to their production processes (Dunning, 2006).

In addition, resource-seeking motivation can be mentioned for MNEs that transfer large amounts of capital and seek raw materials in order to generate high foreign exchange earnings, efficiency-seeking motivation for those that benefit from the host country's factors and local assets, and market-seeking motivation targeting consumers in relation to population size and income level (Nunnenkamp and Spatz, 2004: 57-58).

At this point, the factors that will affect the ownership, location and internalization motivations of multinational corporations can be categorized under two headings. The first of these is the level of inclusiveness of the institutional structure. Institutional quality, which corresponds to a macro framework, plays a critical role in the investment decisions of MNEs, whether greenfield investment or brownfield investment, joint venture or mergers and acquisitions are preferred (Bénassy-Quéré et al. 2007: 764-765).

The concept of institution is defined as “a set of rules developed by people to limit possible arbitrariness and opportunistic behavior” (Kasper and Streit, 1998: 28) or simply “the rules of the game played in society” (North, 1990: 3). Institutions, which can also be characterized as a set of written (formal) and unwritten (informal) rules, are said to have inclusive institutional quality if they reduce ambiguity in the economy, provide predictability, ensure coordination among market actors and promote optimal resource allocation (Acemoglu and Robinson, 2012: 73-76).

Country-specific political risks are brought under control, thus guaranteeing fundamental rights and freedoms and property rights; foreign capital, which is resilient to transaction costs, has expanded access to enterprise and finance; and corrupt behavior is controlled through transparency and accountability measures, In an environment of good governance (high institutional quality), where an effective judicial system works to ensure the enforceability of contracts and the coerciveness of sanctions, and where the perception of trust and stability is strengthened due to the commitment of governments to their policies, the preferences of foreign investors can be positively affected (Mengistu and Adhikary, 2011: 281-282).

The second important component that will affect the investment decisions of multinational companies is the foreign investment promotion strategy of the relevant country. In fact, governments can encourage MNCs' investment decisions at the micro level through their industrialization, education, support and other policies. The formal articulation of the strategy to bring all these areas, each of which corresponds to different governmental functions, into an appropriate regulatory framework, is the policy documents or implementation platforms of official investment-promotion agencies. Often acting as intermediaries between governments and potential foreign investors, their role as guides and facilitators is at the forefront.

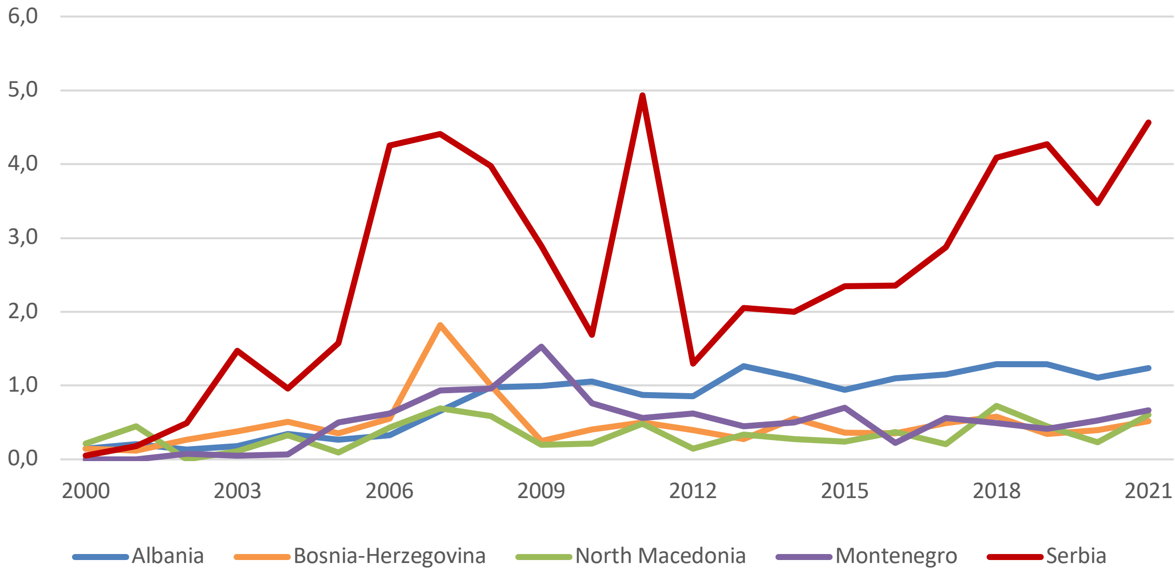
3. Comparative Foreign Investments in Western Balkan Countries

The Western Balkan countries, located in the southeastern part of Europe, underwent a more painful process of institutional transformation than the Central and Eastern European countries during the transition to liberal democracy and market economy after the Cold War (Uvalic, 2012: 364). During the transition period, macroeconomic performance worsened due to problems such as hyperinflation, public deficits and exchange rate instability observed in the Western Balkan countries, and the leverage of the European Union, which was right next door, could not be used effectively due to unrealized reforms (Estrin and Uvalic, 2016: 459).

When discussing the determinants of foreign direct investment in the Western Balkan countries, the literature suggests that the determinants of foreign direct investment in the region generally fall short of its potential, which leads to the identification of problematic areas and the development of policy recommendations. The most important reason for the low level of foreign direct investment in the Western Balkan countries compared to the Central European transition economies is that the political environment in the region has not reached a maturity that would definitively eliminate market uncertainties and create an environment of long-term confidence (Brada et al., 2005: 676-677). Likewise, the small population (hence market) potential of the Western Balkan region and the limited market growth performance have been stated to have a negative impact on the investment decisions of multinational enterprises towards the region (Petrović-Ranđelović et al., 2017: 102).

Bayar et al. (2020: 16-17) stated that in the long run, the informal economy has a negative effect on foreign investments to the Western Balkan countries, while the level of human development has a positive effect. In addition, it has been found that good governance components, which refer to the confidence provided by the consistency in policy implementation of the governments' commitment to their policies, transparent regulations that remove obstacles to the functioning of the free-market economy and effective mechanisms to combat corruption, also encourage investment decisions (Dašić, 2022: 363-364). Estrin and Uvalic (2013: 39), who found a positive correlation between the EU membership of the Western Balkan countries and the increase in the level of institutional quality, stated that the distance from the investor countries of Europe and the governance gap are the most important reasons why the amount of foreign investment in the region has not converged to the EU member transition economies.

