

Regional vs non-regional investments in Western Balkans– An empirical analysis of the factors influencing the investment characteristics between 2000 -2021

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Abstract

The aim of this paper is to investigate the dynamics of foreign (non-regional) and regional investments in the Western Balkans. Using a comprehensive dataset, covering a period between 2000-2021, we examine the features of non-regional and regional inward investment in the five countries of Western Balkans: Albania, North Macedonia, Montenegro, Bosnia and Herzegovina and Serbia. Our study shows that regional investment has increased across time and has increasingly replaced non-regional investment indicating a movement toward a sustainable regional economy. In our study, we also investigate changes in the purchase of control ownership across different industries before and after 2010, the period when EU accelerated the economic and accession programmes with Western Balkans. Our finding shows that at the industry level: communication, technology, and transportation as well as consumer goods are more likely to be selected by regional firms after 2010 and that investment is more likely to involve a purchase of control ownership. This suggests an increase in confidence in investment in the regional economy by the regional firms as opposed to non-regional foreign firms, consistent with a movement towards a sustainable regional economy.

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1. Introduction

The Western Balkans has become increasingly attractive as a location for Foreign Direct Investment (FDI) after its recovery from a period of turbulence in the 1990s which was compounded with civil war, ethnic struggles, and financial crises (Jirasavetakul and Rahman, 2018). The scale of FDI has been positively influenced by the geographic position of the Western Balkans (being proximate to EU member states such as Greece, Italy, Bulgaria, Croatia), and the stated intention of Western Balkan countries to become members of the EU by continuously striving to strengthen their policy efforts toward reducing corruption and increasing transparency (OECD, 2018). Several studies examining the effect and type of FDI in the Western Balkans have identified that FDI investors in this region target financial services and trade manufacturing sectors (chemical, food and beverage and automotive products) which is consistent with the assumption that FDI is largely motivated by the efficiency seeking intentions of FDI investors, although macro-level empirical studies (eg. Malovic et al. 2018) suggest that economic growth in the region is not strongly linked to the FDI. Prior literature also notes that FDI in the five Western Balkans countries most often originates in what can be characterised as close proximity ‘regional’ countries located in Central Europe as they share similarities in culture and language (Jirasavetakul and Rahman, 2018). However, existing studies have not engaged with data organized at the company level nor differentiated between the type and timing of investments made by regional as opposed to non-regional investors. Our paper seeks to contribute to prior empirical literature by adding to our understanding of the dynamics of FDI in the Western Balkans. It does so by distinguishing between regional and non-regional (foreign) investors at the company level, and by identifying patterns in the behaviour of regional and non-regional (foreign) investors over the period 2000-2021. Our paper also contributes to the development of a theoretical framework for interpreting differences in the economic impact of regional FDI compared to non-regional FDI by drawing on the concept of a circular economy.

2. Literature review on Western Balkans

A key debate in regional integration theory is between variants of intergovernmentalist and neofunctionalist integration theory (Schimmelfennig, 2018). Intergovernmentalism assumes that national governments are the key actors in regional integration, using regional integration to maximize their national security and economic interests in the context of regional interdependence. The theory suggests that governments delegate authority to regional organizations to secure their bargaining outcomes but remain in control of regional organizations and the integration process. By contrast, neofunctionalism questions the extent to which governments can control the integration process. Neofunctionalism assumes that transnational corporations and interest groups shape integration processes in their own (agentic) interest. More recently, postfunctionalism has proposed a backlash mechanism of integration that seeks to theorise the potential outcome of governmental and transnational corporation competition. Postfunctionalist theories (Leuffen, Rittberger and Schimmelfennig, 2022) suggest that as regional integration progresses it undermines national sovereignty and community, creating economic and cultural losers who are mobilised by identity politics in ways that constrains regional integration. The increased recognition of the role of micro-level agents in regional integration is consistent with a dynamic rational choice institutionalism

framework (Schneider and Ershova, 2018) that suggests that changes in governance and investment climates will impact FDI inflows across the Western Balkans as the preferences of actors in the integration process change as a result of changes in the institutional rules.

