Doing Business in Serbia:

2013 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Serbia

Market Overview Return to top

2012 ushered in a new coalition government in Serbia led by the SNS Party (Serbian Progressive Party). The outcome of the election emboldened the new government to raise revenue, reduce red tape and to begin to address the yawning fiscal deficit and ballooning public debt in Serbia. Serbia's economy, like most of Europe, suffered in 2012 with GDP shrinking by 2.5 percent.

Serbia's key economic challenges in 2012 included the pursuit of structural reforms aimed at improving of the country's business climate and making a progress towards EU integration. The country overcame a major political obstacle for gaining EU candidate status and ratified the *SAA (Stabilization and Association Agreement). However, the European Council delayed a decision on whether Serbia should become a candidate for membership in the bloc, seeking further progress in the Belgrade-Pristina dialogue and a resolution of the Kosovo issue. Further postponement of EU candidate status for Serbia could result in overall slowdown in reforms and create a perception of political instability. This could impact the current Government and the leading political SNS Party (Serbian Progressive Party).

To help address the stagnant economy, the new Serbian government adopted a number of new laws early in their mandate in an effort to introduce economic reform and to improve the business climate. A fiscal strategy was adopted for the 2013 to 2015 period and aims to implement disciplined fiscal policy in the face of growing pressure for the wage increases in the public sector. The strategy envisions 2% GDP growth in 2013, 3.5% in 2014 and 4% in 2015, and is based on an expected increase in net exports and in the gradual recovery of consumption and investment activity in the country. The government also unveiled ambitious plans to decrease the budget deficit from 6.7 percent of GDP in 2012 to one percent by 2015 and to reduce total public debt levels from 60.5 percent of GDP in 2012 to 45 percent by 2020. Pursuant to this effort, several taxes in Serbia increased on October 1, 2012. The value-added tax (VAT) rose from 18% to 20% for most goods (the special VAT rate remained unchanged at 8% for food and pharma products). The corporate profit tax rose from 10% to 15%.

Late in 2012, the new government eliminated 138 so-called "para-fiscal" charges in late 2012. This was a welcome development as these charges, imposed by various local governments, added unnecessarily to the financial and regulatory burden of doing business in Serbia. The 138 charges eliminated represent roughly one third of the 370 fees identified.

The 18-month precautionary stand-by arrangement approved by the IMF in September 2011 remains suspended. The IMF will not resume its regular review of the arrangement until a new government agrees on a supplementary budget to rein in the deficit and public debt. The main policy issues for the government will be ballancing growth-enhancing policies with fiscal consolidation and implementing measures to improve the investment climate, including cutting red tape and regulations, as well as liberalizing the labor market.

To cushion the impact of low liquidity in the real sector of the economy in 2012, the Government of Serbia adopted a comprehensive program of measures aimed at cushioning the impact of the global financial crisis and maintaining employment. Under the program, an economic stimulus of USD 700 million was set aside to subsidize liquidity, export, and investment loans for businesses, consumer loans.

Serbia is expected to tap USD 200 million in budget assistance for 2013 from the World Bank if it introduces professional management at public companies through job vacancy announcements and protects the filling of these positions from political influence. The World Bank is considering a loan in three tranches for Serbia, including USD 200 million in 2013, USD 100 million in 2014, and USD 100 million in 2015. The lending will depend on the Serbian government's reform credibility and whether the country will conclude an arrangement with the International Monetary Fund (IMF). Serbia also worked closely with the European Investment Bank (EIB) in 2012 to support small and medium sized enterprises and the Serbian automobile industry, specifically the Fiat Automobile Serbia investment program. Other investments of note included those made by the European Bank for Reconstruction and Development (EBRD), who supported investments in energy, agriculture and the food industry. In total, EBRD is expected to invest some USD 400 million in Serbia by the end of 2013.

Serbia intensified its cooperation with the United Arab Emirates (UAE) in 2012 and announced several ambitious investment projects by the UAE. These included the construction of a natural gas depot in Itebej in Vojvodina, a terminal in Pancevo, and the Djerdap 3 hydropower plant on the Danube River.

Serbia also applied for a USD 100 million lending facility from the Abu Dhabi Fund for Development (ADFD) for financing investments in agricultural infrastructure. One part of the funding would be used to finance the overhaul of Serbia's current irrigation network and the construction of new irrigation canals. It would also be used for the development of a low-voltage distribution network to fields, allowing farmers access to cheaper power sources for running irrigation pumps. The rest of the funding will be used as a credit line for Serbian farmers for the procurement of machinery and equipment. The loans come with low interest rates, a three-year grace period, and a ten-year repayment period. The UAE's agricultural company, Al Dare, has already inked a preliminary deal with Serbia, under which it will purchase an 80% stake in eight Serbian agribusinesses, while the state will keep a 20% interest.

The 2013 World Bank Doing Business Report, which measures the efficiency of business regulation across 185 countries, ranked Serbia 86th (up from 95th place in 2012). The report recognized Serbia as one of the top-ten most improved countries in 2012. Serbia's improvement in the rankings was attributable largely to a 49-place jump in "starting a business" (from 91st place in 2012 to 42nd in 2013) and a 17-place jump in "resolving insolvency" (from 120th place in 2012 to 103rd in 2013).

The World Bank report indicates that Serbia continues to lag in other key areas. Serbia's worst ranking is in "dealing with construction permits" – 179th out of 185 economies (a one-place drop compared with 2012). The World Bank report cited excessive red tape, high costs, over eighteen different procedures, and the length of time (an average of 269 days) required for procuring a construction permit as factors in the low ranking. Serbia is also low-ranked in the categories of "paying taxes" (149th place, down from 145th in 2012) and "enforcing contracts" (103rd place, down from 102nd in 2012).

Unemployment remains a major problem and increased to 23.7 percent in December of 2012. Inflationary pressures decreased significantly during the second half of 2012 after reaching the 12.2% level earlier in the year. The Serbian national currency, the dinar, dropped by nearly 15% against the Euro in 2012. The Central Bank of Serbia intervened on several occasions during the year and made currency trades totaling nearly USD 2 billion to support the dinar.

Serbia’s foreign trade deficit in 2012 decreased 5.2% against previousa year to USD 7.6 billion. Exports fell 3.6% year-on-year, to USD 11.35 billion, while imports shrank 4.3%, to USD 19.5 billion. The largest share of Serbia’s exports went to Germany and Italy, followed by Bosnia-Herzegovina, Romania and Russia. The largest source of imports came from Germany, followed by Russia, Italy, China and Hungary.

Serbia attracted approximately EUR 638 million (USD 829 million) in FDI in the first ten months of 2012. Net FDI during this period, however, was only EUR 81 million (USD 105 million) because FDI outflows (EUR 557 million/USD 724 million) were unusually high. The high level of FDI outflow was attributable to Telekom Srbija's payment of EUR 381 million (USD 495 million) for the buyback of its shares and Norwegian investor Telenor's repatriation of EUR 176 million (USD 229 million).

In 2012, Serbia again missed the opportunity to complete the privatization of state owned enterprises. Two planned flagship sales – Telekom Srbij and JAT Airways – did not materialize. On the contrary, the Serbian Government purchased the outstanding 20% of shares of Telekom Srbjija it did not already own from Greece's OTE and became the 100% owner of the company. Electric power and other state owned companies are not yet on the privatization agenda due to the lingering effects of the global economic crisis.

Lastly, on January 31, 2012, the Serbian government bought back the loss-making steel Smederevo steel works from the US Steel for a token USD 1, after the American company decided to pull out of Serbia due to the overall economic crisis. The state is still seeking a strategic partner for the Smederevo steel maker, which was one of the largest exporters in Serbia.

* *Note: The SAA and its subsequent trade agreement with the EU opened the door for Serbia to start systemic reforms and harmonize its legislation and comply with EU standards. This agreement paves the way for further introduction of international standards to the domestic market, which will contribute to the predictability of the business climate. Under this agreement, Serbia phased out and abolished tariffs on most goods imported from the EU bloc’s 27 members. Import duties on all industrial products will be fully scrapped by the end of a six-year transitional period, while duties on some agriculture products will remain at between 20% and 80% of their 2008 levels, even after January 2013.*

Market Challenges

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Adequate financial resources for Serbian consumers/importers remain a problem. Foreign banks operating in Serbia have provided financing to help cushion this problem in previous years but due to the continuing headwinds created by the Eurozone crisis, the lack of liquidity in 2012 could seriously impact further development. The primary macro-economic risk in Serbia in the upcoming years will be the significant decrease in foreign capital inflow and balance of payment issues. It is unlikely foreign direct investment in 2012 will cover the deficit.

Corruption remains a problem in Serbia and though difficult to quantify, it is believed to be pervasive in the country. In the 2011 Corruption Perception Index survey compiled by Transparency International, an international anti-corruption watchdog organization, Serbia moved down the rankings from 80th place in 2010 to 86th place in 2011. Since its formation in the summer of 2012, the new Government of Serbia has made the fight against corruption a priority. The anti-corruption campaign has resulted in a number of highly publicized arrests of prominent political figures and businessmen. In October 2012, Serbian authorities charged the former Minister of Environment and Spatial Planning in the previous government and two of his associates with corruption and abuse of office in connection with construction deals in 2009 and 2010.

In November 2012, authorities arrested the former Minister of Agriculture and eight others on charges of corruption and suspected fraud arising out of the issuance of state grants to selected companies and the bankruptcy of a state-controlled bank, Agrobanka. In December, authorities arrested one of Serbia's wealthiest and most powerful businessmen and his son for alleged abuses in the privatization of a road construction and maintenance company. In addition, the new government initiated an investigation of 24 allegedly suspicious privatization transactions, as recommended by the EU.

As stated earlier, construction permitting remains a particularly serious problem in Serbia. Most of foreign and domestic investors report that the process of issuing construction permits is non-transparent and heavily burdened with red tape.

Market Opportunities

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Infrastructure - The pan-European Corridor 10 highways and railroads and a future highway, dubbed Corridor 11, which will run from Timisoara, Romania to Montenegro’s port of Bar, via Vrsac and Belgrade in Serbia and Boljare in Montenegro, are marked as priorities for Serbia’s infrastructure development. In this respect, several foreign government-related infrastructure projects are moving forward. In January of 2012, Serbia signed agreement with Azerbaijan under which the former Soviet state will provide a EUR 300 million loan for the construction of the Ljig-Preljina section of the Corridor 11 highway. The project will involve building some 60 bridges and five tunnels. The 50-kilometer long section will be built by both Serbian and Azerbaijani companies. Serbia also plans to invest nearly EUR 500 million in inland waterways, mainly for environmental remediation and ordinance removal projects in the Danube River basin. Serbia does not plan to build new airports, but it does intend to convert all of its military airfields, eight in total, into commercially managed airstrips.

In October 2011, work started on the 1.5-kilometer Zemun-Borca Bridge on the Danube and 27 kilometers of access road. The bridge is expected to be completed by the spring of 2014. The Export-Import Bank of China is lending some EUR 145 million for the EUR 170 million project. Serbia also signed initial contracts on three railway projects in Serbia to be financed through a USD 800 million Russian loan. The funds will enable the construction of a second track of the Belgrade-Pancevo railway and the Valjevo-Loznica railways, as well as the procurement new diesel-powered locomotives. The Serbian authorities continued negotiations for construction of the remainder of Belgrade's bypass, part of the pan-European Corridor 10 highway route. Companies from China, Azerbaijan, and the Czech Republic have expressed interest in this USD 300 million project. Negotiations are also going with the Export Credit Bank of Turkey (Turk Eximbank), which plans to provide USD 300 million this year for infrastructure and other projects in Serbia.

To expand investments infrastructure, the Serbian parliament passed a bill on public-private partnership (PPP) and concessions in 2011. As a result, domestic and foreign investors and banks are expected to expand investments and financing of infrastructure projects in Serbia such as the modernization of roads and communal infrastructure, and utility services. The law also enables local administrations to implement projects on their territories through PPP without the help of the central government. Under the law, designed to replace the existing law on concessions, a public-private partnership will be contractual, in what will involve setting up a joint venture to manage a project. The law also extends a maximum concession period to 50 years. The parliament also adopted a law on utility services, which is expected to draw private investments in this sector through PPP. The law is also expected to facilitate investments in the underdeveloped wastewater, sewerage, water supply, and waste management sectors.

Agro-Business – Serbia's agricultural sector contributed around 17% to total GDP in 2012. Due to unfavorable conditions and a prolonged drought, Serbia's agriculture output significantly dropped in 2012. The main export commodity was corn, followed by sugar, frozen raspberries, wheat and sunflower oil. The main agriculture and food import commodities in 2012 were coffee, cigarettes, soybean, bananas, vegetables, and fish.

For a more detailed description of this sector and the opportunities it presents, please see the 'Agriculture Sector' section of Chapter 4: Leading Sectors for U.S. Export and Investments.