Serbia's performance in FDI flows to the Western Balkan countries is noticeably different. In the early 2000s, the annual amount of foreign direct investment in the Western Balkan countries averaged around $100-150 million, while the annual amount of foreign direct investment in Serbia has reached nearly $5 billion due to its economic reforms and long-term subsidies (Delevic, 2020: 31-32). As the Serbian government considers foreign investment as a critical element of economic development and an important driver for technology transfer, contribution to employment, improvement of labor force quality, increase in managerial capabilities, integration with global markets, and international competitiveness, it strives to create a favorable investment climate (Bacevac and Pusara, 2019: 1373). EU member states accounted for three-quarters of cumulative FDI flows to Serbia. These investments were mainly oriented towards the financial, trade and tourism, and telecommunications sectors. Apart from EU countries, companies from Russia, Switzerland, the United Arab Emirates, China and the United States also have investments in Serbia (Dudić et al., 2018: 4).



Graph 2. Foreign Investment in Western Balkan Countries, Billion$ (2000-2021)
Source: Prepared from UNCTAD (2023) database.

Albania, which also hosts investments in energy and infrastructure, has consistently attracted around $1 billion in foreign investments annually since 2008, and these investments have had a positive impact on economic development (Hoxhaj and Pulaj, 2022: 257). Albania, which is the second country after Serbia among the Western Balkan countries to attract foreign direct investment (FDI), has set a liberal legal framework to encourage foreign investors, even though it harbors various risk factors such as ineffective functioning of the judicial system, lack of security of property rights, and defects in the tax system. In this way, foreign direct capital flows have facilitated the convergence of the Albanian economy to free market economy conditions and facilitated its international economic integration. In addition to these structural contributions, foreign investments have contributed significantly to the financing of current account deficits (Çakërri and Madani, 2018: 43; Velaj and Nexhipi, 2023: 126).

Moreover, according to World Bank data, foreign direct investment hosted by Kosovo, which is not included in the United Nations Conference on Trade and Development (UNCTAD) database, has hovered around $400 million on average over the last two decades, reaching $811 million in 2022

(World Bank, 2023a). According to these data, Germany is the most important source of foreign investment in Kosovo, which is one of the countries hosting the lowest level of foreign investment in Europe. Foreign investments, which are generally concentrated in the real estate sector, have not been directed to industry sufficiently. In addition, many local companies were sold below their value during privatization practices, and the funds obtained from privatization were kept abroad and could not be returned to the economy as new investments (Ahmeti and Kukaj, 2016: 302-303). In Kosovo, which is a relatively new state and whose institutional infrastructure has not reached sufficient maturity in the political and economic fields after independence, structural failures and bureaucratic obstacles in various fields prevent local firms from gaining competitiveness and make it difficult for foreign investors to operate in the country (Peci et al., 2012: 102).

A similar panorama applies to Bosnia and Herzegovina. Bosnia and Herzegovina has many of the general handicaps of the Western Balkan economies, and the biggest obstacle to economic development in Bosnia and Herzegovina is the inability to use the already limited capital in a productive way. This is due to the inefficiency of the organizational culture and the low quality of the workforce. Encouraging foreign investment, which will help close the savings gap and allow for the transfer of management knowledge, will open up space for the use of new technologies in the economy of Bosnia and Herzegovina (Susic et al., 2017: 15-16). The most significant shift in foreign investment flows to Bosnia and Herzegovina was the inflow of foreign direct investment (FDI) of about $2 billion, which exceeded 13% of GDP in 2007 as a result of the privatization of the country's major refineries. During this period, the current account deficit was financed entirely by foreign investment, temporarily displacing the financial sector, where FDI has traditionally been directed. Although efforts were made to attract FDI, this performance could not be sustained and new foreign investments could not be attracted (Petrović and Malović, 2009: 277).

As can be seen, it would be appropriate to state that the biggest obstacle to foreign direct investment in the Western Balkan countries in general is the lack of a sustainable institutional transformation that would create an environment of confidence and reduce uncertainties.

4. Lessons of the European Union Experience and Reforms

Western Balkan countries are in need of foreign direct investment in development and infrastructure projects. Due to their geopolitical and geo-economic position, it is important that the level of development of the Western Balkan countries, which have a direct impact on the stability of Europe, converges to the EU. In this framework, it is necessary to mention the reform policy paradigms of other Balkan countries that have become full members of the EU to encourage FDI in order to shed light on the institutional transformation in the Western Balkan countries, each of which has signed stability agreements with the EU and is a potential EU member (Smolo, 2021: 149-150).

Studies have found that EU membership and institutional quality improvement are closely related. In fact, these two variables support each other. In other words, the EU membership process has a positive impact on institutional quality components such as political stability, fundamental rights and freedoms, rule of law, security of property rights, efficiency of governance, control of corruption, and at the same time, the EU tends to accept countries that have carried their institutional development to a certain point as full members. Therefore, it is observed that among the Balkan countries with similar historical and geographical conditions, those that are EU members have reduced transaction costs, eliminated risks and uncertainties, and thus created a favorable investment environment for multinational companies. In the face of this reality, the necessity of expanding the EU paradigm in the Western Balkan countries that want to attract foreign direct investment emerges (Estrin and Uvalic, 2013: 38-39).

Romania and Bulgaria have the largest foreign investment stocks among the Balkan countries that are members of the European Union. In 2007, Romania became a full member of the EU and has continued to attract FDI steadily since then, reaching a total stock of $115.9 billion in FDI by 2022. Bulgaria, which was admitted to the EU in the same year, hosted a very high level of foreign investment, especially in the 2006-2008 period, and then attracted an annual average of $2 billion in FDI, reaching a stock of $57.3 billion by 2022 (UNCTAD 2023).

As we have already mentioned, Romania and Bulgaria's EU membership itself is an important determinant for foreign investment growth. Romania and Bulgaria, which have implemented reform policies for EU integration processes faster and have very positive scores in terms of business climate, stand out as countries with an investment climate desired by foreign investors compared to the Western Balkan countries. The World Bank's Doing Business Index data shows that Romania ranked 55th and Bulgaria 61st as of 2020. When the sub-headings of the Doing Business Index are analyzed, it is understood that Romania has eased trade barriers, facilitated access to credit, and managed to operate effective mechanisms for the enforcement of contracts. Similarly, Bulgaria has created a more attractive investment environment for international enterprises by simplifying building permit procedures, implementing measures to protect small investors and reducing trade barriers (World Bank, 2020).