Empirical literature exploring geopolitical drivers that may explain the impact of FDI in the Western Balkans has established that processes associated with of applying for EU membership, and the consequent governance and policy reforms, has increased levels of FDI in the region (Popovic and Eric, 2018). A further geopolitical driver is identified in Jirasavetakul and Rahman, (2018) as the Western Balkans region is included within China's Belt and Road Initiative which may entice investors outside of Europe.

However, existing empirical studies have restricted their focus to macro, country-level FDI data, as opposed to company-level data. The focus on macro FDI data has identified factors that affect the nature and scope of FDI inflow into the Western Balkans at a country-level of analysis. Key factors that have been identified include political stability and the legal environment, especially as it relates to the level of corruption (World Bank 2017; Kersan-Skabic and Orlic, 2007); corporation tax level effects, with regional tax rates ranging from 17% (Bosnia and Herzegovina) to 20% (Albania and Serbia); and local supply-side effects including the availability and cost of labour and natural resources, quality of infrastructure and regulatory policies that facilitate trade and services.

Estrin and Uvalic (2016) which examined the effect on FDI in the manufacturing sector within the Western Balkans between 2000-2012, concluded that FDI inflows did not create a significant impact in this sector in the data period: it did not provide additional value to employment nor had an influence on the level of manufacturing export. However, the lack of impact was attributed to limited data and the specific conditions observed during the period of the analysis which contains the event of the 2008 Global Financial crisis which has significant implications in both Greece and Italy, two of the main foreign investors in the Western Balkan.

Interestingly, Malovic et al (2018) argues that FDI in the Western Balkans during the period 2004-2014 did not translate into increased economic growth in the region. In fact, Malovic et al (2018) finds that FDI in the region has favoured the characteristics of market expansion (horizontal FDI) rather than economic benefits, via reindustrialisation or restructuring (vertical FDI), for the host region. Furthermore, while there is a long debate on the effect of FDI, the effect of FDI on the region has not shown a strong link to economic growth despite the belief that the region is reliant on FDI due to insufficient domestic savings (Zarkovic et al. 2017; Cvetanovic et al. 2019).

The different strands of empirical literature focusing on the impact of FDI in at the macro-level or in particular sectors within the Western Balkans deliver insights that prompt some important questions. Indeed, the literature suggests a puzzle: empirical macro-level studies have not found evidence for a positive impact of FDI on economic growth in the Western Balkans region, yet the wider FDI literature would suggest that such an impact should be observable. It may be that the anticipated FDI impact is absent; or it may be that the macro-level data is insufficient to understand the FDI dynamics in the region. Our study will address this latter possibility by using company-level data to help distinguish FDI within the Western Balkans from local, 'regional' countries (regional FDI) from non-regional FDI sources. This approach contributes to an exploration of potential differences in the growth impact, and mechanisms, of regional vs non-regional FDI in the Western Balkans.

The five countries within Western Balkan region have actively been involved with the EU economic and accession process, which accelerated after 2010. As such we expect that dynamics of FDI non-regional and regional investments in the Western Balkans have substantially changed after 2010, with neighbouring EU countries to further invest in the Western Balkans. The possibility of EU membership for the five countries in the region because of the economic and acceleration programmes have also increased the trust and confidence of five countries to invest within their region. As such we hypothesize after 2010, that in addition to the increase of EU neighbouring countries within the region, we expect that the five countries themselves also start investing within Western Balkan region, substituting for the non-regional investment, and bringing a sustainable development in the region.

