

SMALL AND MEDIUM ENTERPRISES IN THE WESTERN
BALKANS: EUROPEAN EXPANSION AND THE ROLE OF
EMILIA-ROMAGNA

(PART 2)

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The western Balkans, too, suffer the difficulties caused by the European economic crisis; imports do not reach a level high enough to maintain a quantitatively consistent market.

Furthermore, the amount of investment made by SMEs from Emilia-Romagna is significantly below the level of direct foreign investment made by larger businesses in various sectors in the region. With the goal of resolving this situation, the European Union recently attempted to promote the activity of SMEs in the Balkans themselves, acknowledging the positive contribution SMEs have the potential to make in Balkan economies.

The bill described in the Part 1, which served to allocate almost 300 million Euros from the EU to the Balkan SME sector, concentrated on three main points. The first focused on the financial benefits, created by making loans accessible thus improving the possibility of expansion for Balkan SMEs. The second promoted the acceleration of judicial and administrative reforms necessary for the dynamic development of Balkan SMEs, most of which currently face great bureaucratic obstacles. The third main point pushed for the oft-advocated collaboration between Balkan SMEs and those from more entrepreneurially experienced countries, such as Italy. According to Brussels, such an exchange would be mutually beneficial for both parties involved.

The ongoing EU funding program could therefore represent a concrete possibility for fostering contact, cooperation, and commerce between SMEs in Emilia-Romagna and the western Balkans.

The example set by SMEs in Emilia-Romagna is one to follow, especially for local businesses aiming for greater growth.

However, the eventual possibility of the collaboration between SMEs in Emilia-Romagna and SMEs in the western Balkans will to compete with other large-scale investment models that already exist.

Numerous foreign investors have made large investments in Balkan countries, aiming for a standardized production model that is intended to profit from their sizeable economies.

Although these investments could also have a positive effect on local industries (provided that they consolidate and develop themselves), current economic policies have not allowed this to happen. In the

past ten years, large-scale industry has limited the opportunities for greater SME growth and cooperation across both regions.

The lack of both foreign and local investments in western Balkan SMEs suggests that the sector still has great margins for qualitative and quantitative improvement. The key to this opportunity consists of stimulating local investments originating from the western Balkan countries themselves and recognizing the value of local human resources and entrepreneurs.

In this sense, the EU funding program attempts to overcome the obstacles posed by the limited economic means and access to credit for entrepreneurs interested in conducting business in the western Balkans.

A further limitation to the creation of an extensive, widespread system of SMEs in the western Balkans is the lack of an well-established and active entrepreneurial tradition. In this concern the EU funding program hopes to spur collaborations between Balkan countries and their EU-member neighbors to promote an enduring constructive business culture able to compensate for western Balkan SMEs' relative financial and business management inexperience.

The final hurdle for promoting the emergence of SMEs in the western Balkans is the administrative inadequacy of the public institutions and agencies in the region.

To address this, the EU program has put forward judicial and political-administrative reforms aimed at correcting the failings of recent years. This will be a long effort (especially in the case of pervasive corruption), which will require active transnational European cooperation.

The funds introduced by major foreign investors in the Balkans in the past ten years have often been volatile. These investors tend to look in other directions as soon as their investments fall short of the favorable business conditions that first led them to the Balkans.

In contrast to this type of investment, the emergence and growth of SMEs would favor an economic and productive stability that is still absent today. In addition, the elements that attract large foreign investors often do not include the quality and sustainability of the product.

Furthermore, remittances from Balkan immigrants, which have constituted a part of the economies of many countries in the area, are in a decline, largely due to the economic crisis that has impacted so many western European countries. This is one of the circumstances that led the European Union to envisage the aid program for the SME sector, tying it to the collaboration with similar programs in other countries.

For this strategy, it is ideal to promote a type of development that is less dependent on external factors (such as large foreign investments and remittances from immigrants) and that is able to produce job opportunities for a significant number of unemployed or underemployed workers. Although some factors (such as legal ambiguities and public institutions' inaction) may hinder progress, the EU anticipates successful collaboration between investors and neighboring EU states. This collaboration is intended for both the Balkan states and nearby countries, such as Italy.

From this point of view, trade associations could play an important role in improving business conditions.

Within Emilia-Romagna, SME trade associations have already promoted improved foreign trade relations, especially with the Balkans. Collaboration that aims not at short-term commercial exchange but rather at long-term investment in the human capital of these countries would represent an innovative and forward-looking choice.

Although the European Commission's 300 million Euro injection into the western Balkan nations for the development of SMEs is an encouraging sign, this funding must be used to establish further cultural and political relations, which are still inadequate on many fronts, with national and regional Balkan governments.

In Emilia-Romagna, trade associations could attempt to enter into agreements with Balkan states, thus increasing the Italian region's involvement in civil society and entrepreneurship in these countries.

The goal would be to promote good legal and administrative practices, both of which are for the most part still lacking in these countries. Furthermore, the considerable presence of SME trade associations from Emilia-Romagna would provide economic stimulus and place constructive pressure on state and local administrations in the area.

Promoting dialogue and support for SMEs currently presents notable difficulties. A concerted effort for greater economic and administrative cooperation among Italian trade associations (especially those from Emilia-Romagna) and Balkan SMEs would certainly improve relations as well as productivity.

This could be a way to call attention to the fundamental role that SMEs play in the Balkans, which goes far beyond the limited contractual power that they hold in local politics.

At present, building collaborative and innovative practices in the effort to recover from the crisis and from the specific difficulties that have afflicted the Balkans seems to be the most difficult but also most effective solution.

SME trade associations in Emilia-Romagna could thus anticipate the greater EU business presence in the area that will accompany European integration and place themselves in an advantageous position in terms of western Balkan entrepreneurship.

The EU funding program has already allocated substantive sums to address the value of human capital and greater entrepreneurship as well as creating economic benefits. Beyond the reaches of the specific program, there are possibilities for intervention on the part of the SMEs in Emilia-Romagna within each of their respective trade associations.

Naturally, this approach necessitates the abandoning the short-term vision that values only initiatives which offer immediate economic returns in favor of a innovative and well-structured strategy.

This strategy should be contextualized within the process of European integration as the borders of the EU expand to include the western Balkans. From this viewpoint one can see the profuse efforts of the EU to improve social, economic, and institutional conditions of an area that is certainly European but that has been politically and economically excluded from the EU for far too long.

In light of the coming European expansion, SMEs in Emilia-Romagna have the opportunity to find new markets with which to form relations in new areas of the globe. The complementary nature of the various businesses may produce wealth for the Adriatic-Ionian area that is not only economic, but also cultural and diplomatic.