Table 1. Comparative Governance in EU and Non-EU Balkan Countries (2022)

	Size of Government	**Legal System**	**Sound Money**	**Trade Freedom**	**Regulation Quality**	**Average Score**	**Rank**
EU Member Countries							
Bulgaria	7.19	5.96	9.52	7.91	7.89	7.69	23
Croatia	5.10	6.12	9.64	7.87	7.09	7.16	61
Romania	6.97	6.64	9.35	8.49	7.22	7.74	19
Slovenia	4.74	6.57	9.46	7.44	6.80	7.00	75
Greece	4.85	5.98	9.06	8.17	6.01	6.81	85
(Non-EU) WB-6 Countries							
Albania	7.82	5.26	9.79	8.22	7.11	7.64	26
Bosnia-Herzegovina	6.64	4.27	8.32	7.25	7.11	6.72	89
Kosovo	n/a	n/a	n/a	n/a	n/a	n/a	n/a
North Macedonia	7.14	4.64	8.22	7.75	8.05	7.16	61
Montenegro	6.40	5.86	9.73	7.23	8.09	7.46	40
Serbia	6.41	5.51	8.28	6.73	7.17	6.82	84

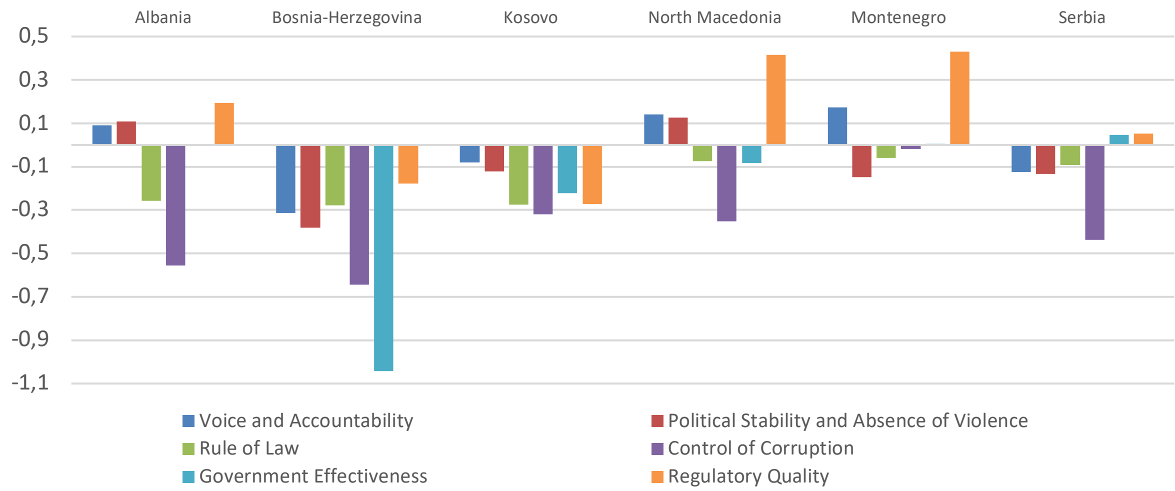
Source: Prepared from Fraser Institute (2023) database

Undoubtedly, when we directly link the improvement in the investment climate of these two countries with their EU membership, a counter-argument can be made that, for example, an industrialized country like Italy, the founder of the EU, lags behind Romania in terms of its Doing Business Index score, but attracts more foreign investment. Likewise, it becomes difficult to explain why Greece, Croatia or Slovenia do not have such a panorama. These seemingly contradictory findings confirm that the EU perspective is not the only motivation influencing the will to reform, and therefore the specific circumstances of nation-states, each of which are sovereign units, should also be taken into account (Delevic and Heim, 2017: 20).

However, the EU membership process makes reforms sustainable through close control and continuous reporting, the European single market allows for the free movement of goods and services as well as persons and capital, investment in an EU member paves the way for access to the entire European market free of customs barriers, and the abundance of innovation opportunities offered by the EU with its high technological competence and sophisticated brands have an impact on the investment decisions of multinational companies (Bruno et al., 2021: 803).

5. Institutional Barriers in the Western Balkan Countries

In the previous sections, it has been stated that the concept of institutional quality, which is decisive on the investment decisions of multinational enterprises, corresponds to the written and unwritten regulations that determine the rules of the game in the markets, and that economic uncertainties will decrease as the comprehensiveness of institutional quality increases. It is known that risks and uncertainties are effectively managed in countries thanks to a set of institutions that ensure macroeconomic stability, protection of property rights, functioning of the free market, social justice and conflict management (Rodrik, 2000: 5-10). On the other hand, there is no doubt that institutions are dynamic, that is, changeable over time. However, it is also an indisputable fact that institutions, each of which has its own distinct characteristics, will transform in different maturities. Accordingly, informal institutions, which encompass values, beliefs and social habits, will transform more slowly, whereas institutions built around the preferences and regulations of political decision-makers may change more rapidly (Roland, 2004: 110).



Graph 3. Quality of Governance Institutions (2022)
Source: Prepared from World Bank (2023b) database.

In this framework, the position of the Western Balkan countries in the indices measuring institutional structure does not reveal a positive picture. A proper analysis of the data summarized below will help identify problematic areas and determine the direction of reform policy. An analysis of the World Governance Indicators published by the World Bank (See Graph 3) reveals that the Western Balkan countries have a negative panorama in general. In Albania, the most problematic area is the control of corruption and the rule of law, but the quality of regulation component performs well; in Bosnia and Herzegovina, the most problematic area is the effectiveness of governance component, which includes the formulation of public policies, and therefore all other indicators perform poorly; In Kosovo, all governance factors are generally problematic; in Montenegro and North Macedonia, which stand out for the quality of regulations for the functioning of the market, the main problem is the fight against corruption; and in Serbia, where a transformation in the effectiveness of governance and the quality of regulations has finally been observed, corruption is similarly uncontrolled (World Bank, 2023b).