Telecommunications – The telecom sector accounts for some 5% of the country's GDP. Serbia has created the conditions to render all segments of the telecoms sector competitive and to bring in a greater number of operators who can offer better quality services. Investments in all segments of the sector in 2012 were at about the same level as in 2011, when they stood at USD 350 million. According to the Serbian Statistics Bureau, the number of Internet users in 2012 increased by 250,000 new users, compared to 2011. As a result, Serbia now has 3.65 million internet subscribers. The use of fixed and mobile broadband internet experienced consistent growth in 2012. As a result, Serbia is slowly edging closer to the EU average in this segment.

Serbia fully liberalized its telecommunications market on January 1, 2012, which will primarily affect the fixed telephony segment. The liberalization allows all companies that have the necessary infrastructure, including cable operators, to launch fixed telephony services with only a certificate from the Electronic Telecommunications Agency (RATEL). The providers of fixed telephony in Serbia so far have been the state telecom company Telekom Srbija, which operates the national landline network, Telenor, which bought the country's second landline license in early 2010, and Orion Telekom, which offers wireless fixed telephony. In 2012, the local cable operator SBB received fixed telephony license.

The mobile telephony market in Serbia was worth USD 1.5 billion 2011, with investments in this segment at slightly under USD 150 million. As of December 2012, the total number of subscribers exceeded 10.2 million. Serbia's mobile penetration is estimated to be 143%.

For a more detailed description of this sector and the opportunities it presents, please see the Telecommunications section of Chapter 4: Leading Sectors for U.S. Export and Investments.

ICT

At the end of February 2013, the Finance and Economy Ministry introduced program including four sets of measures to encourage development of ICT industry in Serbia:

- tax incentives, up to EUR 25,000 in subsidies for start-ups,
- the education sector adjustments to the needs of the IT industry
- various types of support to Serbian software exporters.
- the state will provide financial assistance for the relocation, development and exports of original domestic products, as well as multinational IT companies' development centers in Serbia.

Energy generation and transmission equipment-

About 62% of Serbia's electricity is generated by thermo-electric power plants which burn domestically mined lignite; a highly polluting fuel source that is prevalent in Serbia. Limited maintenance of the power plants has resulted in a power production and delivery system in serious need of rehabilitation. Plans to privatize the power generating systems in Serbia aim to boost the efficiency of production, the level of environmental protection, and bring additional capital necessary for maintaining the system. Existing electrical plants are based on U.S. technology from the 1950s. Projects for modernizing long-distance heating systems in large towns throughout Serbia could be attractive for U.S. companies. With the introduction of new energy law the potential for development of renewable energy projects has been drasticaly increased.

Electricity Production Structure in Serbia		
Source	Production	Share
Coal	5171 MW	61,80%
Hydro	2835 MV	22,90%
Gas	353 MW	4,20%
Wind	0 MW	0%

A new energy law, approved by parliament in July 2011, aligns Serbian legislation with the EU *acquis communautaire* and will immediately lead to a complete opening of the gas and electricity market for all consumers except households, for whom the market will be opened in January 2015. It further envisages strengthening the role of the energy regulator, who now has the power to set regulated tariffs from. The law also facilitates investments in energy efficiency and sets up the regulatory framework for the development of renewable energy projects.

In 2009, Serbia signed the agreement on construction of the “Juzni tok” (South Stream) pipeline with Russian company Gasprom. This agreement established a joint venture company with Gasprom to run the construction and operation of pipeline and storage facilities for the natural gas. It is expected that this gas arrangement will improve the natural gas supply to the Serbian market. According to the latest update from Serbia Gas management, the construction is set to begin by the end of 2013. There are several U.S. companies interested in all apects of the projects, varying from civil works, to high-tech solutions.

The Serbian parliament approved a loan from the Export-Import Bank of China for the first phase of a project to modernize Serbia’s coal mining and power generation complex TE-KO Kostolac. Under the contract, the Chinese lender will make available a loan of up to USD 293 million loan, or 85% of the overall cost of the first phase of the overhaul. The cost of the first phase will be USD 344.63 million. Works on the entire Kostolac modernization project will be carried out by China National Machinery & Equipment Import & Export Corporation, in cooperation with Serbian firms.

Industrialization - The average capacity utilization in factories in Serbia is just over 50%. Even in enterprises where continued production is economically viable, equipment is in need of repair or modernization. All industrial equipment can be imported at the same or slightly higher customs rates than new equipment. Serbia mines copper, lead, and other non-ferrous metals for export. Additional capital investment is required to make production more efficient. In order to support the development of this sector, the Serbian government announced a plan for the revitalization of the copper mine Bor (RTB), which received USD 30 million as the first portion of a USD 180 million loan from the Export Development Canada (EDC) for the construction of a new smelter and sulfuric acid plant.

The multinational mining giant Rio Tinto will open a lithium/boron mine in the Jadar region of Serbia in 2014. This mineral deposit is the largest in Europe and has the ability to provide 20 percent of the world’s supply of lithium once production is established. With the launch of production, the area is set to become host to a number of lithium processing factories.

Market Entry Strategy

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The Law on Trade, which regulates the activities of wholesalers and retailers, ensures that any firm may operate in foreign and domestic trade in Serbia. However, the government has not yet completed all the requisite institutional reforms. Many U.S. firms have found that it is more efficient and cheaper to hire a good local agent or distributor than to conduct direct sales.

Serbia has enacted specific legislation outlining guarantees and safeguards for foreign investors. The Foreign Investment Law in Serbia (2003) established the framework for investment in the country. The law eliminated previous investment restrictions; extended national treatment to foreign investors; allowed for the transfer/repatriation of profits and dividends; provided guarantees against expropriation; and allowed for customs duty waivers for equipment imported as capital-in-kind.

Foreign companies should visit the market and become acquainted with business practices and customs. Networking and establishing relationships with both government officials and business people is very often crucial in achieving success. The U.S. Embassy provides Gold Key Service (GKS) matchmaking services and offers business briefings and facilitation of all necessary meetings and contacts for U.S. companies interested in the Serbian market.

International consulting firms present in Belgrade such as Deloitte and Touché Tohmatsu International, PriceWaterhouseCoopers, and KPMG can be helpful in establishing the viability of potential local partners. The Embassy's Commercial Section can provide International Company Profiles (ICPs) that encompass a thorough background check on potential clients and potential representatives (contact: boris.popovski@trade.gov or zorica.mihajlovic@trade.gov). ICP (international company profile) reports include up-to-date information on potential partners. Local organizations may also be useful in verifying credibility of a potential local partner: Chamber of Commerce of Serbia: http://www.pks.rs

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.State.gov/r/pa/ei/bgn/

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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A carefully chosen partner, whether it is a local agent, representative, or distributor, is the most effective method for entering the Serbian market. Such local partners can contribute significantly to the success of a U.S. company by considerably shortening the entry time and strengthening market position. The benefits of a local partner include having a dedicated presence in Serbia who is familiar with the local language and business culture and has access to business channels. Additionally, a local partner can take advantage of fast-breaking opportunities, absorb some of the expenses of doing business, and manage the logistics of product marketing and distribution. This is especially relevant for U.S. firms lacking sufficient capital to handle such activities on their own.

In considering a potential agent or distributor, conducting appropriate due diligence is important prior to signing a contract with potential representation. Although English is widely spoken in the business community, U.S. companies will want to have a representative with strong Serbian language skills and cultural knowledge. In addition, business in Serbia is still conducted to a large extent on contacts. In this respect, it is critical to find a partner who is committed to abiding to both local and U.S. laws.   We advise seeking the advice of local legal counsel before signing any contract.

The U.S. Commercial Service at the U.S. Embassy in Belgrade can provide International Company Profiles (ICPs) that include a thorough background check on potential clients and representatives. These reports include up-to-date information on potential partners, such as bank and trade references, principals, key officer and managers, product lines, number of employees, financial data, sales volume, reputation, and market outlook. More information at: www.buyusa.gov/serbia/en

The Credit Bureau (FINET), which is affiliated with the Association of Serbian Banks (www.ubs-asb.com), also provides information on the creditworthiness of local companies. U.S. companies can contact FINET to request a copy in English of a Serbian firm's BON-1, a credit report that provides information on the local firm's credit history. The report costs about USD35 and can be obtained by writing to:

ASSOCIATION OF SERBIAN BANKS
Bulevar Kralja Aleksandra 86
11000 Beograd
Tel: 011 / 30 20 760; 33 70 063
Fax: 011 / 33 70 179; 30 20 787
Web: www.ubs-asb.com
E-mail: ubs@ubs-asb.com

The following local organizations may also be useful in verifying credibility of a potential local partner:

Serbian Credit Bureau
Zagrebacka 6 11000 Beograd
Tel + 381 (0) 11 263 26 86, 218 32 94 Tel/fax + 381 (0)11 303 79 91
web: www.kreditnibiro.com

The Serbian Chamber of Commerce also has available online an English language Serbian Company Directory, as well as a Business Opportunity Exchange database of local companies interested in working with foreign partners:

Chamber of Commerce and Industry of Serbia
Resavska 13-15, 11000 Belgrade
Phone: (381 11) 3240-611, 3233-955; Fax: (381 11) 3230-949
Mr. Zeljko Sertic, President
www.pks.rs
E-mail: marica.vidanovic@pks.rs

International consulting firms present in Belgrade include Deloitte, Touché Tohmatsu International, PriceWaterhouseCoopers, Ernst & Young and KPMG. These firms can be helpful in establishing the credibility of a potential local partner. Additional information is available from the American Chamber of Commerce in Serbia: www.amcham.rs

Establishing an Office

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The Serbian Agency of Business Entities (BRA) oversees the establishment of foreign representative offices in Serbia and the registration of rep-offices and foreign legal entities. Foreign entities/persons and imported goods enjoy the same treatment and the same status as domestic entities (i.e., national treatment in regard to their imports or exports in Serbia).

A representative office may have one or more branches in Serbia. Representative offices do not have legal entity status in Serbia but may operate in Serbia after completing the registration process with the BRA. The registration process usually takes approximately 10 days from the filing date of the application.

Representative offices can conduct operations including market research and development, contract or investment preparations, technical cooperation, and similar business facilitation activities. Representative offices, however, may not operate in the trade of armaments or other military equipment. Representative offices are permitted to hold foreign exchange and domestic currency accounts in authorized Serbian banks.

Foreign investors interested in opening a local subsidiary company may register it as a Joint Stock Company (a.d.), a Limited Liability Company (d.o.o.), a Limited Partnership (k.d.), or a General Partnership (o.d.). The latest amendments to the Law on Foreign Trade seek to simplify administrative procedures and harmonize the terminology used in the law with the World Trade Organization (WTO) standards branches of domestic and foreign companies and organizations are entitled to engage in foreign trade.

Limited liability companies can be established in five to ten days, and require only RSD 100 (approximately EUR 1 in founding capital). There is no limitation in the number of stakeholders in limited liability companies. The new Company Law (effective from 1 February 2012, and which generally conforms to other European company laws) provides one type of joint stock companies. Minimum capital required for joint stock company amounts to RSD 3,000,000 (approximately EUR 30,000).

All resident foreigners (except foreign diplomats) must pay an annual income tax if their income exceeds three times the average annual salary of an employee paid in the Republic of Serbia in the given tax year. The taxable base is determined as the net income exceeding the threshold decreased for available deductions. If the taxable base is up to 6 times the average annual salary, for both Serbian and foreign citizens, a 10% annual PIT (personal income tax) rate is applied. If it is above this threshold, 10% is applied to the taxable base up to 6 times average annual salary plus 15% on the taxable base exceeding 6 times annual average salary. The amended thresholds will be used for the determination of the annual income tax for the year ending 31 December 2012. In this regard, residents (both Serbian and foreign citizens) whose total net income in 2012 exceeded RSD 2,043,855 ($25,642) were obliged to file tax returns. (Note: $1USD = 85RSD).

Residence and work permits are required for foreign employees. Obtaining business visas and temporary residence permits is a complicated and time consuming process. All relevant information related to registering business entities, representative office or financial leasing, pledges on movable property and rights and financial statements may be obtained at:

SERBIAN BUSINESS REGISTERS AGENCY
Brankova 25, 11000 Belgrade
Serbia
www.apr.gov.rs
Info center: +381 (0) 11 20 23 350
The Business Entities Register: +381 (0) 11 20 23 350
Financial Leasing Register: +381 (0) 11 20 23 350
The Register of Pledges on Movable Property and Rights: +381 (0) 11 20 23 350

Franchising

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Serbia remains a relatively untapped market for franchising. While some franchises already operate in Serbia, this business concept is slowly attracting interest among local entrepreneurs. Consumer and economic conditions, weak market saturation, and significant consumer demand for a variety of types of merchandise and services make Serbia a promising market for a wide range of franchised businesses. Opportunities appear to be particularly strong in the services, catering, and apparel sectors. There is not a dedicated franchise law in Serbia. However, the Law on Contracts and Torts provides legal protections. Unemployment is a significant problem in Serbia, and there is widespread support for international franchises in Serbia. The U.S. Commercial Service, together with the Serbian Chamber of Commerce's Center for Franchising, are the primary points of contact for both foreign and domestic companies interested in franchise operations in Serbia. (www.pks.rs/fransizing). For further information on the franchising market in Serbia, see the Franchising section in Chapter 4: Leading Sectors for U.S. Export and the separate market research report: "Franchising Market in Serbia" in the market research library database.

