

## **Western Balkan footwear industry at the crossroads: challenges and opportunities**

The footwear sector remains an important manufacturing niche across the Western Balkans, from Bosnia and Herzegovina's established rubber-boot exporters to small footwear workshops in Serbia, North Macedonia, Albania and Kosovo. Yet the region's shoemakers face a cluster of structural and short-term challenges that threaten competitiveness and future growth.

To begin with, price competition from Asia continues to squeeze profit margins. Many Western Balkans producers still rely on labor-intensive, lower-value production stages, and find it hard to compete with very low-cost suppliers in China and Southeast Asia – both on price and increasingly on speed-to-market. At the same time, imports of finished and semi-finished footwear from China have been significant for countries like Serbia, increasing pressure on domestic shoes producers.

Second, labor market constraints are acute. Wages and real unit labour costs have been rising across the region while demographic decline and emigration reduce the available skilled workforce. Employers report difficulty finding trained shoemakers and technicians, which raises production costs and limits the ability to scale higher-value manufacturing. This labour squeeze also interacts with the need to upgrade skills for automation and digital workflows. Additional to this is the higher and higher energy cost that increases the production cost. As a result, the final products are distributed in higher prices than others e.g. from China.

Third, limited investment in technology, design and branding keeps many firms stuck in low-margin assembly work. Modern footwear value chains increasingly reward design, R&D, and strong brand or OEM relationships – areas where many Western Balkan SMEs lack capital, access to finance, or managerial capacity. Without targeted investment, the region risks remaining a supplier of commoditized footwear rather than moving up the value chain.

Last but not least, trade and regulatory frictions complicate market access. Slow progress toward regulatory alignment with the EU, fragmented regional markets, and administrative hurdles raise transaction costs for exporters. Conversely, opportunities from EU-led growth and single-market initiatives will remain under-realized unless reforms accelerate. However, opportunities do exist: established export links (for example, Bosnia's sizeable rubber-footwear exports to EU markets), proximity to European customers, and potential benefits from EU integration and regional cooperation can be leveraged. At this point, the impact of the Co-funded by the EU projects is worth-mentioning.

Though, turning these advantages into development will require coordinated policies – skills development, easier access to finance for modernization, stronger IP and quality controls, and regional market integration – plus proactive steps by firms to invest in design, automation and sustainability. If policymakers and industry stakeholders can align on those priorities, the Western Balkans' footwear sector can move from low-cost assembly toward higher-value, resilient manufacturing.

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