3. Methodology

Our dataset consists of company level data from the five Western Balkan countries: Albania, North Macedonia, Montenegro, Bosnia and Herzegovina and Serbia which were involved in change of either minor or major ownership transaction whether it is domestic, regional or non-regional (foreign) during the period 2000-2021. We used Bloomberg database to collect company data information on ownership deal transaction which includes:

- target and acquirer company name and location,
- % ownership transfer in the deal transaction,
- target companies' industry,
- regional vs non regional acquirer

We start our analysis of the data with descriptive research to identify the type of deal transactions whether they are regional including domestic or foreign (non-regional) across the 22 years between 2000-2021. We also investigate whether there is any change in behaviour before and after 2010 – the period when EU accelerated the economic and access programmes with Western Balkans. We then further investigate the type of industry targeted by domestic, regional and foreign (non-regional) companies and whether the profile of investment changes after 2010.

Following the initial descriptive results, we investigate the determinants affecting whether companies in Western Balkans receive a foreign or regional investment including domestic investment, which would then suggest that the region is moving toward a circular sustainable economy.

We run the initial probit regression:

$$Regional\ Acquirer_{i,t} = \beta_0 + \beta_1 After2010_{i,t} + \beta_1 Control\ Ownership_{i,t} + \varepsilon_{i,t}$$

(Equation 1)

where:

Regional Acquirer_{i,t} is a categorical binary variable taking the value of one when the investing company/acquirer is a regional acquirer including domestic acquirer and zero otherwise.

$After2010_{i,t}$ is a categorical binary variable taking the value of one if the deal transaction is made after 2010, i.e. from 2011 and up to 2021 and zero otherwise.

$Control\ Ownership_{i,t}$ is a categorical binary variable taking the value of one if the deal transaction consists of a purchase of more than half of the company and zero otherwise.

Following Equation 1, we re-run equation 1 separately for four different industry sector categories to further investigate whether there is a change in the pattern across the specific industries after the initiation of 2010 EU access negotiation and also on the behaviour of acquiring majority/control ownership.

The four categories of industry include:

- (1) Communication, Technology and Transportation
- (2) Consumer
- (3) Energy, Material and Utilities
- (4) Financial Industry.

4. Empirical Results, Analysis and Discussion

Our sample is composed of 428 company observations. Initially, as per Table 1, it is evident that in each of the five countries, it is foreign countries outside of the region that have been involved in acquiring target companies across the five countries. As for the acquiring companies within the region, there is less domestic acquisition transactions – except for Serbia where domestic acquisition transactions are almost double (49 deals) when compared from the regional countries (23).

Table 1.	Acquiring Country		
Target Country	Foreign (%Total)	Regional (Domestic)	Total
Albania	27 (66%)	14 (3)	41
Bosnia And Herzegovina	33 (61%)	21 (8)	54
North Macedonia	34 (68%)	16 (6)	50
Montenegro	11 (52%)	10 (4)	21
Serbia	190 (73%)	72 (49)	262
Total	295 (69%)	133 (70)	428

In terms of industry preferences, we can see that for Albania, Bosnia and Herzegovina and North Macedonia, most of the transaction deals happen in financial sector. Macedonia which has slightly low transaction deals this happens in energy, raw materials, and utilities sectors. Only in Serbia it is where most of the activities happen in Consumer sector such as food and clothes manufacturing.

Table 2	Target Company Industry sector				
Target Country	Com_Tech_Transp	Consumer	Energy_Mat_Util	Financial	Total
Albania	8 (20%)	5 (12%)	11 (27%)	17 (41%)	41
Bosnia and Herzegovina	14 (26%)	10 (19%)	8 (15%)	22 (41%)	54
North Macedonia	15 (30%)	5 (10%)	13 (26%)	17 (34%)	50
Montenegro	5 (24%)	4 (19%)	7 (33%)	5 (24%)	21
Serbia	79 (30%)	87 (33%)	32 (12%)	64 (24%)	262
Total	121 (28%)	111 (26%)	71 (17%)	125 (29%)	428

When we examine whether the acquirers involved in these deals are foreign or regional acquirer, we can see that in each of the five countries of Table 3, it is the foreign companies that engage more in these transactions.