Direct Marketing

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Direct marketing is not well developed in Serbia. However, with the steady growth in credit card usage, there are increasing efforts to market consumer goods through catalog sales, direct response advertising (TV, radio, and print media), and e-commerce. Zepter (cookware, cosmetics), Amway (cosmetics, home cleaning products, vitamins), Oriflame (cosmetics), Tupperware (kitchenware), and Grawe (life insurance) are the most prominent companies using direct marketing techniques in Serbia. Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Often informal gatherings are used to promote products sales. A local Telecommunication Company (Telekom Srbija) has published a Yellow Pages Directory since 2004 at www.yellowpages.rs or www.serbianyellowpages.com.

Contact information for some Serbian companies can be found on the Internet at the following web-domain: www.rs and the following web addresses: http://www.siepa.gov.rs/ and www.serbia-business.com/ ; www.firme.rs and www.ekapija.rs . Targeting customers by product type, size, sales, and location is possible on a limited basis.

Joint Ventures/Licensing

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Serbian firms are interested in joint-venture contracts with foreign firms, often looking for the foreign firm to provide capital, equipment, and merchandise, while the domestic firm provides working and warehouse space, personnel, local experience, and channels of distribution. U.S. firms considering such ventures should review carefully the viability of potential domestic partners. Problems that can arise include excess labor, outstanding debts, and other structural inefficiencies.

Licensing is a good way to tap into local markets but requires financially strong partners with good management skills. The best known licensing operation in Serbia is that of Coca-Cola's regional bottling partner, the Hellenic Bottling Company from Greece. Pepsi Cola also has a bottling partner.

Licensing is regulated by the Law on Contracts and Torts, and not via a separate licensing law. Licensing contracts, however, should include strong intellectual property rights protections including a definition of the relevant intellectual property, the term of the contract, quality control provisions, restrictions on the terms of use, etc. See chapter seven to find more information on IPR. We advise consulting a local lawyer to ensure that provisions of the contract do not violate any Serbian laws, therefore making the agreement null and void.

Selling to the Government

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The Serbian Parliament passed a new Public Procurement Law in December 2012. Over time, the new law is expected to help reduce corruption and result annual budget savings of between EUR 600 million and EUR 1 billion. The law, which took effect as of April 1, 2013, seeks to centralize public procurements and increase the transparency of the public procurement procedures. Under the new law, a central purchasing body will handle procurements for state bodies, while public procurement announcements and contract awarding procedures will be been aligned with EU directives. A civil society expert or association will be appointed to oversee public procurements worth more than RSD 1 billion. The law encourages and in some cases mandates carrying out public procurements electronically. The New Public Procurement Law, for the first time, envisages the protection of so-called whistleblowers and a statute of limitations in misdemeanor cases has been extended to three years. It also envisages reorganizing the Commission for the protection of rights in public procurement procedures and giving it special powers. Special powers are also envisaged for the Competition Protection Commission and allows the organization to implement fines, annul contracts, ban applications to protect the bidder's rights and to ban certain bidders from bidding again. The value of registered public procurements in Serbia in 2011 was RSD 293.3 billion, or about 9% of the country's GDP.

All information about public procurement procedures and and tender announcements will be published at the portal: http://portal.ujn.gov.rs

Contact:

Government of Serbia Public Procurement Office
Predrag Jovanović, Director
11000 Beograd, Nemanjina 22-26, Beograd
Tel: +381 11 2888-712; 2888-713; 2888-714
http://www.ujn.gov.rs

Distribution and Sales Channels

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The Trade Law divides commercial trade into wholesale and retail sales. In addition to licensed sales outlets, trade can be conducted remotely, by consumer order without his actual presence (e.g., e-trade, sale by catalogue or mail order, TV, phone etc.) or without the prior order (or consent) of the consumer, by way of direct offer (door-to-door salesmen etc.) through authorized representatives. Other sales outside outlets include trade from portable or mobile objects (kiosk, counter, bench, vehicle, etc.)

The Serbian Trade Law defines special market institutions, such as commodities markets, fairs and other industry trade-like fairs including green markets, wholesale markets, and auction houses. The new Law also introduces a new prohibition against the establishment of pyramid trade schemes (multilevel marketing).

Retail chains have played a large role in the restructuring of the retail segment in recent years as government retail operations were privatized and later acquired by larger companies. This led to the establishment of several large retailers in Serbia and allegations of monopolistic behavior.

The annual potential of Serbia's retail market is a modest EUR 3 billion due to low purchasing power. 25 chains control more than 87% of the market. Delhaize Serbia, part of Belgium-based Delhaize Group, is the country's top retailer, with a 37% market share, followed by Slovenia's Mercator, Univerexport, and Idea, owned by Croatian food-to-retail concern Agrokor. The top five to six retailers have a combined market share of 70%. The expected market consolidation could make Serbia attractive to some of Europe's leading retailers, such as the UK-based Tesco. A report by the US-based real estate services firm Jones Lang LaSalle, shows Serbia has 42 square meters of retail space per 1,000 inhabitants, compared to 184 square meters in Croatia and 231 square meters in the Czech Republic, which confirms that Serbia is very attractive for investments in the retail sector at the moment. Several well-known European chains, including Kika, Merkur and Brickolage, have brought increased competition to the home supply and furniture market. Swedish furniture giant IKEA continues to look for a location to build a shopping center in Belgrade. The German discount supermarket chain Lidl is expected to launch operations in Serbia in late 2014.

Capital goods are normally sold directly to manufacturers and businesses. A good agent is essential when selling capital goods or machinery to businesses. The U.S. Commercial Service assists U.S. exporters finding an agent through its International Partner Search or Gold Key Matching Service – www.buyusa.gov/serbia/en

Selling Factors/Techniques Return to top

A tight credit policy by Serbian banks, exacerbated by the global financial crisis, means that the ability to provide financing is a key factor in selling both industrial and 'high ticket value' consumer goods. Most Serbian buyers prefer to pay in monthly installments even for low-cost goods. Sales techniques critical to success include close and frequent contact with buyers, motivated and trained middlemen, and aggressive market promotion. U.S. firms interested in selling product to state-owned or other state controlled enterprises will need to establish the company's creditability with Serbian Government entities in this respect.

Internationally financed public procurements offer the best opportunity for transparent purchasing decisions. Serbia's private sector should be targeted as private sector growth tracks well for western businesses who are accustomed to selling products based on pricing, product quality, and servicing ability. According to the government, the private sector accounts for more than 50% of GDP. Marketing techniques will not vary greatly within this business segment.

Electronic Commerce Return to top

The May 2009 Law on e-Commerce and the Electronic Document Law govern e-contracting and give full validity to electronic contracts. The Law on Digital Signatures was adopted in December 2004 and formally implemented in July 2008. This law provides for government issued smart cards that contain the bearer's address, biometric data and other information necessary for a qualified e-signature, and facilitate online shopping, e-contract signatures, e-invoice issuance, and other electronic business transactions. In Serbia, internet shopping is not at all developed and according to a recent survey, only 8% of Internet users practiced this kind of purchasing. The lack of confidence in the system and the additional costs and taxes are two prime reasons why Serbs are avoiding online shopping. This said, the number of internet transactions is expected to grow as more and more homes receive access to high-speed internet. The value of ecommerce in Serbia in 2012 totaled USD 158 million. PayPal started processing outbound payments from Serbia in April of 2013. As a result, CS Serbia expects to see a significant increase in on-line sales from Serbia to overseas markets in the coming period.

Electronic banking is a widely utilized service among banks operating in Serbia. Credit card use is still relatively low in Serbia and internet penetration rates are low outside the major cities. Continued growth of e-commerce will require that Serbia fully enforce these new laws and continue to develop the necessary infrastructure for effective e-commerce processing. The biggest obstacles for e-commerce development are issues related to taxation and customs procedures.

Trade Promotion and Advertising Return to top

Trade promotion events and fairs continue to be popular in Serbia although they do not have the level of sophistication that many U.S. exhibitors have become accustomed to in the United States and Western Europe.

Belgrade Fair maintains its tradition of organizing industry-focused or specialty exhibitions, such as automotive construction and equipment, furniture, fashion, medical-pharmaceutical, books, tourism, etc. Although still quite small, the Belgrade Fair does attract international attention and includes numerous foreign exhibitors.

The U.S. Commercial Service at the U.S. Embassy in Belgrade also provides valuable assistance to U.S. exporters to promote their products through the Single Company Promotion service www.buyusa.gov/serbia/en

For more information on these events, please contact:

Belgrade Fair
11000 Belgrade, Bul. Vojvode Misica 14
Tel: (381) (11) 265 50 55
E-mail: info@sajam.rs
List of exhibition: www.sajam.rs
Contact:
Mr. Snezana Miljanic, Director, snezana.miljanic@sajam.rs

Advertising Return to top

Most Serbian companies engage in some form of advertising. Television, radio, and print advertising are the most effective. Sales promotions, public relations, and trade fairs are also common. Television, which reaches 90% of the market, has the broadest reach of all media. Serbia has two state-owned and three private TV channels with national coverage. There are five regional channels. Serbian law restricts advertising on state television to six minutes per hour. Advertising on privately owned (regional and local) television stations cannot exceed 20% of total program length. The most advertised products are telecommunications, vehicles, financial institutions, beverages, newspapers and hygiene products. Serbian law prohibits the advertisement of tobacco and alcohol on television.

National TV stations:

Radio Televizija Srbije (TV Serbia)
Address: Takovsaka 10
11000 Belgrade

Tel: +381 11 321 20 00
Web: www.rts.co.rs

Televizija B-92 (TV B92)
Address: Bul. AVNOJ-a 64
11070 Belgrade
Tel: +381 11 301 2000
Web: www.b92.net

Televizija PINK (TV Pink)
Address: Neznanog junaka 1
11000 Belgrade
Tel: +381 11 3063 400
Web: www.rtvpink.com

Prva Srpska Televizija (TV Prva)
Address: Autoput 22
11080 Zemun
Tel: +381 11 209 1000
Web: www.prva.rs

Regional TV Stations:

Televizija TV 5, Nis
Address: Bul. Zorana Djindjica 19
18000 Nis
Tel: +381 18 537 323
www.rtv5.rs

Televizija Novi Sad
Address: Sutjeska 1
21000 Novi Sad
Tel: +381 21 66 15 144
Web: www.rtv.co.rs

Magazines, particularly specialized magazines, are growing in circulation. National daily newspapers account for more than 60% of advertising expenditures for print periodicals.

The major daily newspapers in Serbia are:
"Politika", http://www.politika.rs/,
"Novosti", http://www.novosti.rs/,
"Blic", http://www.blic.rs/, and
"Danas" http://danas.rs/
"Kurir" http://www.kurir-info.rs

The major weekly publications in Serbia are:
"Vreme", http://www.vreme.com/ and
"Nin", http://www.nin.co.rs/

The widespread business journals in Serbia are:
"Pregled", http://www.pregled.rs/ and
"Ekonomist" http://www.emportal.rs/

"Biznis" www.biznisnovine.com
"Cor D" www.cordmagazine.com

There are a substantial number of domestic advertising agencies. Most are very small and lack the client base required for significant media buying discounts. Some local advertising agencies have links to American advertisers. The vast majority of the international agencies are in partnership with domestic agencies. These include:

BBDO - www.ovation.rs
McCann-Erickson www.mccann.co.rs
Leo Burnett www.leoburnett.com
Ogilvy & Mather www.ogilvy.com
Lowe www.loweandpartners.com

The Embassy maintains a list of advertising agencies.

There are more than 10,000 billboards in Serbia. Prices vary depending on the location, frequency, and category. Billboards are frequently used for political and election campaigns, and are increasing in popularity in urban areas for consumer-related goods and services.

The major billboard services providers:
(JCDeaux, AlmaQuatro and Metropolis) Europlakat – www.europlakat.com*;*
http://www.almaquattro.rs/
Akzent Media- www.akzentmedia.rs/
CityVision - http://www.cityvision.biz

Pricing Return to top

State subsidies and price supports for non-food consumer goods have been eliminated and market forces determine prices. While price liberalization is at an all-time high, there are serious anti-competition forces at play in Serbia that keep many consumer prices higher than what the cost of living in Serbia would dictate in a truly open market. Consumer prices can be 20-30% higher in Belgrade than in Western European cities such as Vienna. As the presence of foreign companies increases in Serbia, competition will liberalize and prices should more accurately reflect the current state of economic development. Nevertheless, Serbian consumers are 'price sensitive'. Changes in the price of certain basic products (e.g., milk, bread, flour, and cooking oil) must be reported to the Ministry of Trade 15 days in advance and the state retains discretionary authority. The state directly controls prices of utilities, public transport, telecom services, and petroleum. Significant black, and gray, market sales still exist for many products, especially consumer goods in efforts to avoid high customs and taxes. (VAT, for example, is 8% for food and drugs, and 20% for most other goods). Sales of illegal and counterfeit products have noticeably declined in recent years.