The biggest problem caused by the failure of these components to work efficiently is the spread of corrupt behavior. Some studies in the theoretical literature suggest that corruption may encourage foreign investment. This mechanism, also called the “Greasing the Wheel Hypothesis”, refers to the fact that multinational enterprises overcome the cumbersome bureaucracy in developing or underdeveloped countries by resorting to bribery and similar practices. However, what may be perceived as positive in the short term can erode positive gains in transition countries seeking to strengthen their capacity to fight systemic corruption. Accordingly, corruption, which is a problem directly linked to the efficiency of governance, has negative effects not only on foreign investment in the Western Balkan countries but also on economic performance and other macroeconomic indicators (Budak and Rajh, 2014: 152-153).

Recent studies in the empirical literature on the Western Balkans also confirm that an increase in corruption has a negative impact on FDI flows. Hajdini et al. (2023: 139) argue that in the long run, corruption is extremely detrimental to the society and the economic development of the country, and therefore, the governments in the Western Balkan countries, which should be determined to formulate policies in line with the EU, can reduce corruption through regional cooperation. The findings of Zeneli (2016: 288-289), who states that the region has a high potential to attract foreign direct investment due to its many strategic advantages, also confirm that there is a significant negative relationship between corruption levels and the presence and distribution of foreign investment in this region; this is explained by the distorting effects of corruption networks on the efficiency of public spending, the informal economy and tax structure, innovative initiatives and competitive policies.

The most important adverse conditions for economic development and foreign investment in the Western Balkan countries are the historical roots of political instability and conflict. In most transition economies, there is uncertainty about the continuity of the political system, the stability of governments and the establishment of social peace. In the Western Balkan countries, however, there is a unique and multifaceted type of political instability, sometimes domestic and sometimes caused by international conflicts and tensions. Political instability has material effects, such as damage to infrastructure and disruption of production, and financial effects, such as raising the risk premium of the host country and reducing the value of investments, or reducing sales and limiting profitability, and its full resolution requires considerable effort (Brada et al., 2005: 676-677).

The most tangible reflection of these political disputes can be seen in trade relations. Despite more than two decades of transition experience, trade integration among these countries has remained weak. Despite the Central European Free Trade Agreement (CEFTA) and the stability and partnership agreements signed during the EU process, the countries of the region use trade barriers as a tool of mutual sanctions due to political disagreements between them. In this situation, the potential for regional cooperation, which could bring the countries of the region closer and lead them to a total development move, cannot be used, and local companies lose their competitiveness against multinational enterprises (Jusufi and Bellaqa, 2019: 78).

6. Comparison of FDI Incentive Strategies of Western Balkan Countries

In this study, the FDI attraction strategies of the Western Balkan countries will be investigated within the framework of the OLI paradigm. As explained in detail before, the letters O, L, I stand for Ownership, Location and Internalization, respectively, according to the OLI paradigm developed by John H. Dunning to draw an analytical framework of the factors that will encourage multinational enterprises to outward investment. While discussing the findings obtained after the collection, classification and analysis of the research data, the FDI attraction strategy of each host Western Balkan country will be explained in relation to these three concepts.

6.1. Methodology

Research methods in social sciences are generally classified under two headings: quantitative and qualitative. Although quantitative studies seem to be dominant in the scientific world, this approach has been the subject of debates in recent decades, especially for social sciences dealing with highly complex problems (Bartels and Wittmayer, 2018: 1), it is necessary to use both methods according to the nature of the research, and even the use of both methods to support each other will contribute to achieving more accurate results (Punch, 2020: 3-5).

Since this study focuses on a public policy area such as foreign capital promotion strategy, which is included in the economic development literature but for which there is no regular data, Policy-Action Research, one of the qualitative research methods, was preferred to collect and analyze the data within the scope. Within the scope of the research, the online information provided by the official investment-promotion agencies of the WB-6 countries was classified and analyzed in an analytical framework.

In essence, Policy-Action Research adopts a practical-solution-oriented approach to overcome significant policy bottlenecks. In this method, in general, the data field that is critical to the solution of the problem is identified, classified in a meaningful format, and discussed in the context of the theoretical literature to formulate practical recommendations for solving the problem (Huang, 2010). Accordingly, firstly, the structural framework of foreign investment strategies in the Western Balkan countries will be summarized and explained in a tabular form in terms of paradigm, policy and implementation qualities, and then it will be analyzed how the investment motivations and opportunities of the countries are presented.

6.2. Explaining Foreign Investment Strategies

While analyzing the structural dimension of the outward investment strategies of the countries under study, the information on the online web portal of each country's investment-promotion agency for outward investments will be taken as a basis. This will ensure the reliability of the information obtained from the investment-promotion agencies, each of which is an official public authority.

The Albanian Investment Development Agency (AIDA)'s online portal states that Albania, as a developing country, offers huge and untapped potential for foreign investment in many sectors, including energy, tourism, health, agriculture, oil and mining, and information and communication technology; through the National Business Center on the same portal, business registration and licensing can be done at low costs and following simple procedures in line with EU standards; and detailed and explanatory information is provided on taxation, property acquisition, work and residence permits, incentives, which are critical for foreign investor decisions. In terms of sectoral orientations and incentives that MNEs carefully monitor for location and internalization advantages, the tourism sector leads the way. This sector is mainly composed of hotels and other accommodation structures, travel agencies and tour operators, airlines and other passenger transportation functions, among other industries.

According to the web portal of the Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA), privatization is at the heart of the strategy to attract foreign investment. Privatization is defined as a comprehensive process that allows local and foreign individuals and legal entities to participate in the acquisition of state capital, including enterprises, banks and apartments with existing lease rights. Accordingly, the privatization process currently underway will, on the one hand, inspire confidence by signaling the convergence of Bosnia and Herzegovina's economy to the free market and, on the other hand, play a motivational role for foreign investors, especially through the inclusion of “strategic enterprises”. A significant number of large state-owned enterprises in the telecommunications and energy sectors, utilities, mines, etc. have not yet been privatized. The "investment projects" section of the same page provides details of investment projects in leading sectors such as agriculture, metals, tourism, energy, real estate, textiles, etc., as well as up-to-date information on businesses, free zones, land and local investment opportunities for foreign investors. Likewise, this portal provides information on the start-up process, operation procedures, working and living conditions of investors, incentives, customs exemptions, free trade zone advantages granted to foreign investors at the state level, and tax exemptions, micro-based supports, credit guarantee fund application, agricultural investment and tourism development funds, environmental protection, waste management and energy consumption project financing at the institutional level (Fipa, 2025).

