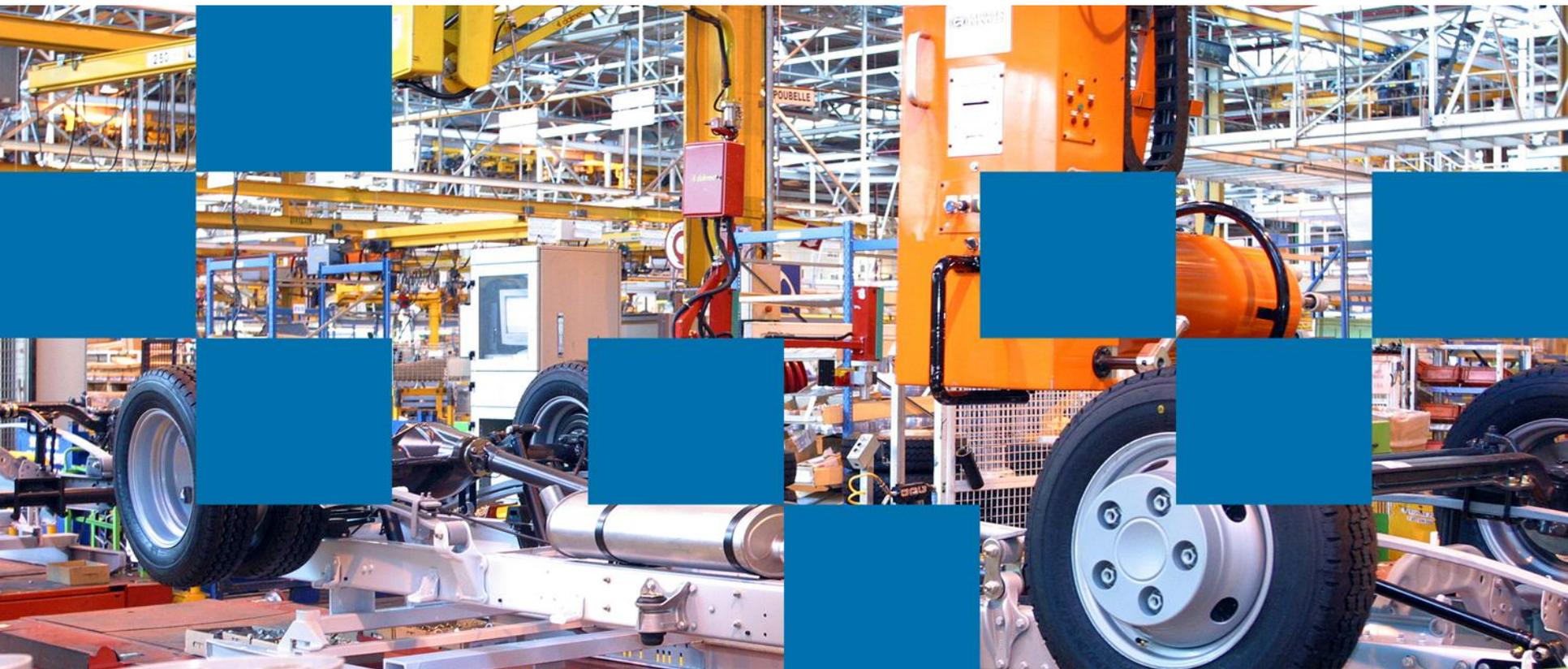




# Promoting investment in the automotive component sector

A SECTOR SPECIFIC STRATEGY FOR THE WESTERN BALKANS





Funded by the European Commission, the **Sector Competitiveness Project** examines the potential sources of and obstacles to competitiveness in the Western Balkans.

The project analyses 3 sectors:

- ❖ **GARMENT MANUFACTURING**
- ❖ **AUTOMOTIVE COMPONENTS, AND**
- ❖ **INFORMATION AND COMMUNICATION TECHNOLOGY**



## ❖ **AUTOMOTIVE COMPONENTS**



The Western Balkans has **clear opportunities to attract investment and remain competitive.**

The continued strength of the sector in the region has relied upon:

- ❖ **COST COMPETITIVENESS**
- ❖ **GEOGRAPHICAL PROXIMITY TO MARKETS**
- ❖ **HISTORICAL LEGACY OF MANUFACTURING AUTOMOTIVE COMPONENTS**

Some **key facts**:

- ❖ Operational costs can be **60%** lower in the Western Balkans as compared to Hungary and Poland (but productivity is generally low across the region)
- ❖ **2 days.** The time it takes for Western Balkan suppliers to send products to key markets in Europe like Germany and Italy.