Sales Service/Customer Support Return to top

The new Consumer Protection Law that was enacted October 12, 2010, includes the establishment of a Consumer Protection Center. The law includes provisions for consumer protection, and the fundamental rights of consumers. It also transposes 15 EU directives into the Serbian legal order and calls for institutional reforms and long-term strategic planning in the area of consumer protection.

For more information contact: http://www.zapotrosace.rs/en/serbian-consumer-legislation.php

Protecting Your Intellectual Property

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Several principles are important for effective management of intellectual property ("IP") rights in Serbia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Serbia than in the U.S. Third, rights must be registered and enforced in Serbia, under local laws. Your U.S. trademark and patent registrations will not protect you in Serbia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Serbian market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Serbia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Serbia's law. The U.S. Commercial Service can provide a list of local lawyers upon request. Please contact Biljana.stojimirovic@trade.gov to receive a list of attorneys who can be of assistance.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Serbia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

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A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Serbia at: zorica.mihajlovic@trade.gov

IPR Climate in Serbia

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The legal regime for IPR protection has improved substantially in recent years as Serbia has revised laws to meet the WTO's TRIPs standards (although Serbia is not yet a WTO member). Intellectual property rights are treated in a series of six laws, as follows:

- The Law on Copyright and Related Rights (2009)
- The Law on Patents (2004)
- The Law on Trademarks (2009)
- The Law on Geographical Indications (2010)
- The Law on Legal Protection of Industrial Design (2009)
- The Law on Protection of Integrated Circuit Topographies (2009)
- The Law on Optical Disc (2011)

These changes have improved the IPR regime and made a better distinction between the various intellectual property rights. Several legislative improvements remain to be made, however, including: (1) adopting the Draft Law on Patents, which will strengthen and extend patent protections in some areas and conform Serbian law with EU Directives and the European Patent Convention; (2) incorporating provisions in the new Company Law to bar disclosure of trade secrets to ensure the law's compliance with the TRIPS Agreement; (3) amendments to the Criminal Procedure Code and related procedural laws, particularly in the area of cyber-crime; and (4) adoption of implementing regulations to various IPR legislation.

After a long discussions and several draft versions, on July 14, 2011, the Serbian parliament adopted the Law on Optical Discs This Law regulates the conditions for the production of optical discs and production parts, import and export of production parts and equipment used for the production of optical discs, as well as commercial multiplication, import, export and marketing of optical discs.

Serbia's record in enforcement of IPR laws and protection of IPR rights is mixed. Although pirated optical media (DVDs, CDs, software) as well as counterfeit trademarked goods, particularly sneakers and clothing, are still available, the GOS has stepped up its actions to combat illegal street sales. The Ministry of Trade and Services, for example, organized a public event to mark the destruction of tens of thousands of seized pirated optical discs in December 2010. Government efforts to combat software piracy have also been somewhat effective, as the estimated rate of software piracy has fallen from about 99% ten years ago to approximately 72% today. However, the illicit downloading of music and films from the internet remains a serious issue. Film and music industry representatives estimate that more than 95% of the films and music downloaded in Serbia are done so through unauthorized channels

A May 2011 Business Software Alliance (BSA) Global Software Piracy Study reported that Serbia improved (reduced) its piracy rate by 2 percent. The May 2011 BSA Piracy Study identified Serbia as one of a handful of countries in which tax audits include software license verification. The BSA attributed improved IPR compliance, in part, to this practice. (See http://portal.bsa.org/globalpiracy2011/downloads/study_pdf/2011_BSA_Piracy_Study-Standard.pdf

Thanks to recent progress in improving the statutory framework and enforcement, Serbia was not listed on the Special 301 Watch List in 2012. The American Chamber of Commerce established an IPR Committee in 2007, and together with its membership, is actively working on improving enforcement and training of the administration (such as customs, market and tax inspectors).

Contact:

Intellectual Property Office
Ms. Branka Totic, Director
Kneginje Ljubice 5
11000 Belgrade, Serbia
Tel: +381 11 202 59 02
E-mail: zis@zis.rs
www.zis.rs

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Serbia at: zorica.mihajlovic@trade.gov

Due Diligence Return to top

Detailed due diligence is required to ensure compliance with the complex and frequently changing legal environment. Legal audits are generally consistent with international standards, using information gathered from public books, the register of fixed assets, the court register, the statistical register, as well as from the firm itself, chambers, business environment, etc.

Experienced and well-connected local professionals are essential to investors in Serbia. One of the standard programs of the U.S. Commercial Service is the International Company Profile (ICP) designed to assist U.S. companies to enter international business relationships with greater confidence by providing background information on a prospective business partner (see www.buyusa.gov/serbia/en).

The Commercial Section maintains lists of contacts of international consulting firms present in Belgrade, such as Deloitte and Touché Tohmatsu International, PriceWaterhouseCoopers, Earnst & Young and KPMG; local consulting; and experienced, professional and reliable corporate/commercial law offices, which can be helpful in establishing the credibility of a potential local partner.

Local Professional Services

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For a detailed list of local professional services, please contact:

Ms. Biljana Stojimirovic, Administrative Assistant
Biljana.stojimirovic@trade.gov
11000 Belgrade, Kneza Milosa 50
Phone: (381 11) 306-4800
Fax: (381 11) 361-7582

Web Resources

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Chamber of Commerce and Industry of Serbia - http://www.pks.rs/
American Chamber of Commerce - www.amcham.rs
Yellow Pages Directory http://www.yellowpages.net/
Business Registering Agency: www.apr.gov.rs
Serbian companies can be found on the Internet at the following web-addresses:www.serbianyellowpages.com ,http://www.siepa.gov.rs/ and www.serbia-business.com".

Market and IPR information:

http://www.ubs-asb.com
mailto: ubs@ubs-asb.com
http://www.stopfakes.gov/
mailto: usptochina@trade.gov
http://www.zis.rs
mailto: zis@zis.rs
http://www.buyusa.gov/serbia/en
mailto: biljana.stojimirovic@trade.gov

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Medical Equipment - MED
- Pharmaceutical - DRG
- Computer Hardware and Peripherals - CPT
- Telecommunication Equipment and Services - TEL
- Renewable Energy – REV

Agricultural Sectors

- Agricultural Sector - AGS

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Medical Equipment – (MED)

Overview

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Unit: USD thousands

Year	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	186,000	194,600	200,000	208,000
Imports from the U.S.	19,000	20,000	25,000	26,000
Exchange Rate: 1 USD	75	85	90	92

(*Source: Serbian Bureau of Statistics and independent experts-Episcom reports.)*

In 2012, the Serbian market for medical equipment and supplies was estimated at USD194.6 million, or USD 27 per capita. The market shrank last year, but is expected to return to a growth of 10% during the 2013-17 period, reaching USD 353.5 million by 2017. Imports account for approximately 92% market, due in part to the implementation of health reforms that increased the demand for new equipment. The leading medical equipment suppliers are EU-based manufacturers (primarily Germany and Italy), and approximately 10% of medical equipment imports are from the United States, although the actual share of U.S. imports is higher as a result of imports by the European subsidiaries of U.S. firms.

The Serbian government has committed to improving and modernizing the nationalized healthcare system, which is in desperate need of reform. Equipment upgrades are part of this goal. USD 550 million was spent in this sector from 2008 till 2012, however, spending slowed to less than EUR 200 million in 2012.

The Ministry of Health is the major decision maker in the Serbian medical equipment market. The Ministry develops health policies and budgets, and monitors the work of state-owned health institutions. The Public Procurement Act requires open tenders for all purchases. Currently most purchases are made by publicly owned institutions; however, private medical practices have created some opportunities for sales dialysis and diagnostic imaging equipment.

The Institute of Health Insurance administers healthcare systems which are funded through compulsory payroll contributions from employers and employees. Serbia's health care system is a predominantly publicly-funded. However, there is an increasing degree of private services.

Medical device legislation based on EU directives was introduced in September 2004. The regulations required manufacturers to update their facilities in accordance with GMP standards within five years, dating from the enforcement of the Law on Medicinal Products and Medical Devices.

Sub-Sector Best Prospects

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U.S.-manufactured medical equipment enjoys an excellent reputation in Serbia for state-of-the-art technology, quality, and reliability. However, technical assistance concerns (both real and perceived) are seen as potential obstacles to growth of U.S. imports. The medical equipment market is very price-sensitive.

The best sales prospects for U.S. medical equipment include: cardiovascular diagnostic equipment, non-invasive surgical devices, anesthesia and intensive care equipment, diagnostic imaging (CTs, MRIs), radiation therapy equipment, ultrasound equipment, urology equipment, laboratory and testing equipment, tissue and blood bank related equipment. There are also good prospects for ultra-violet/infra-red equipment used in medical, surgical, dental, or veterinary sciences, as well as apparatuses based on the use of X-rays of alpha, beta or gamma radiation treatments. Medical lasers, endoscopes, and related equipment are also in demand.

GE Healthcare products are well known in Serbia. In addition, Medtronic, Boston Scientific, CareStream and Hologic have established strong positions in the sale of cardiovascular diagnostic equipment, pacemakers, stents and imaging systems and supplies. The U.S. firm Alcon is well represented in the area of ophthalmology.

Local distributors claim that there is a large demand for diagnostic tests for drugs, pregnancy, and various illnesses. Local distributors also expressed interest in importing “hit” products, i.e., new U.S. products with no European equivalents.

Opportunities

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There are opportunities in the Serbian market for U.S. manufacturers of sophisticated diagnostic equipment such as imaging equipment, especially ultrasonic diagnostic equipment, MRIs, scanners and endoscopes. Pace makers, nuclear medical instruments and clinical laboratory equipment, as well as health informatics equipment, home health care and rehabilitation equipment and patient monitoring systems including intensive care units, are also expected to provide good opportunities for U.S. companies in the coming years.

The Ministry of Health is looking for innovative ways to work with medical equipment suppliers, and is considering the creation of public-private partnerships in which a company would equip and administer a certain medical center or hospital unit. This concept is in an early stage and the Ministry is willing to listen to different proposals.

Medium and long-term procurement opportunities include the following: information systems (to be developed through the National Health Insurance Fund), training, public information and technical assistance, and support for outpatient and inpatient care. Hospitals routinely procure diagnostic equipment, modern patient monitoring systems, and hospital management systems.

The plan by the Ministry of Health for the reconstruction and modernization of four clinical centers in Serbia, which is to be funded from the National Investment Plan (NIP) and other funds from international organizations, is expected to present an excellent opportunity for U.S. companies. In total, donations/grants/loans are expected to reach USD150 million and will focus on pharmaceutical support, health IT systems, medical equipment civil works, policy development and capacity building, as well as health information system design. Additional funding is expected from pre-accession EU funds during the next three years.

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Ministry of Health and Social Welfare of Serbia: www.zdravlje.gov.rs
Health Fund of the Republic of Serbia: www.rzzo.gov.rs
Medicines and Medical Devices Agency of *Serbia*: www.alims.gov.rs
Association of Medical Devices Distributors in Serbia www.pks.rs
Institute of Public Health of Serbia: http://www.batut.org.rs

For more information on market entry strategies contact: zorica.mihajlovic@trade.gov

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Pharmaceutical – (DRG)

Overview
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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	1,090,000	1,057,000	1,100,000	1,100,000
Total Local Production	597,000	580,000	600,000	600,000
Total Exports	217,000	223,000	200,000	200,000
Total Imports	736,000	700,000	700,000	700,000
Imports from the U.S.	35,000	37,000	39,000	39,000
Exchange Rate: 1 USD	75	85	90	92

(*Source: Serbian Bureau of Statistics and independent experts-Episcom reports. Total Market Size estimated by adding local production and total imports and subtracting total exports)*

The total market size for pharmaceutical products in Serbia is estimated at around USD 1.06 billion in 2012. Prescription drugs, which are controlled by the state, accounted for USD 650 million of this total. Although Serbia is one of the largest countries in the Balkans, drug consumption per capita is around USD 180, well behind most Central Eastern European markets.

The pharmaceutical market is dominated by local producers for generic products – Hemofarm-Stada, Western Pharmaceuticals and Galenika – which together account for 60% of market share in value terms. Despite active local manufacturing, foreign producers account for more than 90% of the market for innovative medicines. The majority comes from several large pharmaceutical companies: Roche (Swiss), Pfizer, MSD and Ely Lilly (USA), Novartis (Denmark), and GSK (UK). The United States exported USD 37 million worth of pharmaceutical preparations to Serbia in 2012.

Growth in pharmaceuticals is expected to average 6-8% a year for each of the next five years. Several foreign companies, including US Western Pharmaceuticals and German Stada, have made local acquisitions, providing further opportunities for foreign stakeholders. Privatization of state enterprises will continue, and the sector will likely attract a considerable amount of foreign investment.

Serbia operates a nationalized healthcare system, in which the government sets prices and subsidizes prescription medicines. Compared to the other countries in the region, the wholesale market is still fragmented and the presence of foreign-based wholesale players is rather limited. Distribution markups (6% for wholesale and 12% for retail) are relatively low in regional comparison.