The web portal of the Kosovo Investment and Enterprise Support Agency (KIESA) states that during the start-up phase of a new business/enterprise for foreign investors, assistance will be provided in business registration procedures and in applying for necessary licenses and permits, organizing meetings with local and central institutions and/or local and foreign businesses, and support in identifying the ideal location for foreign investments. In addition, during the investment phase, assistance will be provided in application and placement in industrial zones and business incubators, providing information on a specific sector, different projects and potential partners for cooperation; companies that have already invested in Kosovo will be provided with post-investment follow-up and maintenance services, assistance in attending conferences and meetings for cooperation between private sector companies, information on changes in laws, taxes and other practices (Kiesa, 2025).

According to the web portal of Invest North Macedonia (INM), sustainable energy practices are at the center of the strategy to attract foreign investors. According to the Energy Community Sustainable Development Report 2020, North Macedonia, which continues to invest in energy with the "Action 21" strategic framework, has the highest scores among the Western Balkan countries in terms of energy efficiency, renewable energy, environmental protection, investment conditions and transparency in this field. In addition to its liberal foreign trade policy with free access to European markets, North Macedonia also expects foreign investment in sectors such as automotive and machinery parts, information and communication technologies, agribusiness and food processing, textiles and clothing, pharmaceuticals and medical devices, as well as support activities such as supplier matching, capacity building, real estate research and purchase, cooperation arrangements with specialized organizations, as well as solving the problems that may arise during the post-investment activities of foreign investors through the Aftercare Department. In order to increase economic competitiveness and employment, the government of North Macedonia offers financial funding for productive initial investments. Depending on the needs of the investors and in particular the timing of the investment, greenfield investment or expansion of the existing investment through sale or long-term lease is provided (Inm, 2025).

The web portal of the Montenegrin Investment Agency (MIA) does not provide a comprehensive and detailed sectoral description informing or guiding foreign investors. The link titled "Program for Improving the Competitiveness of the Economy - 2024" provides access to general information on the Montenegrin government's portal, while there is no content on the "Privatization Plans" or "Municipal Tenders" pages. Under "Publications" there are electronic documents on five sectors: tourism, agriculture, construction, energy, information technology (Mia, 2025).

The web portal of the Development Agency of Serbia (RAS) emphasizes the education-industry relationship and qualified labor force. For example, the automotive sector's shift from mechanics to electronics is emphasized, and investors are encouraged to take advantage of the educated workforce transforming in this direction by incorporating and internalizing it into production processes. The country's three largest cities also represent three major centers of technical education and aim to support the R&D capacities of foreign investors by supplying a large number of engineers to the labor market every year. The expansion of the ecosystem of the electronics industry inherited from the Soviet era and the creation of R&D institutes with the support of academic institutions has led to numerous joint ventures with leading international companies. Foreign investments in Serbia by leading companies in their industry, such as Continental, Bosch, ZF or Brose, are the country's biggest references. Eight technology centers also play a critical role in this process, enabling innovative activities developed in university-market interaction in areas such as mechatronics, electronics, internal combustion engines, IT, quality management or aviation. Likewise, Serbia, which emphasizes a strong tradition in woodworking and furniture making, is particularly interested in strategies for deepening into the European market and expanding into Russia thanks to its rich forest assets and prestige product export potential. In this context, the sector (Ras, 2025).

Table 2. Comparison of Investment Promotion and Incentive Background

	Foreign Investment Paradigm	**Foreign Investment Climate**	**FDI Code**	**Foreign Investment Climate**	**One-Stop Point**	**Foreign Investment Agreement**	**Foreign Investment Portal**
Albania	Liberal	Simple	Yes	Yes	Yes	40 Countries	aida.gov.al
Bosnia-Herzegovina	Liberal	Complex	Yes	Yes	No	37 Countries	fipa.gov.ba
Kosovo	Liberal	Complex	Yes	Yes	No	Non	kiesa.rks-gov.net
North Macedonia	Liberal	Developing	Yes	Yes	No	38 Countries	investnorthmacedonia.gov.mk
Montenegro	Liberal	Developing	Yes	Yes	Yes	25 Countries	mia.gov.me
Serbia	Liberal	Simple	Yes	Yes	Yes	46 Countries	ras.gov.rs

Note: The data on bilateral investment agreements available from the United Nations Conference on Trade and Development (UNCTAD) cover only agreements in force.
Source: Prepared by the author from the portals of the countries' investment promotion agencies.

In Table 2, the structural framework of FDI promotion policy in the Western Balkan countries is compiled under various headings. Accordingly, all six countries have a liberalized approach to foreign investments. In other words, each country has a favorable attitude towards FDI as the most reliable source of financing development and supports this attitude through formal regulations. However, the outlook of the foreign investment climate is not homogeneous. According to the information available on the web portals analyzed, Serbia and Albania have succeeded in simplifying the investment climate, in particular by reducing transaction costs through the implementation of the One Stop Shop. On the other hand, the overall investment climate in North Macedonia and Montenegro has not yet reached its potential, while the overall investment climate in Kosovo and Bosnia and Herzegovina is characterized as “complex” due to the time and cost of the start-up procedures. In fact, Kosovo does not yet have a bilateral investment agreement in place.

The online web portal of each country's investment-promotion agency for foreign investment identifies the components that make foreign investment in the country attractive. The investment promotion strategy of the respective country usually focuses on these components, announcing investment opportunities with an emphasis on factors where MNEs can maximize their ownership, location and internalization advantages. Whether it is the countries of the Western Balkans or many other countries to be examined, there will undoubtedly be an emphasis on overall economic stability and a liberal perspective of foreign economic relations. In the following, specific rather than general motivating factors will be briefly mentioned.