Table 3	Target Company Industry sector								
	Com_Tech_Transp		Consumer		Energy_Mat_Util		Financial		
Target Country	Foreign	Regional	Foreign	Regional	Foreign	Regional	Foreign	Regional	Total
Albania	3	5	1	4	10	1	13	4	41
Bosnia And Herzegovina	9	5	6	4	5	3	13	9	54
North Macedonia	10	5	3	2	7	6	14	3	50
Montenegro	2	3	2	2	4	3	3	2	21
Serbia	52	27	64	23	29	3	45	19	262
Total	76	45	76	35	55	16	88	37	428

We further explore whether there are any changes in behaviour after 2010, the year when EU initiated the economic and access programmes with Western Balkans. As shown in Table 4, while the foreign companies continue to invest more than the regional companies there is a decrease in the number of deals after the 2010. This is for all the industry sectors except for energy materials and utilities, where foreign companies invested more after 2010 (from 11% to 14%).

2000-2010									
Table 4	Com_Tech_Transp		Consumer		Energy_Mat_Util		Financial		
Target Country	Foreign	Regional	Foreign	Regional	Foreign	Regional	Foreign	Regional	Total
Albania	2	3	1	2	5		9	3	25
Bosnia and Herzegovina	4	1	4		4	1	7	6	27
North Macedonia	5	3	1		3	2	3	1	18
Montenegro					2	1	2		5
Serbia	30	10	38	12	10		32	7	139
Total	41	17	44	14	24	4	53	17	214
% of Total	19%	8%	21%	7%	11%	2%	25%	8%	100%
2011-2021									
	Com_Tech_Transp		Consumer		Energy_Mat_Util		Financial		
Target Country	Foreign	Regional	Foreign	Regional	Foreign	Regional	Foreign	Regional	Total
Albania	1	2		2	5	1	4	1	16
Bosnia and Herzegovina	5	4	2	4	1	2	6	3	27
North Macedonia	5	2	2	2	4	4	11	2	32
Montenegro	2	3	2	2	2	2	1	2	16
Serbia	22	17	26	11	19	3	13	12	123
Total	35	28	32	21	31	12	35	20	214
% of Total	16%	13%	15%	10%	14%	6%	16%	9%	100%

We also want to explore whether the % of acquired ownership changes across the type of ownership received ownership across different countries (Table 5) before and after 2010 (Table 6) and whether there is a change in behaviour in terms of which industry (Table 7).

As shown in Table 5, the deal transactions in each country are overwhelmingly characterized for acquiring majority ownership for control which is mainly by non-regional foreign countries. Non-regional foreign countries also dominated the acquisition of minority ownership, except for Montenegro though we should be cautious as the number of deals in this country is very small relative to other countries.

Table 5	Acquired Ownership< 50%			Acquired Ownership >=50%		
Target Country (deal total)	Foreign	Regional	Total	Foreign	Regional	Total
Albania (41)	9 (22%)	2 (5%)	11 (27%)	18 (44%)	12 (29%)	30 (73%)
Bosnia and Herzegovina (54)	5 (9%)	2 (4%)	7 (13%)	28 (52%)	19 (35%)	47 (87%)
North Macedonia (50)	6 (12%)	3 (6%)	9 (18%)	28 (56%)	13 (26%)	41 (82%)
Montenegro (21)	1 (5%)	3 (14%)	4 (19%)	10 (48%)	7 (33%)	17 (81%)
Serbia (262)	31 (12%)	6 (2%)	37 (14%)	159 (61%)	66 (25%)	225 (86%)
Total (428)	52 (12%)	16 (4%)	68 (16%)	243 (57%)	117 (27%)	360 (84%)

When investigating whether there is any change in pattern after the commencement of the 2010 EU accession negotiations (Table 6), we noticed an increase in the acquiring control ownership by regional companies from 21% to 33% as opposed to non-regional companies which reduced from 65% to 48%. This change in behaviour after 2010 provides indications toward a sustainable circular economy, as opposed to requiring investment from outside. Bosnia and Herzegovina from 6 to an increase in 13 and Serbia from 28 to an increase in 38 of regional firms are the two countries to drive this behaviour in the sample.