Sub-Sector Best Prospects
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Serbia has one of the highest rates of cardiovascular disease, cancer, liver disease and cirrhosis in Europe, reflecting a poor diet, high smoking rates, and other unhealthy habits. Pharmaceuticals that address these conditions, as well as their precursors (e.g., hypertension, high cholesterol, etc.) are in demand. In 2012, the highest demand was for cardiovascular drugs, followed by antibiotics and medications for the nervous system. The market for pharmaceuticals, vitamins and minerals is growing steadily. Local distributors are in constant search of new U.S. suppliers.

Opportunities
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The market for natural medicines has expanded significantly in recent years. While U.S. suppliers should be able to offer a full range of food supplements, calcium citrate/ acetate/ lactate, iron sulfate and glucosamine sulfate are in particular demand. There is also significant demand for oncology products, vitamins/minerals and natural medicines aimed at the prevention of diseases, as well as for drug/alcohol tests.

The Serbian Law on Drugs prohibits sales of any pharmaceuticals, including OTC, outside of pharmacies. Customs-free access to some markets such as Russia, SEE and the EU, provide many opportunities for both medicines and medical devices, such as export-oriented greenfield investments, contract manufacturing and outsourced small-batch production. Serbia's leading pharmaceutical companies have modern technological solutions that comply with GMP and enable them to manufacture over 95% of existing generic forms.

Web Resources
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Other resources can be found at the following websites:

Ministry of Health and Social Welfare of Serbia: www.zdravlje.gov.rs
Health Fund of the Republic of Serbia: www.rzzo.gov.rs
Association of Pharmaceuticals of Serbia: www.farmacija.org
Medicines and Medical Devices Agency of *Serbia*: www.alims.gov.rs
The Inovative Drug Manufacturers' Fund – INOVIA: www.inovia.rs
Institute of Public Health of Serbia: http://www.batut.org.rs

American Chamber of Commerce in Serbia Healthcare Committee: www.amcham.rs

For more information on market entry strategies contact:
E-mail: zorica.mihajlovic@trade.gov

Computer Hardware – (CPT)

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In 2012, IT market spending in Serbia totaled around USD 920 million, representing a year on year increase of 2.8 percent in US dollar terms. Measured in local currency, the market contracted 5.4 per cent over the same period. Hardware sales comprised 60% of this market, while IT services accounted for 22% and software for 18%. Independent experts expect 5-6% average growth in IT spending in Serbia in the coming years, and estimate that the market will top USD 1.05 billion by 2014.
The emerging but still immature (in terms of market penetration) PC market offers long term growth potential for U.S. firms. Businesses and public sector agencies will continue to improve their basic infrastructure as their IT requirements increase. Moreover, as households seek broadband access, internet growth is expected to increase. The Serbian hardware market in Serbia was USD 120 million in 2001, and grew to an estimated USD 535 million in 2012.
Statistical data is not yet reliable for analysis, but experts estimate that U.S. companies had a 30% of the total hardware market in 2012. Hewlett-Packard, IBM, Compaq, Dell, Gateway, Xerox, and Cisco continue to be among the market leaders. Samsung, Toshiba, Siemens and Acer are the main competitors to U.S. equipment suppliers, while Cannon, Epson, and Minolta are the main competitors to U.S. companies in the field of peripherals sales. The government, state enterprises, large and small commercial enterprises, and commercial banks are highly receptive to U.S. computer technology.
Local Competition
In 2010, producers and distributors of computers and computer equipment comprised about 574 companies, while manufacturers and distributors of computer services and software comprised around 1088. Overall, however, the market is still dominated by name brand U.S. and international suppliers of IT products and services.
Government Incentives:
At the end of February2013, the Finance and Economy Ministry introduced a program including four sets of measures to encourage development of ICT industry in Serbia:

- tax incentives, up to EUR 25,000 in subsidies for start-ups,
- the education sector adjustments to the needs of the IT industry
- various types of support to Serbian software exporters.
- the state will provide financial assistance for the relocation, development and exports of original domestic products, as well as multinational IT companies' development centers in Serbia.

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Serbia has free trade agreements with most of the neighboring countries in the Balkans (CEFTA), with Russia (the only country in the Balkans to have a free trade agreement with Russia), and with Belarus.

Local experts predict strong spending in the IT security and data protection segments. Spending on IT security is expected to double in the coming three years. The health-care sector is also expected to present opportunities for U.S. firms to participate in internationally financed projects. For example, the World Bank approved a USD 13.5 million loan to develop an information management infrastructure and payment system in the health sector. The second and third phase of this project will be on the agenda in 2013.

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Telecommunications Equipment and Services – (TEL)

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Unit: USD thousands

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	2,500,000	2,600,000	2,600,000	2,750,000
Imports from the U.S.	40,000	42,000	46,000	50,000
Exchange Rate:1 USD	75	85	90	92

(*Source: Serbian Bureau of Statistics and independent experts-IDC report*)

Note: Data regarding the imports from the U.S. relates to the equipment shipped from the United States. Many U.S. companies, however, distribute equipment from their "outsourcing" countries, which are not treated as U.S. exports by official statistics.

Total revenues in Serbia's telecom sector stood at USD 2.6 billion in 2012. Investments in all segments of the sector in 2012 were at about the same level as in 2011, when they stood at USD 350 million. According to the Serbian Statistics Bureau, the number of internet users in 2012 increased by 250,000 new users, compared to 2011. As a result, Serbia now has 3.65 million internet subscribers.

The mobile telephony market in Serbia was worth USD 1.5 billion 2011, with investments in this segment at slightly under USD 150 million. The number of 3G-users doubled during the last four years reaching 1.5 million. At its peak, the industry recorded new subscriber growth rates of nearly 30% per year. As the market reaches its saturation point, however, subscriber growth will level off. As of December 2012, the total number of subscribers exceeded 10.2 million. Serbia's mobile penetration is estimated to be 143%. Calls in mobile telephony increased 14.8% against the previous year, to 10.2 billion minutes, while the number of SMS messages went down 1% to 9.6 billion. Vip mobile had the biggest increase in market share in terms of the number of users, from 13.7% in 2010 to 16% in 2012, while Telenor lifted its own by 0.5% to 30.8%. On the other hand, state-owned telecom operator Telekom Srbija's market share went down from 56% in 2012 to 53.6% last year.

Serbia fully liberalized its telecommunications market on January 1, 2012, which primarily affected the fixed telephony segment. The liberalization allows all companies that have the necessary infrastructure, including cable operators, to launch fixed telephony services with only a certificate from the Electronic Telecommunications Agency (RATEL). Previously, prospective operators needed to obtain a license in order to roll out the service. The providers of fixed telephony in Serbia so far have been state telecom company Telekom Srbija, which operates the national landline network, Telenor, which bought the country's second landline license in early 2010, Orion Telekom, which offers wireless fixed telephony. In 2012, local cable operator SBB received fixed telephony license.

Fixed-line telephony reached 3.3 million users in 2012. Cable TV services, made available by 80 providers, recorded a total of 3.65 million users (42.6% of households in Serbia). Broadband Internet access is widely available in Serbia. ISPs offer a variety of broadband internet access options at speeds of up to 16 Mbps on the retail market. Due to the increased competition among ISPs and ever rising needs of end users, the price of internet access is decreasing over time. According to ITU global report, Serbia came in 30th out of 173 International Telecommunication Union (ITU) member countries in terms of mobile broadband penetration.

To offset plateauing subscriber growth, Telenor, MTS, the mobile phone arm of state telecom provider Telekom Srbija, and Mobilkom Austria (the three primary providers in the mobile market) are aggressively rolling out the introduction of new technologies and lucrative value added services. Operators have continued to invest in wireless data services, which is opening up new sources of revenue growth. In July 2012 Telenor Serbia announced an upgrade of its 3G base stations to dual carrier (DC) HSPA+ standard. Meanwhile, in September 2012 Vip announced that its 3G HSPA+network reached 72% population coverage. In October 2012 Telekom Srbija announced it had completed the upgrade of mt:s' network to the HSPA+ broadband standard to cover 75% of the Serbian population, including all major cities. Telekom Srbija also launched an NFC payment pilot in April 2012 in partnership with Banca Intesa. NFC enables customers to make payments by pressing their mobile handset against a payment terminal.

Significant opportunities for U.S. companies in this sector will be influenced by privatization of the telecom sector and the industry's need to modernize existing, and in some areas obsolete, equipment.

The rapidly growing cable television sector also provides opportunities for investment. U.S. telecommunications equipment manufacturers with innovative, low cost solutions for small scale digital exchanges and home grown ADSL solutions, for example, will find opportunity in Serbia. Today, European companies dominate this sector (Siemens, Alcatel, Ericson).

Overall, however, U.S. telecommunications equipment is very well received in the Serbian market. U.S. equipment manufacturers currently represented in Serbia include Hewlett Packard, Cisco, Juniper, 3Com, and Bay Networks. European producers such as Siemens, Ericsson, Nokia and Alcatel are also in the market.

Latest positive developments:

In early 2012, Serbia adopted a new strategy which envisages the switchover to digital television broadcasts will be carried out by mid-2015. In this regard, a pilot digital TV signal was launched in June of 2012 and now broadcasts digital signal from 15 locations across the country. The project for replacing the analogue broadcasting network with digital will cost approximately USD 100 million.

Another positive development relates to Telekom Srbija and Media Works acquiring licenses for fixed wireless access (FWA) for the public telecommunications network and services in the range of 411,875 – 418,125 /421,875 – 428,125 MHz for the territory of Serbia.

Sub-Sector Best Prospects Return to top

The best prospects for U.S. suppliers in this market are for internet-related equipment such as routers, switches, and access servers, equipment for mobile telephony, cable operator equipment for transmission and fixed wireless equipment. There are also lucrative business opportunities for U.S. companies with technical skill and expertise in internet applications. As GPRS usage becomes widespread and UMTS cellular telephony is introduced, there will be good prospects for the business-to-consumer market for publishing on the internet.

Opportunities

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Significant opportunities for U.S. companies in this sector are related to the modernization of equipment, but competition is fierce, mostly from European companies. The three other major factors contributing to market growth are the continued increase in internet users, the substantial increase in mobile phone use, and the increase of services offered by cable TV operators, private radio stations, and TV broadcasting operators. These factors should help create expanded demand for U.S. providers of advanced telephone service solutions, as well as value-added telecommunications services. Other best prospect sub-sectors include internet services, wireless and broadband Internet access technologies, cable television, and VOIP solutions.

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Renewable Energy – (REV)

Overview

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During the last 15 months, the Serbian goverment and the Ministry of Energy, Development and Environmental Protection have adopted many of the needed bylaws and secondary legislation for renewable energy that are essential for attracting investment in this sector. The Ministry managed to find common ground with multiple renewable energy groups and adopted decrees that will by and large accommodate most renewable energy investor concerns . Still, there is a lot of work that needs to be done, especially with respect to wind, a renewable energy sector that American investors and equipment producers have extensive interest in.

At the beginning of 2013, the Government of the Republic of Serbia adopted four new decrees in the energy sector: The decree on the conditions and procedure for obtaining the status of an eligible electricity producer; the decree on incentive measures for eligible electricity producers; the decree on the calculation and the manner of distribution of funds collected on the basis of incentives for eligible electricity producers; and the decree on the Special Incentives for 2013.

The status of eligible electricity producer may be obtained by a legal entity or entrepreneur who produces electricity in the following facilities:

- hydropower plants with the installed power up to 30 MW;
- biomass power plants, if the energy value of biomass is more than 80%;
- biogas power plants, if the energy value of biogas is more than 90%;
- wind power plants;
- power plants on landfill gas and gas from communal waste water treatment facilities, if the energy value of the gas is more than 90%;
- solar power plants;
- geothermal power plants, if the energy value of geothermal energy is more than 90%;
- waste power plants, if the energy value of waste is more than 90%;
- cogeneration power plants, if certain degree of utilization is achieved.

This Decree also specifies the current feed-in tariffs.
Feed-In Tariff table:

Number	**Power Plant Type of Privileged Power Producer**	**Installed Capacity P (MW)**	**Incentive Purchase Price (c€/kWh)**
1.	**Hydro-electric power plants**		
1.1		Up to 0,2	12,40
1.2		0,2 - 0,5	13,727-6,633* P
1.3		0,5 - 1	10,41
1.4		1 - 10	10,747-0,337* P
1.5		10 - 30	7,38
1.6	On the existing infrastructure	Up to 30	5,9
2.	**Biomass power plants**		
2.1		Up to 1	13,26
2.2		1 - 10	13,82 - 0,56*P
2.3		Above10	8,22
3.	**Biogas power plants**		

3.1		Up to 0,2	15,66
3.2		0,2 1	16,498 – 4,188*P
3.3		Above 1	12,31
3.4	Biogas of animal origin		12,31
4.	**Landfill gas electric power plants and gas from municipal wastewater treatment facilities**		6,91
5.	**Wind farms**		9,20
6.	**Solar energy power plants**		
6.1		In the facility up to 0,03	20,66
6.2		In the facility 0,03 – 0,5	20,941 – 9,383*P
6.3		On the ground	16,25
7.	**Geothermal power plants**		
7.1		Up to 1	9,67
7.2		1 – 5	10,358-0,688*P
7.3		Greater than 5	6,92
8.	**Waste-electric power plants**		8,57
9.	**Power plants with combined production from coal**	Up to 10	8,04
10.	**Power plants with combined production from natural gas**	Up to 10	8,89

With the renewable legislation completed for now, the next step is for the Energy Ministry to adopt a comprehensive Power Purchasing Agreement (PPA). With the adoption of the PPA the entire legislative framework, the necessary regulations for establishing large-scale renewable energy investments in Serbia will be complete.