Table 3. Investment Motivation and Opportunities from Country's Perspective

	Foreign Investment Motivations	Foreign Investment Opportunities
Albania	-Liberal and Reformist Investment Climate -Competitive Labor Cost -Young and Well-Educated Population -Competitive Taxation and Incentives -Most Favorable Geographical Location -High Growth Potential -Free Access to Major Markets -Macro Economic Stability	-Strategic Investment Opportunities in Technological and Economic Development -Investment Opportunities in Information and Communication Technology and Outsourcing Sectors -Investment Opportunities in Tourism, Manufacturing, Energy and Agriculture
Bosnia-Herzegovina	-Strategic Location and Natural Resources -Attractive Investment Areas -Suitable Legal Environment -Low Tax Rates -Highly Educated and Competitive Workforce -Stable Local Currency -EU Perspective	-Privatization of Strategic Public Enterprises -Investment Opportunities in Agriculture, Metal, Energy, Tourism, Real Estate and Textile Sectors
Kosovo	-Strategic Location -Competitive Business Environment -Liberal Trade Regime -Economic Stability -Low Operating Costs	-Investment Opportunities in Food Processing and Packaging, Mining and Metal Processing, Energy, Tourism and Textile and Leather Processing
North Macedonia	-Strategic Location at the Crossroads of Two Major European Transport Corridors -Free Access to the EU and Other Markets -Advantages of a Competitive Production and Export Platform -Stable Monetary Environment and Stable Currency -A Favorable Tax Environment Various Investment Zones with 10-Year Tax Holidays -Europe's Most Competitive Labor Costs -NATO Membership and EU Candidate Country Status -Fast Company Registration	-Investment Opportunities in Key Sectors such as Automotive, Information Technology, Agribusiness, Food and Agriculture, Textile, Energy, Pharmaceuticals and Medical Devices
Montenegro	-Stable and Growing Economy -Favorable Business Environment and Reform Policies -A Competitive Tax System, -Political Stability and EU Candidate Status -Proximity to the European Market -Stable Local Currency	-Public-Private Sector Partnership -Economic Citizenship Practices -Strategic Investment Opportunities in Tourism, Real Estate and Renewable Energy, Construction and Transportation
Serbia	-Hosting Successful Investments -Highly Skilled Workforce -Competitive Operating Costs -Access to Wide Markets -Advantages of Free Zones -Optimal Geographical Location -Financial Advantages and Incentives -Local Suppliers	-Investment Opportunities in Automotive, Electronics, Agriculture and Food Processing, Metal and Machinery Equipment, Information Technologies, Chemical and Pharmaceutical Industry, Textile Sector -Sustainable Investment Opportunities with a Strong Foreign Direct Investment Track Record

Source: Prepared by the author from the portals of the countries' investment promotion agencies.

According to the compiled data, Albania is focusing on low-cost and skilled labor, access to the EU and Russian markets due to its geographical location, and an investor-friendly business environment, announcing investment opportunities in the manufacturing, energy and agriculture sectors, especially in tourism. Again, focusing on its location advantage and competitive workforce, Bosnia and Herzegovina also use the EU perspective as an anchor and relies on the multiplier effect of privatization practices in strategic public enterprises. Kosovo, the weakest country in the region in terms of investment climate, emphasizes the advantage in labor costs embedded in low operating costs and targets medium-tech industries such as food processing and packaging, mining and metal processing, textiles and leather processing.

North Macedonia, one of the countries in the region with an open investment climate, is using its status as an EU candidate country as an anchor for building trust and encouraging upper-middle and high-tech businesses such as automotive, information technologies, energy, pharmaceuticals and medical devices by emphasizing its strategic location, competitive labor costs, monetary stability and broadband tax holidays. Montenegro, which is also an EU candidate country and is increasing the inclusiveness of its investment climate, focuses on monetary stability and competitive tax regulations, as well as the practice of economic citizenship, investment in public-private partnerships and investment opportunities in strategic service sectors such as tourism, real estate, construction and transportation.

For Serbia, the largest foreign direct investment recipient in the Western Balkans, existing foreign investments are the main reference point. In addition, thanks to the scale effect and positive externalities provided by existing investments, Serbia stands out with its high level of labor force quality, favorable environment in operating costs, and strong local supplier network including ancillary/support industries. Thus, on the one hand, investment opportunities in medium-high-tech sectors such as automotive, electronics, agriculture and food processing, metal and machinery equipment are encouraged, while on the other hand, investment opportunities in high-tech industries such as chemicals and pharmaceuticals and information technologies are promoted in free zones.

6.3. Discussion of Findings

The first finding of the research is that the EU membership process and the NATO perspective are generally emphasized as important elements of political stability. Indeed, the EU is critical for improving the quality of formal institutions, while the NATO anchor is critical for guaranteeing regional security and stability (Dursun-Özkanca, 2024:39-40). And yet, given the fragility of national-level political structures and the mobility of social dynamics in the Western Balkan sub-system, it is certain that the way to influence foreign investment decisions by sending a signal of political confidence and stability to multinational enterprises from this area, which is almost a buffer zone of the West, is to strengthen internal dynamics as well as EU and NATO anchors.

At this point, the second finding is that the WB-6 countries have improved their attributes by constantly moving towards liberalizing their capital regimes in line with the principles of the Post-Washington Consensus in order to attract foreign direct capital flows to their countries. It is clear that the intellectual and practical grounds of the strategy of attracting foreign investment in these countries have reached the minimum maturity to instill confidence in multinational enterprises (Bevan and Estrin, 2004: 775). This can be confirmed by the fact that each country hosts a certain scale of foreign investment, albeit with structural differences. However, despite meeting the minimum requirements, there is still room for improvement in the investment climate, especially in the smaller countries of the region, Kosovo and Bosnia and Herzegovina.

The third finding is the overemphasis on location advantage, which is also a component of the OLI paradigm, to encourage MNEs. The Western Balkan countries are geographically located on one of the two land links between Asia and Europe, making them a transit route close to potential markets for foreign investment. And yet, experience shows that such critical geographies are prone to political instability due to foreign intervention or politically-influenced social movements (Armişen and Tatar, 2022: 217-219). Likewise, the chaotic environment and crisis of confidence caused by internal and external political upheavals even in Serbia, which is the largest country in the region in terms of scale and hosts the highest cumulative FDI, is meaningful in terms of showing that geography is pregnant with some disadvantages as well as advantages.