Table 6	2000-2010				
	Acquired Ownership< 50%		Acquired Ownership >=50%		
Target Country	Foreign	Regional	Foreign	Regional	Total
Albania	7	2	10	6	25
Bosnia and Herzegovina	2	2	17	6	27
North Macedonia	1		11	6	18
Montenegro	1	1	3		5
Serbia	11	1	99	28	139
Total	22	6	140	46	214
% of Total	10%	3%	65%	21%	100%
	2011-2021				
	Acquired Ownership< 50%		Acquired Ownership >=50%		
Target Country	Foreign	Regional	Foreign	Regional	Total
Albania	2		8	6	16
Bosnia and Herzegovina	3		11	13	27
North Macedonia	5	3	17	7	32
Montenegro		2	7	7	16
Serbia	20	5	60	38	123
Total	30	10	103	71	214
% of Total	14%	5%	48%	33%	100%

Table 7 shows what are preferences for majority ownership in which industries. We can see that the majority of ownership is almost evenly spread across sectors, except for energy, materials and utility sector, but we need to be cautious as this is due to relatively lower number of firms in these sectors.

Table 7	Acquired Ownership< 50%				Acquired Ownership > =50%				
Target region	Com_Tech_T ransp	Consu mer	Energy_Mat _Util	Financ ial	Com_Tech_T ransp	Consu mer	Energy_Mat _Util	Financ ial	Tot al
Albania	2	1	3	5	6	4	8	12	41
Bosnia & Herzegovina	2	2	1	2	12	8	7	20	54
North Macedonia	3	2	1	3	12	3	12	14	50
Montenegro	1		3		4	4	4	5	21
Serbia	11	12	5	9	68	75	27	55	262
Total	19	17	13	19	102	94	58	106	428
% of Total	4%	4%	3%	4%	24%	22%	14%	25%	100 %

In further investigation, we also check whether there is a difference in the preferences of foreign non-regional vs regional firms in each industry. As per Table 8 – we can see that the regional firms follow foreign non-regional firms' behaviour in the sense that energy, material and resources are least sectors to be invested in and in both cases they prefer to acquire control ownership as opposed to minority ownership.

Foreign Acquirer									
Table 8	Acquired Ownership< 50%				Acquired Ownership > =50%				
Target region	Consum er	Energy_Mat_ Util	Financi al	Com_Tech_Tra nsp	Consum er	Energy_Mat_ Util	Financi al	Com_Tech_Tra nsp	total
Albania	1	3	5			7	8	3	27
Bosnia And Herzegovina	2	1		2	4	4	13	7	33
North Macedonia	2		2	2	1	7	12	8	34
Montenegro		1			2	3	3	2	11
Serbia	10	5	9	7	54	24	36	45	190
total	15	10	16	11	61	45	72	65	295
%total	5%	3%	5%	4%	21%	15%	24%	22%	100 %
Regional Acquirer									
	Acquired Ownership< 50%				Acquired Ownership > =50%				
Target Region	Consum er	Energy_Mat_ Util	Financi al	Com_Tech_Tra nsp	Consum er	Energy_Mat_ Util	Financi al	Com_Tech_Tra nsp	
Albania				2	4	1	4	3	14
Bosnia And Herzegovina			2		4	3	7	5	21
North Macedonia		1	1	1	2	5	2	4	16
Montenegro		2		1	2	1	2	2	10
Serbia	2			4	21	3	19	23	72
Total	2	3	3	8	33	13	34	37	133
%total	2%	2%	2%	6%	25%	10%	26%	28%	100 %

Table 9 below reports the results when comparing whether there is a change in behaviour after 2010. Non-regional foreign firms reduced the acquisition of control ownership after 2010 except for energy, materials and resources which they increased, whereas regional firms increased the majority of ownership after 2010 in every sector. On the other hand, Table 9 also shows that foreign firms increased the minority ownership in every sector except for financial services (10 to 6), which seems to be replaced by the majority of ownership of regional firms (12 after 2011). These findings are consistent with the theoretical framework of rational choice institutionalism that FDI inflows across the Western Balkans will be impacted by changing preferences of actors in the integration process as a result of changes in the institutional context after 2010.