Sub-Sector Best Prospects

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Currently, the biggest opportunities are connected to wind energy projects. Investors from the United States, Belgium, the Netherlands, Italy, Serbia, and Russia (NIS) have been preparing large-scale wind energy projects for several years. Combined, the total investments are worth in excess of a billion dollars. These investments will generate significant opportunities for U.S. companies, in construction, engineering, technology, equipment supply, and other areas.

Opportunities

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Serbian Wind Energy Association (SEWEA) investor companies, which includes companies from Serbia, Russia, the US, Belgium, Italy and Netherlands, have the potential to invest over €700 million over the next 3-5 years in Serbia. This will bring much needed investment, jobs, and clean energy to the country.

The current American investment planned by the U.S. Continental Wind Partners, is worth approximately $350 million (270 million Euros), with approximately $260 million (200 Euros) worth of wind turbine equipment from General Electric. Continental Wind has been preparing its investment for four years, and is ready to break ground this year.

With respect to hydro power, Renewable Energy Ventures (REV), the Serbian subsidiary of Canada-based renewable energy company Reservoir Capital Corp., will start building two hydropower plants on the river Lim in southwestern Serbia under an investment of some EUR 140 million. The construction of the Brodarevo 1 and Brodarevo 2 plants will have a combined capacity of 58.4 MW and an annual output of around 230 GWh of electricity.

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Agricultural Sector - AGS

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Agriculture in Serbia represents the basis for the economy and is an engine for the development of rural areas. Agriculture is the only sector in the Serbian economy with a positive foreign trade balance. About 60% of Serbia's agricultural land is used for cereal crop production including corn, wheat, barley, sunflower, soya, and sugar beet. Serbia's major agricultural land is in the northern part of the country. Vojvodina accounts for 84% of total cultivable land areas in Serbia. As per current statistical data, about 26% of Serbia's labor force is actively employed in agriculture. Serbia has 4.2 milion ha of arable land. There are about 630,000 agriculture households of which about 99.6% are family households and 0.4% are legal entities. The average family holding is 4.5 hectares. Approximately 90% of Serbia's arable land is privately owned and 10% belongs to the government.

In 2012, total value of Serbia's agricultural production was 4.82 billion USD, or 21.67% less than in 2011. Plant production, which accounted for 62.1% of total production, only reached a value of 2.99 billion USD, down 30.7% compared to 2011. Wheat production was valued at 1.34 billion USD, oilseed production was 422 million USD, vegetable production was valued 502 million USD, forage crop was valued at 188 million USD, and fruit production was 450 million USD. Meanwhile, Serbian cattle production was valued at 1.83 billion USD in 2012, a modest decline 0.81% compared to 2011. Cattle production represented 37.9% of the total value of agricultural production. Both plant production and cattle production were adversely affected by the prolonged drought in 2012. Drought also driven food prices up, pushing the average Serbian consumer to spend over 50 percent of his/her monthly income on food and will reduce agriculture export revenue which accounts for over 20 percent of total Serbian exports.

Vineyard and orchards account for 5 percent and 4 percent respectively. About 60 percent of the harvest products are made up of cereals and 18 percent is vegetable. The breeding industry includes pig, cow, poultry, and sheep breeding respectively accounting for 41 percent, 40 percent, 14 percent, and 5 percent of total breeding industry production. Corn is the most important cereal with a throughput around 7 million MT per year and a cultivation area of 2 million hectares land yielding on average 5.8 MT/hectare. Wheat is the second most cultivated cereal with nearly 2 million MT per year with a yield of 4 MT/hectare. Sugar beetroot with an overall production of 35 MT/hectare is another important Serbian crop. Sunflower cultivation areas extend over 170,000 hectare of land yielding a production of 300,000 MT/year and 1.7 MT/hectare.

Considerable yields are also coming from the fruit sector, especially apples and plums, although there has been a recent decrease in both local consumptions and exports. Viticulture is quite spread over the whole country with an average production of 380,000 MT of table grapes and wine grapes. With an overall production of 50,000-70,000, MT/year Serbia has long been one of major raspberry producers in the world and still holds a leading position. Beans cultivations cover a surface of 50,000-hectare land yielding 1.1 MT/hectare for a total production of 60,000 MT per year. Potatoes cultivations cover an area of approximately 100,000 hectare for a total production of 800,000 MT/year. Food processing industry is presently the most attractive sector for parties wanting to invest or draw up collaborations. In fact, although Serbia has remarkable natural resources and a sound, traditional production background, however, the industry still lacks modern technology and strongly needs implementation.

Because of the reduced crop production in September 2012, the Serbian Government formally suspended customs duties on wheat and oilseed imports until June 30 2013 and on corn, soybean, and sunflower imports until August 31, 2013. The suspensions are part of a package of Government measures intended to reduce the impact of the heavy domestic field crop losses sustained because of the local drought. Also, Ministry of Agriculture waived several obligations towards the government as part of a disaster relief package, which included providing a one-year grace period for repaying the principal on state-subsidized farm loans, exempting farmers from paying irrigation fees for 2011 and 2012, and exempting farmers from paying leasing fees for state-owned agricultural land for 2012. The Serbian government also authorized the further distribution of diesel fuel at state-subsidized prices to farmers for the fall planting season.

In 2012, the Ministry of Agriculture was separated from the Ministry of Trade into a new Ministry of Agriculture, Forestry, and Water Management. The Ministry is responsible for the Government's strategy in the field of international and domestic agricultural trade, food processing, rural development, forestry, and water management. In August 2012, the Ministry reformed the subsidy system from per kilo payments to a per hectare payment of 6,420 dinars/Ha ($75.5/Ha) for registered farmers. The Serbian government also developed several policy measures to support agriculture production that included: subsidized short and long-term loans for registered farmers; funds for development and improvement of livestock-farming of 25,000 dinars/head ($294/head) and 5 dinars/liter of milk ($0.06/liter) for breeding efficiency, preserving genetic resources and increasing milk production; subsidies for diesel fuel for the fall planting season of 76 dinars/liter ($0.9 per liter); production incentives for wine, brandies and foods with designated geographic origins; subsidies for building and improving grain storage capacity and transshipping possibilities; and subsidies for organic food production.

In December 2012, the Serbian Government adopted the 2013 national budget. According to the Serbian Ministry of Agriculture, the total CY2013 agriculture budget is set at 45 billion dinars (529 million USD). Serbian agriculture will receive 4.5 percent of the total Serbian budget, an increase of 22 percent compared to last year's 3.7 percent. In January 2013, the Serbian Government adopted a Law on Incentives for Agriculture Production and Rural Development. This new law sets the minimum guaranteed annual amounts for incentives in agriculture and rural development. The goal of this law is to help direct long-term agricultural policy, reduce the ability of special interest groups to subvert long-term agricultural goals, and to help registered farmers and investors with their financial planning. The law also dictates that in future years the agriculture budget should not be less than 5 percent of Serbia's total budget. The law envisions three groups of government incentives: 1) direct payments (i.e. production subsidies, compensation for agriculture inputs, and credit support); 2) rural development payments (i.e. incentives to improve agricultural competitiveness and investments in sustainable rural development); and 3) specific incentives (i.e. funds to develop a market-information system in agriculture, provide extension services, and support science-based projects in agriculture).

Since 2001, as part of the EU integration process, Serbia has been adopt new legislation in the area of agriculture and food mostly in accordance with the *Acquis Communitaire* of the EU. Over the past several years Serbia has adopted 24 new laws relating to agriculture and food. In 2012, the Serbian Ministry of Agriculture, Forestry and Water Management adopted approximately 49 by-laws. These framework laws and by-laws will improve the overall environment for agricultural producers in Serbia and will ensure Serbia's practices are in greater conformity with the EU and in compliance with the rules outlined by such international organizations as the WTO and UPOV.

Serbia's accession process to the World Trade Organization (WTO) also continued in 2012, through market access negotiations with a number of countries. However, the GMO Law adopted in 2009 that put restrictions that are not in line with WTO regulations has yet to be changed and continues to represent an obstacle to Serbia's future WTO accession.

From January 1, 2014, under the Stabilization and Association Agreement, tariffs for most EU agricultural and food product imports into Serbia will be reduced from approximately 23% to zero percent. Only a few strategic agricultural and food products will continue to have duties (averaging approximately 3.2%). About 75% of trade will be fully liberalized, 15% will have reduced tariffs between 10% to 20% of the applicable MFN rates, and 12% will continue to be subject to MFN rates after the end of transition period in 2016. Serbia also has Free Trade Agreements with the Russian Federation, Turkey, EFTA countries, CEFTA countries, Belarus and Kazakhstan.

Serbian agriculture and food trade partners:

	Imports	**Exports**
CEFTA	23%	37%
EU	45%	58%
OTHER COUNTRIES	32%	5%

Source: Serbian Ministry of Agriculture

In 2012, Serbia's total agricultural exports were estimated at USD 2.86 billion, almost at the same level as in 2011. Serbia's agricultural exports consisted mostly of grains, sugar, fruits and vegetables (fresh and frozen), confectionary products and beverages. In terms of export value, the following are the most important: grain and grain products (USD 748 million), processed fruits and vegetables (USD 371 million), refined sugar (USD 198 million), edible sunflower and soya oils (USD 138 million) and wheat flour products (USD 124 million). Total agro-food imports in 2012 were estimated to be USD 1.6 billion, the same as in 2011, representing 8.8% of Serbia's total imports. Agricultural imports are mostly high-value food items; with European products dominating the import market. It is expected that agriculture imports will continue to grow in 2013, due to increasing demand for high quality consumer-oriented products that enter mostly from the EU duty free. Serbia registered an agrofood trade surplus of USD 1.26 billion in 2012, or 2.6% less than in 2011.

In 2012, Serbia's total agro-food imports from the U.S. were only USD 25 million, down USD 3.6 million from 2011. U.S. agro-food exports consisted mainly of corn, sunflower, and vegetable planting seeds, almonds, tobacco, dietetic foods and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, pistachios and bovine semen. Despite the slight decline in 2012, U.S. exports of these products to

Serbia are expected to continue to grow. In the medium term, Serbia is likely to increase imports of planting seeds, fish, and fishery products, poultry meat for processing and high value consumer products and beverages. Possibilities also exist for expansion of U.S. exports of high value products, such as tree-nuts, raisins, snacks, beverage basis, planting seeds and seedlings, bovine semen and embryos, flavor and fragrances.

In 2012, total agriculture and food exports from Serbia to the U.S. reached USD 15 million, an increase of USD 670,000 compared to 2011. Serbian agricultural exports to the U.S. consisted mainly of different dry fruits, frozen fruits (mostly raspberries), yeast, frozen vegetables, confectionery products, brandy, processed fruits (jams, puree, and jelly), sweet corn, wine, cheese, bakery products etc. During 2012, the U.S. had a USD 10 million surplus in trade with Serbia, or about USD 4 million less than the previous year

The following table represents the most important items of U.S. agricultural and food products exported to Serbia in 2012:

Agriculture Sector – 2012
USD

No.	Commodity	Tariff Code	Total Serbian Imports	Imports from the U.S.	U.S. Share in total imports
1	Tobacco and tobacco products	2401/2402/2403	110,711,152	4,925,407	4.5%
2	Consumer orientated products	2106909290/2106909890	52,442,589	4,823,335	9.2%
3	Almonds	080212	3,982,549	3,737,978	94%
4	Whisky bourbon	2208301100	2,553,243	1,822,532	71%
5	Protein concentrates	2106102000	1,992,413	1,808,472	91%
6	Maize seeds	1005900000/0712901100/ 1005109000	10,653,430	1,284,268	17%
7	Dry fruits	2008994900	1,068,094	946,258	88%
8	Canned fish, Salmon, Squids	160420900/0303120000/ 0307493800	4,199,594	432,201	10%
9	Vegetable seeds	1209918000	6,926,833	626,380	9%
10	Dry beans	0713331000	851,720	486,190	57%
11	Sunflower seeds	1206001000	5,079,871	439,773	8.7%
12	Pistachios	0802510000	1,194,911	354,953	30%

13	Fats and oils	1504209000	346,708	307,442	89%
14	Bovine semen	0511100000	553,277	132,064	24%

Source: Serbian Chamber of Commerce

U.S. Foreign Trade with Serbia in USD

Year	U.S. Ag. Imports from Serbia	U.S. Ag. Exports into Serbia
2012	15,064,255	25,919,039
2011	14,391,282	28,664,313
2010	9,813,073	22,353,438
2009	11,293,812	25,239,749
2008	14,030,591	29,990,760

Source: Serbian Chamber of Commerce

USD

	2012
Total Agriculture Imports into Serbia	1,648,187,988
Total U.S. Ag. Export to Serbia	28,664,313
U.S. Share in Total Serbia Ag Imports	1.7%

Source: Serbian Chamber of Commerce

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Useful Links:

USDA sites:
USDA: www.usda.gov
FAS Attaché Reports: www.fas.usda.gov/scriptsw/attacherep/default.asp

Serbian Gov sites:
Ministry of Agriculture, Forestry and Water Management (in Serbian): www.mpt.gov.rs
Marketing Information System site (in Serbian, some features in English):
http://www.stips.minpolj.gov.rs/
Republic Statistical Office (in English and Serbian): www.stat.gov.rs

Non-Gov Ag sites:
Commodity Exchange Novi Sad, Serbia (in English and Serbian): www.proberza.co.rs
Database of Serbian Agricultural Companies (in English and Serbian):
www.hranaipice.com
Agriculture Consultancy company: www.seedev.org
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Chapter 5: Trade Regulations, Customs and Standards

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Serbia's Customs Law, which was adopted in March 2010, is modeled on current European standards and practices based on customs legislation of the European Union (EU). Customs rates as provided in the Customs Tariff Law apply to goods originating in countries that trade with Serbia under the most-favored nation (MFN) principle. Tariffs/duties on goods imported from the US products are same as those levied on EU member countries and may be reviewed at: http://www.upravacarina.rs/cyr/Zakoni/Uredba

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Serbia, as part of its efforts to accede to the WTO, has already made major trade policy reforms to bring practices in full conformity with WTO requirements and eventual membership in the EU. Reforms include the elimination of import quotas, reduction of import licensing and prohibitions, streamlining of customs procedures, and the reduction of tariff and non-tariff barriers.