Table 4. Summary of Findings of Comparative Investment Climate Analysis

	Most Powerful Quality	**Weakest Attribute**	**Largest Opportunity**	**Most Risky Status**
Albania	NATO Membership and EU Perspective	Informal Economy and Labor Shortage	Foreign Income Potential of Tourism Sector	Property Rights Confusion
Bosnia-Herzegovina	EU Perspective	Weak Bureaucratic Capacity	Strategic Privatization Practices	Political and Social Instability
Kosovo	Privileged Access to the EU Market	Dependence on Diaspora Monetary Income	Competitive Labor Cost	Risks of Political Instability and Restraint
North Macedonia	NATO Membership and EU Perspective	Small Domestic Market	Crossroads of Land Transportation	Corruption and Influence Trafficking
Montenegro	NATO Membership and EU Perspective	High Public Sector Debt	Broad Tourism Ecosystem	Corruption and Crime Rates
Serbia	Strong and Reference Foreign Investments	Low Customization Performance	Large and Experienced SME Network	Political and Social Instability

The fourth finding is that Western Balkan countries' foreign investment incentives generally emphasize the advantage of a competitive labor stock, while the focus shifts to sectors based on the need for blue-collar workers. It is an understandable strategy for developing countries or transition countries with large populations to focus on blue-collar intensive industries, albeit in low or medium-low technology sectors, in the initial stages of opening up and in order to attract multinational enterprises (Bellak, Leibrecht and Riedl, 2008: 17). However, for large-scale multinational enterprises in global supply chains, the size and structure of the population in the Western Balkan countries is not a variable that can directly affect their investment decisions.

The fifth finding is that each country emphasizes tax advantages as an incentive-oriented factor. It is well known that the tax burden itself causes a significant competitive disadvantage for businesses and that practices such as compliance with tax regulations and the delaying effect of tax payment procedures also increase transaction costs. On the other hand, as a result of the tax competition that emerged in the globalization process, especially in a region such as Europe, where advanced commercial, economic and monetary integration experience has been implemented, tax burdens have fallen to acceptable levels or, thanks to the opportunities offered by technology, tax compliance and payment costs have been reduced to acceptable levels.

Finally, the sixth finding is that although investment opportunities in the Western Balkan countries are pointed out on a sectoral basis, with some exceptions, they are not matched with practices such as free zone implementation, public cooperation model, target market strategy, privatization program and similar practices to a very limited extent. Considering that the deterrent effect of risks such as political stability, governance vacuum, bureaucratic obstacles can be overcome with financial and economic support and guidance, the lack of up-to-date presentation of foreign investment attraction strategies of investment-promotion agencies, including specific practices, will hinder the full disclosure of the potential to attract foreign investors, especially those seeking ownership and internalization advantages.

7. Conclusion

In this study, the Western Balkan transition economies (WB-6; Albania, Bosnia-Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia), which have not benefited from global foreign direct investment to the extent expected, are analyzed. FDI attraction strategies are investigated within the framework of John H. Dunning's OLI paradigm. The main problematic of this research, in which the Policy-Action Research method is preferred, is to reveal the missing points of the foreign investment promotion strategies implemented in the WB-6 countries in terms of policy and implementation dimensions.

In this framework, when the promotional portals of the official investment-promotion agencies of the aforementioned countries are examined, it is seen that the foreign investment paradigms of the WB-6 countries are based on a liberal framework, the formal institutions across the country are supported by reformist regulations in this direction, Serbia and Albania have reduced the costs of starting an enterprise with the “One-Stop-Stop” application, while the other countries are far from a similar positive picture in terms of costs and procedures.

Apart from this, the first finding that needs to be mentioned is that the EU membership process and NATO perspective are emphasized as a critical component of political stability in WB-6 countries. However, the instability and vulnerabilities in these countries are largely due to internal dynamics. Therefore, it would be more positive and functional to focus on institutional quality as a signal of political stability to influence MNEs' investment decisions. As we pointed out in our second finding, this is possible through the implementation of policies and practices aimed at improving the exclusionary institutional quality components found in the league of developing countries, such as the rule of law and bureaucratic inefficiency, especially the informal economy and corrupt behavior.

The fact that the WB-6 countries are too focused on location advantage, which is one of the important components of the OLI paradigm, is also among the main problems of their foreign investment attraction strategies. Considering that this region, which is an important alternative transit route, often experiences the disadvantages of its geographical nature in the political arena, it points to the necessity of strengthening the social structure by focusing on political institutions. And yet the pace of transformation of political institutions is known to be slow. Therefore, the realization of the aforementioned EU and NATO membership perspectives would facilitate the management of these political risks.

Moreover, the outward investment promotion strategies of the WB-6 countries emphasize the competitive labor force in sectors based on blue-collar needs. Since the size and quality of the population in these countries are not expected to offer internalization advantages that can influence the investment preferences of MNEs operating at the global level, it would be more meaningful to emphasize projects in sectors that use medium and medium-high technology to attract white-collar and highly skilled labor.

The outward investment promotion strategies of the WB-6 countries emphasize tax advantages, but with partial exceptions, outward investment opportunities are rarely matched with specific outward investment project implementations (public cooperation models, privatization programs, etc.) that are expected to have a greater impact on foreign investors. In this context, it is important to offer specific and project-based current investment opportunities that have the potential to attract foreign investors, especially those seeking ownership and internalization advantages, rather than tax advantages, and to support their capacity to deal with market-based risks by emphasizing post-investment support practices.

Ethics Approval and Consent to Participate

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Author Contributions

Author 1's contribution to the article is 100%.

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Extended Summary

COMPARATIVE ANALYSIS OF FOREIGN DIRECT INVESTMENT STRATEGIES IN WESTERN BALKAN COUNTRIES

1. Introduction

Since the mid-1980s, when the globalization process gained momentum, foreign direct investments have grown at a very strong pace compared to the global production level and trade volume, and provided great support to developing economies in financing their development, despite cyclical breaks. However, the amount of foreign direct investment (FDI) in the Western Balkan transition economies (WB-6; Albania, Bosnia-Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia), which experienced a major economic transformation after the Cold War, has remained below potential. This study investigates the FDI attraction strategies of the WB-6 countries within the framework of the OLI (Ownership, Location, Internalization) paradigm created by John H. Dunning.

2. FDI Incentive Framework

FDI is a cross-border investment in which a firm located in the source country transfers assets to the host country and establishes a permanent interest and significant influence over a local enterprise. FDI, which enables the establishment of long-term and stable economic relations between countries, increases the international competitiveness of local firms in the source country, while contributing significantly to capital accumulation, technological capability and new employment opportunities in the host country. Since the mid-1980s, when the globalization process gained momentum, FDI has grown at a very strong pace compared to the global production level and trade volume, even though it has experienced cyclical breaks due to the East Asian Financial Crisis and the Global Financial Crisis.