Table 9

Foreign 2000-2010	Acquired Ownership< 50%					Acquired Ownership >=50%				
Country	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total
Albania	1	2	4		7		3	5	2	10
Bosnia	1			1	2	3	4	7	3	17
Macedonia	1				1		3	3	5	11
Montenegro		1			1		1	2		3
Serbia	3	1	6	1	11	35	9	26	29	99
total	6	4	10	2	22	38	20	43	39	140
Foreign 2011-2020	Acquired Ownership< 50%					Acquired Ownership >=50%				
Country	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total
Albania		1	1		2		4	3	1	8
Bosnia	1	1		1	3	1		6	4	11
Macedonia	1		2	2	5	1	4	9	3	17
Montenegro					0	2	2	1	2	7
Serbia	7	4	3	6	20	19	15	10	16	60
total	9	6	6	9	30	23	25	29	26	103
Regional 2000-2010	Acquired Ownership< 50%					Acquired Ownership >=50%				
Country	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total
Albania				2	2	2		3	1	6
Bosnia			2		2		1	4	1	6
Macedonia					0		2	1	3	6
Montenegro		1			1					0
Serbia				1	1	12		7	9	28
Total	0	1	2	3	6	14	3	15	14	46
Regional 2011-2020	Acquired Ownership< 50%					Acquired Ownership >=50%				
Country	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total	Consumer	Energy_Mat_Util	Financial	Com_Tech_Transp	Total
Albania					0	2	1	1	2	6
Bosnia					0	4	2	3	4	13
Macedonia		1	1	1	3	2	3	1	1	7
Montenegro		1		1	2	2	1	2	2	7
Serbia	2			3	5	9	3	12	14	38
Total	2	2	1	5	10	19	10	19	23	71

Overall, the frequency tables show that both foreign and regional companies acquire a control of ownership when they invest across the five countries. However, there is a shift in the volume of deal after the 2010, where regional firms seem to invest more than non-regional foreign firms. Instead after the 2011, non-regional firms are investing by purchasing less 50% in every sector except for financial services.

Following the results from the above frequency descriptive tables, we first use a Pearson correlation analysis to investigate whether there is any multicollinearity between variables of interest before running the probit equation. As per Table 10, there is no multicollinearity between variables. Preliminary correlation results indicate that regional investment increased after 2010, in line with the prediction that trust and confidence increased in the region following the EU acceleration progress. Among the type of industry preferences, we can see that regional firms are more likely to invest in firms on communication, technology and transportation and less likely on the energy, materials and utilities suggesting foreign investment continue to persevere on the latter resource sources.

Table 10	Regional Acquirer	After 2010	Control Ownership	Com_Tech_Transp	Consumer	Energy_Mat_Util	Financial
Regional Acquirer	1						
After 2010	0.146 (-0.002)***	1					
Control Ownership	0.071 (-0.143)	-0.077 (0.113)	1				
Com_Tech_Transp	0.083 (0.087)*	0.026 (0.593)	0.003 (0.948)	1			
Consumer	0.006 (0.904)	-0.027 (0.582)	0.009 (0.848)	-0.372 (0.000)***	1		
Energy_Mat_Util	-0.082 (0.089)*	0.094 (0.051)*	-0.030 (0.542)	-0.280 (0.000)***	-0.264 (0.000)***	1	
Financial	-0.021 (0.673)	-0.077 (0.111)	0.012 (0.803)	-0.403 (0.000)***	-0.380 (0.000)***	-0.286 (0.000)***	1

Following the person correlation preliminary results, we then run a probit regression equation to investigate whether the two determinants: the acceleration of the EU negotiation after 2010 and the acquisition of the majority of ownership affect the behaviour of regional firms vs non regional firms as mentioned in the Methodology section.

$$Regional\ Acquirer_{i,t} = \beta_0 + \beta_1 After2010_{i,t} + \beta_1 Control\ Ownership_{i,t} + \varepsilon_{i,t}$$

As per regression results shown in Table 11, the likelihood for regional firms to invest across the five countries increased after 2010 and when they invest, they purchase a control ownership.