A handful of laws establish the legal basis governing the trade of goods in Serbia. These include: the Law on Foreign Trade Transactions (FTT) (adopted in May 2009), the Law on Customs, the Law on Customs Tariffs, and the Decision on Determining Goods Subject to Issuance of Specific Documents on Importation, Exportation, and Transit. The FTT Law generally provides that foreign trade is liberal and without limitations. Once registered for performing business activities, a legal entity/entrepreneur may perform foreign as well as domestic operations, No special approval or administrative procedure is now required for re-export transactions, except for arms, ammunition and dual use goods, which are subject to other regulations.

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Serbia uses a fairly standardized import/export documentation process (generally requiring a bill-of-lading, etc.). With the liberalization of the trade regime and reform of the trade/customs-related institutions, Serbia will continue to move in the direction of harmonizing its documentation with the EU.

For the most part, import licensing regimes were dismantled in Serbia. However, import licenses are required for narcotics (including psychotropic substances), medicines containing narcotics, precursors, vitamins, blood products, microorganisms, human body parts, non-registered medicines and medical devices, endangered species of wild fauna and flora, substances depleting the ozone layer and products containing such substances, sources of ionizing radiation, waste, radioactive ores, radioactive elements, reactors, reactor parts, arms, military equipment and dual-use goods, asbestos, industrial explosives, hunting and sports arms and ammunition for such arms, precious metals, banknotes and specific agricultural products for veterinary purposes. The majority of the above-mentioned goods are subject to import licenses in accordance with international conventions.

Starting in March 2009, there were some positive developments related to simplified customs procedures. 87% of total customs declarations in the first six months of 2009, for example, were submitted by email. In accordance with the National Strategy for Border Management, only 4 services remain at the border crossings: border police, customs administration services, veterinary inspection, and phytosanitary inspection.

U.S. Export Controls Return to top

On January 17, 2001, the U.S. Government issued an Executive Order discontinuing all business sanctions imposed on the then Federal Republic of Yugoslavia, which includes what is now the Republic of Serbia. However, trade is still prohibited with 82 individuals, primarily indicted war criminals and former close associates of the Milosevic regime. To obtain a list of the 82 individuals, contact the Office of Foreign Assets Control, U.S. Treasury Department at (202) 622-2490.

U.S. exporters must be aware that most technology can be exported from the United States to Serbia under general export licenses. Some equipment (e.g. dual-use technology) still requires valid export licenses from the Bureau of Industry and Security (BIS) (formerly Bureau of Export Administration) at the U.S. Department of Commerce. For more information, contact BIS at (202) 482-4811.

Temporary Entry Return to top

In certain situations, products may be temporarily imported into Serbia on a customs duty exempt basis:

- Equipment temporarily sent by a foreign company to a Serbian company to produce goods or provide services for the foreign company;
- Equipment temporarily imported by a foreign contractor to perform construction, assembling, maintenance and similar works in Serbia;
- Raw materials temporarily imported for processing in Serbia and re-exported.

Serbia has renewed its membership to the Customs Convention on the Carnet ATA for the temporary import of goods.

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Labels must contain the following: title of the product, full address of the producer or full address of the importer, net quantity/weight/volume, ingredients, manner of storage (transport, use of maintenance), and pertinent consumer warnings. Technically complicated products must be accompanied by instructions on use, the manufacturer's specifications, and a list of authorized maintenance offices, warranty information, warranty period and other applicable data. All information must be in Serbian and affixed to (or accompanying) each product before customs clearance.

In accordance with the Law on Environment Protection, eco-labeling can be used on consumer goods – other than foodstuffs, beverages and pharmaceutical products – which produce less environmental pollution during their life cycle compared with other similar products, or were obtained from waste recycling. Ecological labels can also be used under equal conditions on both domestically-produced and imported products. The regulation governing the use of the ecological labels has been prepared in accordance with the EU eco-label scheme.

Prohibited and Restricted Imports Return to top

There is a limited list of prohibitions (temporary and/or permanent) against the importation of certain products usually based on technical conditions related to environmental protection.

More information can be obtained from Serbia's Customs Office at: www.customs.rs

Customs Regulations and Contact Information Return to top

The most relevant legislation, tariff rates, and instructions are available in English at:
www.carina.rs
www.upravacarina.rs
www.customs.rs
www.serbiancustoms.rs
www.e-customs.rs

Contact:
Serbia Customs Administration
Address: Bulevar Zorana Djindjica 155
11070 Novi Beograd
Web site: www.customs.rs
Director: Mr. Tihomir Bogicevic
Ministry of Finance and Economy
Address: Kneza Milosa 20
11000 Belgrade
Web: www.mtt.gov.rs
Ana Blagojevic, Assistant Minister

Standards Return to top

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- Publication of Technical Regulations
- Labeling and Marking
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The Institute for Standardization of Serbia (ISS) is recognized by the Law on Standardization (Official Gazette of RS" No. 36/09) as the only National Standards Body in Serbia. The ISS is responsible for developing and adopting standards (which are considered voluntary under the law). Certain standards with mandatory application that had been adopted prior to 1996 became voluntary on June 30, 2009 or were converted where appropriate, into technical regulations. The specific legislative framework for voluntary standardization in the Republic of Serbia is in place and fully operational.

According to the new Law on Standardization which came into effect on May, 23, 2009, Serbian standards may also be published in one of the official languages of the European organizations for standardization (CEN, CENELEC and ETSI). By the end of May 2009, the collection of Serbian standards and related documents comprised 17,294 documents.

Information on particular standards can be obtained from the Information Centre of the Institute for Standardization of Serbia: iss1@iss.rs

Contact:

Center of the Institute for Standardization of Serbia
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E-mail: ljubica.petrovic@iss.rs , iss1@iss.rs

Standards Organizations Return to top

Based on the Law on Standardization (Official Gazette of RS No. 36/09), the Government of the Republic of Serbia issued the Decision on Amendments to the Founding Act of the ISS in October 2009. In accordance with the above Law and Decision, the ISS was registered by the Government of Serbia and registered as a legal entity. The Institute performs tasks specified by the Law on Standardization and its work is supervised by the Ministry of Economy and Regional Development. The ISS is composed of the Assembly, Managing Board, Director and a Supervisory Board. Expert councils were established to direct work in specific areas of standardization.

The ISS has adopted the abbreviation **SRPS** (Srpski Standardi), as the official designation of Serbian standards and related documents.

The majority of Serbian standards and related documents have been developed in accordance with international ISO, IEC and European (EN) or national standards and related documents of other countries.

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NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

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Conformity assessment is conducted in accordance with the Decree on Manner of Performing Conformity Assessment, Content of Document of Conformity, as well as Form, Appearance and Content of the Conformity Marking (Official Gazette of RS No. 98/09). In addition, the Law on Technical Requirements for Products and Conformity Assessment (Official Gazette of RS No. 36/09) and the Decree on Manner of Recognition of Foreign Documents and Markings of Conformity (Official Gazette of RS No. 98/09) contain provisions on the conditions and manner of recognition of foreign documents and markings of conformity as valid in Serbia.

Product Certification

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A product may be placed on the market only if:

- It conforms with the prescribed technical requirements,
- Conformity was assessed according to the prescribed procedure;
- It is marked in accordance with the regulations; and
- It is accompanied with the prescribed documents of conformity and other prescribed documentation.

There are no existing Mutual Recognition Agreements with any US organization or any other countries.

Accreditation

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Accreditation is a third-party attestation performed by the National Accreditation Body and is used to determine and confirm that an organization meets the requirements necessary to perform certain conformity assessment activities laid down in relevant international standards and that it is competent to perform these activities.

In Serbia, accreditation is granted by the Accreditation Board of Serbia (ATS). ATS is an independent non-profit organization implementing the Law on Accreditation by assessing the competence of conformity assessment bodies (CABs).

More information can be obtained from Accreditation Board of Serbia – ATS at: www.ats.rs

Publication of Technical Regulations

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The Ministry of Economy and Regional Development keeps registers of current technical regulations and those under preparation, which includes the name of the Ministry that adopted the technical regulation.

In addition, the Ministry of Economy and Regional Development is responsible for providing information and relevant documents to interested parties, upon their request, with regard to adopted and proposed technical regulations and conformity assessment procedures. These tasks are performed by the Department for Quality Infrastructure within the Ministry.

Labeling and Marking

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The conformity mark, verifying conformity of the product with certain technical regulations, may be the Serbian conformity mark, CE mark, or other conformity mark according to special regulations (e.g. homologation mark).

The Serbian conformity mark confirms that the product meets requirements of a Serbian technical regulation and that the prescribed conformity assessment procedures have been observed. This mark is in the form of three capital letters 'A' connected in the shape of an equilateral triangle, and is affixed to the product in such a manner as to be visible. It is prohibited to affix on a product any other mark of similar content or form, which could be misleading to the consumers, or if such would impair the visibility or legibility of the conformity mark. The CE mark confirms that the product meets requirements of relevant technical regulations that prescribe their affixing. The provisions for applying these marks are provided in the Decree on Manner of Performing Conformity Assessment, Content of Document of Conformity, as well as Form, Appearance and Content of the Conformity Marking (Official Gazette of RS No. 98/09).

Pursuant to the Law on Standardization (RS OG No. 36/09), the ISS approves use of national marks of conformity with Serbian standards. Certification bodies could be providers of other conformity marks. Manufacturers and service providers could issue a declaration of conformity with Serbian standards, but this declaration did not result in the use of a conformity mark. As compliance with standards was voluntary, products were not required to bear a national conformity mark, but affixing the mark to a product demonstrated that the requirements of a specific ISS standard were met.

Contacts

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For more information on Standards and accreditation please contact:
zorica.mihajlovic@trade.gov

Trade Agreements Return to top

Serbia has been a member of the Central European Free Trade Agreement (CEFTA) since December 19, 2006. CEFTA is a multilateral free-trade agreement among southeastern European countries, including: Croatia, Macedonia, Serbia, Montenegro, Bosnia-Herzegovina, Albania, Moldova and UNMIK/Kosovo. Croatia will cease to be a CEFTA member upon entry into the European Union in 2013. CEFTA's primary objective is to facilitate and expand trade and investment among its members, whose collective population is almost 30 million. .

In 2012, Serbia generated a surplus of USD 1.72 billion in trade with CEFTA signatories, mostly due to exports of grain, grain-based products, and beverages. The largest surpluses occurred with Montenegro, Bosnia-Herzegovina, Macedonia, and Albania.

Goods originating from Serbia and exported to the EU customs area are subject to preferential custom regimes. In 2000, the European Commission introduced Autonomous Trade Measures for Serbia. These measures permitted exports to the EU without customs duties and quantitative restrictions for almost all products originating from Serbia.

Serbia and the EU signed an interim agreement on trade and trade issues in 2008 for the purpose of implementing trade related to the SAA. Serbia unilaterally applied the interim trade agreement as of February 2009, which the EU signed in December 2009. The SAA and its subsequent trade agreement with the EU opened the door for Serbia to start systemic reforms and harmonize its legislation and comply with EU standards. This agreement paves the way for further introduction of international standards to the domestic market, which will contribute to the predictability of the business climate. Under this agreement, Serbia phased out and abolished tariffs on most goods imported from the EU bloc's 27 members. Import duties on all industrial products will be fully scrapped by the end of a six-year transitional period, while duties on some agriculture products will remain at between 20% and 80% of their 2008 levels, even after January 2013.