## A strong historical legacy



Vehicle assembly in Bosnia and Herzegovina and Serbia encouraged the emergence of a supply base for automotive components, with **metalworking, mechanical and electrical engineering skills available across the whole of the former Yugoslavia.**

High level of automotive specific training and strong skills base, including in **skills that have backward linkages with the manufacturing of vehicle parts:** metalworking, welding, plastics, electrical and mechanical engineering, production of high-precision components



# Sector Challenges



- ❖ **Cost and quality**
- ❖ **Lack of exposure**
- ❖ **Skills gaps**
- ❖ **Innovation**

## Some **key facts**:

- ❖ **51%** of companies surveyed in the region feel that they are experiencing some degree of skills gap in engineering
- ❖ Only **34%** of companies surveyed had developed a new product, design or service since 2004.
- ❖ Only **12%** of companies surveyed had received industry-specific quality certification



# Sector reform



For automotive components suppliers: Meet new requirements in terms of **quality standards, design and development capabilities** and **supply chain management**.

For governments: **institutional development, infrastructure** and the **quality of business environment**

Operational improvements firms can make:

- ❖ **IMPROVE QUALITY STANDARDS AND QUALITY MANAGEMENT**
- ❖ **STEP UP INNOVATION**
- ❖ **IMPLEMENT ON-LINE PROCUREMENT INITIATIVES**

Actions governments can take:

- ❖ **FOCUS FIRST ON INVESTMENT PROMOTION AND HUMAN CAPITAL**



## *Focus on investment promotion*

The OECD is working to:

- ❖ **MAP CAPABILITIES OF WESTERN BALKANS SUPPLIERS**
- ❖ **PROVIDE RECOMMENDATIONS ON HOW TO IMPROVE REGIONAL CO-OPERATION IN PROMOTING THE AUTOMOTIVE INDUSTRY**



This mapping exercise will also allow the **Regional Network of IPAs in SEE** to carry out one of the regional sector specific activities included in the work programme of the network, i.e. “pinpoint the potential of every member country for specific activities within the sector itself (e.g. design, R&D, automotive components manufacture, capital intensive production or labour intensive production etc.)”

The Investment Promotion Agency holding the rotating chairmanship of the Regional Network can maintain the mapping on its website.



# Regional mapping



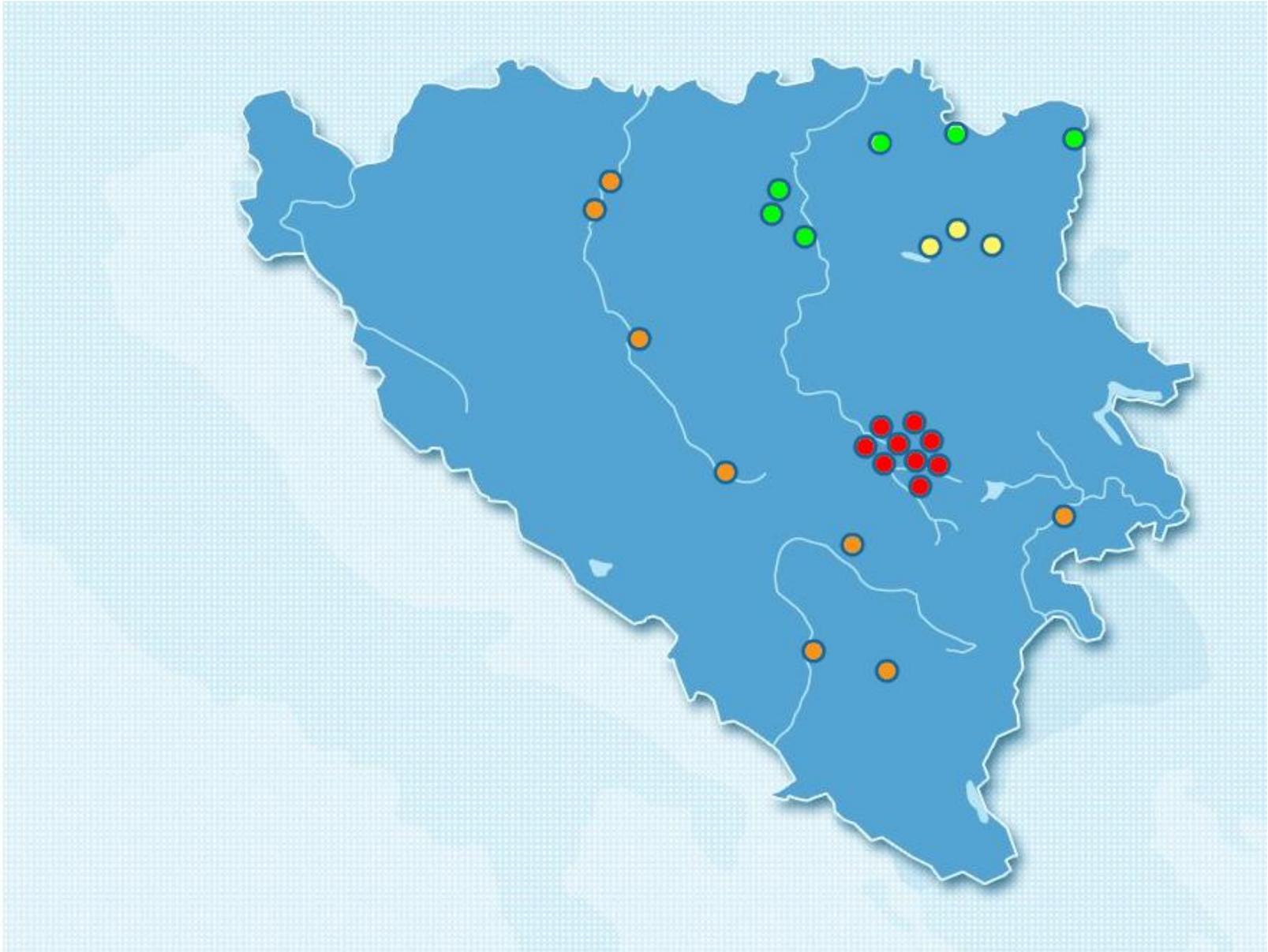
Automotive suppliers in the Western Balkans