There is a vast literature on the definition and classification, measurement and methods, causes and motivations, effects and consequences of FDI. The generally accepted approach to the motivation of MNEs for outward investment is the OLI paradigm. According to the OLI paradigm, MNCs' investment motivations are expected to gain ownership (O) benefits by acquiring brands and patents, to benefit from location/geography (L) advantages such as cheap labor or easy access to raw materials, and finally to internalize (I) these gains by adapting them to their production processes.

At this point, the factors that will affect the ownership, location and internalization motivations of multinational corporations can be categorized under two headings. The first of these is the level of inclusiveness of the institutional structure. The second important component that will affect the investment decisions of multinational companies is the foreign investment promotion strategy of the relevant country. In fact, governments can encourage MNCs' investment decisions at the micro level through their industrialization, education, support and other policies. The formal articulation of the strategy to bring all these areas, each of which corresponds to different governmental functions, into an appropriate regulatory framework, is the policy documents or implementation platforms of official investment-promotion agencies.

3. Comparative FDI in WB-6 Countries

The Western Balkan countries, located in the southeastern part of Europe, underwent a more painful process of institutional transformation than the Central and Eastern European countries during the transition to liberal democracy and market economy after the Cold War. During the transition period, macroeconomic performance worsened due to problems such as hyperinflation, public deficits and exchange rate instability observed in the Western Balkan countries, and the leverage of the European Union, which was right next door, could not be used effectively due to unrealized reforms.

In the literature, the most important reason for the low level of foreign direct investment in the Western Balkan countries compared to the Central European transition economies is that the political environment in the region has not reached a maturity that would definitively eliminate market uncertainties and create an environment of long-term confidence. Likewise, the small population (hence market) potential of the Western Balkan region and the limited market growth performance have been stated to have a negative impact on the investment decisions of multinational enterprises towards the region.

Some other studies in the literature suggest that in the long run, the informal economy has a negative effect on foreign investments to the Western Balkan countries, while the level of human development has a positive effect. In addition, it has been found that good governance components, which refer to the confidence provided by the consistency in policy implementation of the governments' commitment to their policies, transparent regulations that remove obstacles to the functioning of the free-market economy and effective mechanisms to combat corruption, also encourage investment decisions. And also some researchers found a positive correlation between the EU membership of the Western Balkan countries and the increase in the level of institutional quality, stated that the distance from the investor countries of Europe and the governance gap are the most important reasons why the amount of foreign investment in the region has not converged to the EU member transition economies.

4. Data Set and Method

The main problem of the study is whether there is a systematic foreign capital promotion strategy in the WB-6 countries. The research focuses on the sub-problematic question of what the WB-6 countries lack in terms of policy and implementation qualities under the assumption that they have a foreign investment attraction strategy. Because of FDI incentive policy is a public policy area for economic development, Policy-Action Research method, one of the qualitative research methods, has been preferred. In this context, the promotional portal of the official institutions of the WB-6 countries, which are investment-promotion agencies, will be examined, organized and analyzed.

5. Empirical Findings

The first finding is that the NATO accession and EU perspective are emphasized as important elements of political stability. Second, geographical location is overemphasized, as the country is geographically located on one of the two land links between Asia and Europe. The third finding shows that while a competitive labor stock is presented as a competitive advantage, the focus shifts to low and medium-low technology-based sectors on the need for blue-collar workers. In addition, tax advantages are emphasized as an incentive driver in each country. Finally, investment opportunities are described on a sectoral basis, but these incentives are not matched with specific practices such as free trade zones, public cooperation models or privatization programs.

6. Discussion and Conclusion

The NATO accession and the EU perspective are emphasized as a critical component of political stability in the WB-6 countries. However, the source of instability and fragility in these countries is largely rooted in domestic dynamics. Therefore, it would be more positive and functional to focus on institutional quality as a signal of political stability to influence MNEs' investment decisions. This is possible through the implementation of policies and practices aimed at improving the exclusionary components of institutional quality, such as the informal economy and corrupt behaviour, as well as rule of law and bureaucratic inefficiency, which are common in the league of developing countries.

The fact that the WB-6 countries have focused too much on location advantage, one of the important components of the OLI paradigm, is among the main problems of their foreign investment attraction strategies. Considering that this region, which is an important alternative transit route, often experiences the disadvantages of its geographical nature in the political arena, it points to the necessity of strengthening the social structure by focusing on political institutions. And yet, the pace of transformation in political institutions is known to be slow. Therefore, the realization of the aforementioned EU and NATO membership perspectives will facilitate the management of these political risks.

Table (Table 4 in the context**):** Summary of Findings of Comparative Investment Climate Analysis

	Most Powerful Quality	**Weakest Attribute**	**Largest Opportunity**	**Most Risky Status**
Albania	NATO Membership and EU Perspective	Informal Economy and Labor Shortage	Foreign Income Potential of Tourism Sector	Property Rights Confusion
Bosnia-Herzegovina	EU Perspective	Weak Bureaucratic Capacity	Strategic Privatization Practices	Political and Social Instability
Kosovo	Privileged Access to the EU Market	Dependence on Diaspora Monetary Income	Competitive Labor Cost	Risks of Political Instability and Restraint
North Macedonia	NATO Membership and EU Perspective	Small Domestic Market	Crossroads of Land Transportation	Corruption and Influence Trafficking
Montenegro	NATO Membership and EU Perspective	High Public Sector Debt	Broad Tourism Ecosystem	Corruption and Crime Rates
Serbia	Strong and Reference Foreign Investments	Low Customization Performance	Large and Experienced SME Network	Political and Social Instability

Moreover, the outward investment promotion strategies of the WB-6 countries emphasize the competitive labor force in sectors based on blue-collar needs. Since the size and quality of the population in these countries are not expected to offer internalization advantages that can affect the investment preferences of multinational enterprises operating at the global level, it would be more meaningful to emphasize projects in sectors using medium and medium-high technology to attract white-collar and highly skilled labor.

The outward investment promotion strategies of the WB-6 countries emphasize tax advantages, but with partial exceptions, outward investment opportunities are rarely matched with specific outward investment project implementations (such as public cooperation models, privatization programs, etc.) that are expected to have a greater impact on foreign investors. In this context, it is important to offer specific and project-based current investment opportunities that have the potential to attract foreign investors, especially those seeking ownership and internalization advantages, rather than tax advantages, and to support their capacity to deal with market-based risks by emphasizing post-investment support practices.