Table 11

Dependent Variable	
Pr (Regional Acquirer _{i,t})	Coefficient
After2010 _{i,t}	0.404 (0.002)***
Control Ownership _{i,t}	0.311 (0.089)*
Constant _{i,t}	-0.969 (0.000)***
Number of Observations	428
LR Chi -squared	12.19
p-value	(0.002)***
Pseudo R-squared	0.023

Following Table 11, we re-run the probit regression equation separately for four different industry sector categories in order to further investigate whether there is a change in the pattern across the specific industries after the acceleration of 2010 EU access negotiation and also on the behaviour of acquiring majority/control ownership.

The results per each industrial category are reported in Table 12 for each panel a) Communication, Technology and Transportation (b) Consumer (c) Energy, Material and Utilities (d) Financial Industry.

Table 12	Panel A - Com_Tech_Transp	Panel B - Consumer	Panel C - Energy_Mat_Util	Panel D - Financial
Dependent Variable				
Pr (Regional Acquirer _{i,t})	Coefficient	Coefficient	Coefficient	Coefficient
After2010 _{i,t}	0.397 (0.096)*	0.547 (0.036)**	0.482 0.177	0.329 0.17
Control Ownership _{i,t}	-0.061 0.85	0.957 (0.028)**	-0.025 0.953	0.508 0.17
Constant _{i,t}	-0.489 -0.146	-1.597 (0.000)***	-1.047 (0.021)**	-1.129 (0.002)***
Number of Observations	121	111	71	125
LR Chi -squared	3.02	8.7	1.89	4.15
p-value	0.221	0.013**	0.3887	0.1254
Pseudo R-squared	0.019	0.0629	0.0249	0.0273

When investigating in which sectors regional firms prefer, we can see that it is communication technology, transport and consumer industry sectors where regional firms are more likely to invest after 2010 and have the tendency to purchase a control/majority of ownership.

5. Conclusion

Our study provides evidence of a shift in behaviour of regional and non-regional (foreign) investment in the Western Balkan Region. Our preliminary results indicate that the EU acceleration of accession and economic programmes with Western Balkans after 2010 increased the confidence in the regional countries to expand the investment within the region, replacing the decrease in the non-regional investment. The increase in confidence from regional countries including domestic investment is also reflected in the increase in purchasing substantial control ownership following the increase in interaction with EU after 2010. This phenomenon is consistent with a regional integration theory supported by a dynamic rational choice version of institutionalism. Hence our findings contribute to the ongoing empirical and theoretical debate on the implications of the ongoing policy reforms undertaken because of the ongoing EU access negotiation toward membership for each of the five countries: Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, and Serbia. Our empirical findings add a new dimension to the existing academic evidence as we differentiate in our analysis between regional and non-regional investments while previous studies only investigate under one single umbrella of foreign direct investment. Our study contributes to the discussion that encouraging regional investment has a higher effect in the economic growth than non-regional investment. In a similar context, but somewhat solely focusing on domestic vs foreign investment, Bacovic (2021) has shown that facilitating domestic investment creates a greater

positive effect on economic growth than foreign direct investment. However, this does not mean that we should solely focus on domestic investment, a presence of foreign direct investment in the Western Balkans encourages the growth of domestic investment as shown by a recent study by Sucubasi et al. (2021). And our study further extends this line of debate by demonstrating the effect that EU acceleration of accession and economic programmes with Western Balkans after 2010 had on the increase of the regional investment flow as opposed to non-regional investment flow.

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