Help ?

- Albania
- Bosnia-Herzegovina
- Croatia
- Kosovo under UNSCR 1244
- FYR Macedonia**
- Montenegro
- Serbia



# Industrial clustering



# Case study of regional cooperation network



10 countries in South America (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela) signed an initiative to build **a regional cooperation network of IPAs in South America**

**Objective:** position the region as an attractive investment destination and share best practices

Examples of co-operation:

- ❖ **THREE REGIONAL MEETINGS**
- ❖ **JOINT SOUTH AMERICAN INVESTMENT MISSIONS**
- ❖ **PUBLICATION OF A PROMOTION BROCHURE: “WHY SOUTH AMERICA?”\***
- ❖ **CAPACITY BUILDING WORKSHOPS**

\* Available at: <http://www.prosperar.gov.ar/admin/uploadfiles/files/WHY SOUTH AMERICA ingles.pdf>

Source: Nofal, Beatriz, *Investment Policy Challenges and Priorities in Latin America*. Presentation at the OECD Global Forum on International Investment 2009, 7 December 2009, Paris.



## FOR DISCUSSION:

### ❖ Joint promotional products:

- ❖ Define the main objective of joint promotion: image-building activities?
- ❖ In addition to the regional presentation, what other promotional tools can be prepared jointly? Website, joint newsletters on the automotive industry for investors, brochures?
- ❖ Stimulate collaboration and synergies among national IPAs, for example by organising joint seminars and missions abroad?

# How to improve regional cooperation In promoting the automotive industry



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## ❖ **Joint promotional products:**

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## FOR DISCUSSION:

- ❖ **Information sharing mechanisms:** What kind of standing forum can be created to foster exchange of information?  
Some options:
  - ❖ update on each IPA's current and upcoming promotional activities for the automotive sector is included as a standard item in agendas of the regular semi-annual meetings of the network at the management level;
  - ❖ among “Activities at the level of employees”, organise meetings of investment promotion officers to exchange information and experience in aftercare, investor targeting, project targeting specific to the automotive industry

# How to improve regional cooperation In promoting the automotive industry



- ❖ **Information sharing mechanisms:** What kind of standing forum can be created to foster exchange of information?



## FOR DISCUSSION:

### ❖ Information sharing mechanisms (cont.):

- ❖ Each IPA to appoint an officer to act as contact point for the network and ensure the exchange of information. Officer in the IPA holding the rotating chairmanship to co-ordinate the implementation of information exchanges
- ❖ IPA contact points would regularly send information on automotive-related events and conferences, investors missions, and other promotional activities to the co-ordination officer by using a standard template
- ❖ Co-ordination officer would compile information and circulate to all contact points



## FOR DISCUSSION:

### ❖ **Standard practices to follow:**

- ❖ Each IPA to inform all other members of the network about participation in automotive related events
- ❖ When participating in an automotive related event, each IPA would carry a standard pack including an introduction to the strengths and sources of competitiveness of the sector in the region
- ❖ When implementing a foreign promotion campaign, each IPA can also market opportunities in the other countries

# How to improve regional cooperation In promoting the automotive industry



## ❖ **Standard practices to follow:**

# How to improve regional cooperation In promoting the automotive industry



## FOR DISCUSSION:

### ❖ Implementation of the action plan:

- ❖ Each IPA to raise awareness of the importance of joint promotional activities within its country (government officials and private sector associations)

# How to improve regional cooperation In promoting the automotive industry



## ❖ **Implementation of the action plan:**

- ❖ Each IPA to raise awareness of the importance of joint promotional activities within its country (government officials and private sector associations)

[www.investmentcompact.org](http://www.investmentcompact.org)

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