Serbia has concluded bilateral free trade agreements with Russia, Belarus, Kazakhstan, Turkey, and the European Free Trade Association states (Norway, Switzerland, Iceland, and Liechtenstein).

The United States restored Normal Trade Relations (Most-Favored Nation status) to Serbia in December 2003. This provides improved access to the U.S. market for goods exported from Serbia. In 2005, the U.S. Government designated Serbia as a beneficiary of the U.S. Generalized System of Preferences (GSP), a program that would provide duty-free access to the U.S. market in various eligible categories.

Serbia is also a beneficiary of Japan's GSP (preferential duties on importation to Japan).

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www.carina.rs
www.iss.rs
www.merr.gov.rs
www.ats.rs

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Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

Serbia is open to foreign direct investment (FDI) and attracting FDI is a priority for the Government of Serbia. Serbia has a long history of international commerce, even under communism, and has attracted a sizeable foreign company presence.

Serbia has enacted specific legislation outlining guarantees and safeguards for foreign investors. The current Law on Foreign Investments establishes the framework for investment in Serbia. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows customs duty waivers for equipment imported as capital-in-kind.

Serbia is introducing a number of legislative changes designed to bring the country into compliance with European Union (EU) requirements. The country obtained EU Candidate status on March 1, 2012, and now awaits a date for the opening of accession negotiations. The government is implementing a National Program for Integration into the European Union, a plan for harmonizing domestic legislation with EU norms in order to meet the criteria necessary for EU accession. The modernization of Serbian legislation is contributing significantly to improvements in the investment climate in a variety of areas, including foreign trade, corporate governance, and environmental regulation.

In 2006, Serbia developed a range of incentives designed to attract FDI, including cash grants to investors that create specified numbers of new jobs, tax incentives in the form of credits, cuts in payroll contributions, and reduced corporate tax rates. The government maintains a specially designated organization, the Serbian Investment and Export Promotion Agency (SIEPA) (http://www.siepa.gov.rs/sr/), to administer the investor incentive program. (Details about Serbia's investment incentives programs are set forth in the "Performance Requirements and Incentives" section below.)

A number of Serbian governmental organizations provide direct assistance to investors. In addition to SIEPA, the Serbian Privatization Agency provides information to and works with potential investors to inform them about the privatization program and related investment opportunities. (Details about privatization policies and results are set forth in the "Competition from State-Owned Enterprises" section below.) In 2010, Serbia established Economic Advisor positions at selected foreign missions, e.g., the Serbian Consulate General in Chicago, to promote foreign investment in Serbia (http://www.scgchicago.org/). The Foreign Ministry has announced plans to review the results of those advisors and withdraw those whose performance is not satisfactory.

The new Serbian government that took office in the summer of 2012 has adopted a number of new laws in an effort to introduce economic reform and to improve the business climate. As of December 2012, Serbia's National Assembly (parliament) passed the following new measures:

-- the Law on Payment Deadlines in Commercial Transactions, an attempt to improve liquidity in the economy by prescribing maximum payment terms of up to 60 days for business-to-business transactions and 45 days for public sector-to-business sector payments;
-- the Law on Conditional Write-off of Interest and Tax Debt, which allows those companies which currently pay their taxes on time but have unpaid tax debts to write off interest on the outstanding tax debt. The law will unblock the bank accounts of many companies with tax debts, enabling them to restart operations and reschedule their debts;
-- the Law on Public Companies, which mandates selection of public company managers through a public tender/hiring process. The law is designed to eliminate the practice of appointing political party officials as directors of state enterprises and introduce greater professionalism into public sector management; and
-- the Law on the Takeover of Debts of Health Institutions toward Wholesalers of Drugs and its Conversion into Public Debt, which will convert monies owed by the public health services to private suppliers, in particular pharmaceutical companies, into public debt. The measure is intended to facilitate payments to private companies for health products and services while relieving the financially-strapped public health sector of substantial debts.

In addition, in January 2013, the National Assembly passed Amendments to the Trade Law, which remove administrative barriers to investments by eliminating the requirement for a market impact study for large trade centers (larger than 2,000 square meters) and by abolishing the Center for Development of Trade, a public agency that issued licenses for large trade centers. The Amendments also improve legal protection for unfair competition by introducing legal grounds for a company to sue unfair competitors for non-material damages for having harmed a firm's business reputation.

In addition to new legislation, the government announced ambitious plans to decrease its budget deficit from 6.7 percent of GDP in 2012 to one percent by 2015 and to reduce total public debt levels from 60.5 percent of GDP in 2012 to 45 percent by 2020. Pursuant to this plan, the Ministry of Finance and Economy implemented a series of budget and fiscal measures in late 2012, including:

-- increasing the Value Added Tax (VAT) rate from 18 percent to 20 percent for most non-food items;
-- raising excise taxes on cigarettes, spirits, and petroleum products;
-- increasing corporate profit taxes from 10 percent to 15 percent;
-- channeling all revenues collected by government agencies through a single treasury account under the Ministry's control, rather than allowing individual ministries to control the funds;
-- limiting pension and public sector wage increases to two percent through October 2013;
-- capping public sector salaries at RSD 162,740 (USD 1,900) per month;
-- centralizing procurement for public health sector expenditures; and
-- curbing state loan guarantees for indebted public companies and reducing subsidies to companies in restructuring.

Serbia attracted approximately EUR 638 million (USD 829 million) in FDI in the first ten months of 2012, according to the National Bank of Serbia's October 2012 Balance of Payments report. (The exchange rate used throughout this report is 1 EUR=1.3 USD.) Net FDI during this period, however, was only EUR 81 million (USD 105 million) because FDI outflows (EUR 557 million/USD 724 million) were unusually high. The high level of FDI outflow is attributable to Telekom Srbija's payment of EUR 381 million (USD 495 million) for the buyback of its shares and Norwegian investor Telenor's repatriation of EUR 176 million (USD 229 million). Additional details are set forth in the Foreign Direct Investment Statistics section below.

Well-known multinational companies, including Italy's Fiat and Benetton, Germany's Siemens and Grundfoss, Belgium's Delhaize, Korea's Yura, and from the United States, Cooper Tire and Rubber and Johnson Controls, completed major new investments in Serbia in 2011 and 2012. Foreign investors cite Serbia's strategic location in the Balkans, relatively inexpensive labor rates and skilled labor force, free trade agreements with key markets (the European Union, Russia, Turkey, Central European Free Trade Agreement countries, and others), and Serbian government support mechanisms for investors as the prime incentives to opening new businesses in the country. (More details on recent, major foreign investments are set forth in the "Foreign Direct Investment Statistics" section below.)

Serbia's ranking by key indices is as follows:

Measure	**Year**	**Index/Ranking**
TI Corruption Index	2012	80th of 176 countries (score of 39)
Heritage Economic Freedom	2013	83rd of 180 countries (score of 77.9)
World Bank Doing Business	2013	86th of 185 countries
Fiscal Policy (IMF World Economic Outlook)	2012	Government deficit: 6.5 percent of GDP

Trade Policy (Heritage Economic Freedom)	2012	77.9 (slightly above the average of 74.8)
Starting a Business (World Bank Doing Business)	20 13	42nd of 185 countries
Land Rights Access (World Bank Doing Business)	2013	Dealing with Construction Permits: 179th of 185 countries Registering Property: 41st of 185 countries
Natural Resource Mgmt (Natural Resource Management Index)	2011	88.2 on a scale of 100

Conversion and Transfer Policies Return to top

Serbia's Foreign Investment Law guarantees the right to transfer and repatriate profits from Serbia.

Serbian law permits relatively free flows of capital, as follows:

> -- Payment and transfer of capital related to direct investments of residents and legal entities, entrepreneurs and physical entities, as well as non-residents in Serbia.
> -- Payments for the purpose of acquiring real estate by residents abroad and non-residents in Serbia.
> -- Payment for the purpose of purchasing equities abroad that do not represent direct investment, as well as long-term debt securities issued by OECD member countries and international financial organizations, or securities whose level of risk rating and issuer country may be prescribed by the National Bank of Serbia.

Serbian law permits non-residents to maintain both foreign exchange and dinar denominated bank accounts without restrictions. These accounts may be used to make or receive payments in foreign currency. Non-residents may not transfer capital for the purpose of purchasing domestic short-term securities.

Payments, collections, and transfers on current transactions between residents and non-residents may be executed freely.

Foreign exchange is readily available and may be purchased through exchange bureaus by physical persons and through commercial banks by legal persons.

Expropriation and Compensation Return to top

Serbia's Law on Expropriation defines various economic and security justifications as authorized bases for expropriation and sets forth procedures that must be followed to effect an expropriation. Expropriation is authorized for reasons that include: education; public health; social welfare; culture; water management; sports; transport; power and public utility infrastructure; national defense; local/national government needs; environmental protection; protection from weather related damage; exploration for, or exploitation of minerals; land needed for re-settlement of people holding mineral-rich lands; property required for certain joint ventures; and housing construction for the socially disadvantaged. The law authorizes competent subject matter courts to exercise jurisdiction over expropriation claims.

Following a determination that a legal basis for the expropriation exists, a proposal for expropriation may be filed with competent local authorities. The authorities are obliged to hold proceedings and render a decision. The Ministry of Finance and Economy is designated as the competent authority to resolve appeals or complaints filed against first-instance decisions by local authorities.

In the event of an expropriation, Serbian law requires compensation in the form of similar property or cash approximating the current market value of the expropriated property. The law sets forth various criteria for arriving at the amount of compensation applicable to different types of land (agricultural, vineyards, forests) or easements that affect land value. The local municipal court is authorized to intervene and decide the level of compensation if there is no mutually-agreed resolution within two months of the expropriation order.

The Law on Foreign Investment provides safeguards against arbitrary government expropriation of foreign investments. There have been no cases of expropriation of foreign investments in Serbia since the dissolution of the former Republic of Yugoslavia.

There are, however, outstanding claims against Serbia related to property nationalized under the Socialist Federal Republic of Yugoslavia. In September 2011, 11 years after the country underwent major political changes that strengthened democracy, Serbia finally passed a Law on Restitution of property taken by the government during the years of socialist rule. The law, which went into effect October 2011, applies to property seized by the government since the end of World War II (May 1945), and also includes special coverage for victims of the Holocaust, who are authorized to reclaim property confiscated by Nazi occupation forces.

The restitution law provides for restitution of property in-kind, when possible, and financial compensation in state bonds as an alternative in cases where in-kind restitution is not possible. Numerous categories of properties are exempted from the in-kind restitution principle, including: properties of public companies and some other public organizations (e.g., police, schools, and hospitals); properties used by state bodies for representational purposes (i.e., former royal residences); foreign diplomatic premises; and privatized property. The list of exemptions essentially limits the list of properties eligible for restitution in-kind to a narrow inventory of central and local government property.

In instances where property is exempted from return in-kind, claimants may receive compensation in cash or bonds. Serbia has allocated EUR 2.0 billion (USD 2.6 billion) for financial compensation in bonds. The bonds will be issued commencing January 1, 2015, be denominated in Euros, carry a two percent annual interest rate, have a maturity period of 15 years, and be tradable on securities markets. For citizens 70 years of age and older, the bond maturity period is five years. Claimants have two years from the date of passage of the law to file restitution applications. The filing process supersedes a 2005 law that provided for registration of potential claims. (The 2005 law covered property taken through confiscation, nationalization, agrarian reform, sequestration, expropriation, and other regulations that became effective after March 9, 1945.

Approximately 150,000 claims relating to about 75,000 properties were registered under this legislation.)

The restitution law caps the amount of compensation that any single claimant may receive at EUR 500,000 (approximately USD 650,000). The law establishes a reciprocity principle for foreign citizens that permits them to file claims in Serbia if their home nation allows similar claims by Serbian citizens. Serbia has signed 22 such bilateral agreements, including with the United States. American citizens may file claims under the new law.

The Agency for Restitution began receiving restitution claims on March 1, 2012. According to data provided by the Agency, through the end of 2012 it had rendered decisions in 14 percent of filed claims, accepting some and rejecting others. In 2012 the Agency returned approximately 500 properties to claimants. Additional information about the Agency for Restitution is available at its website: http://www.restitucija.gov.rs/eng/index.php.

Several legal issues in Serbia's restitution regime are unresolved. The 2011 private property restitution law has not been harmonized with Serbia's 2006 Law on Restitution to Churches and Religious Communities, which authorizes in-kind property restitution, financial reimbursement, and substitution of alternative property as means of compensation. The two restitution laws have been criticized as being discriminatory because they provide two different sets of possible compensation for restitution claims. In addition, Serbia's law states that the issue of "heirless properties" left by victims of the Holocaust will be addressed by a separate law, but no action to draft the legislation has been taken.

Dispute Settlement Return to top

Serbia's judicial system is based on European civil law. Higher court decisions, however, may be used as "guidance" by lower courts. Serbia's judiciary lacked independence and was subject to political manipulation during the communist and Milosevic eras. The Government of Serbia is working to reform the court system to create a more independent, efficient, responsible, and transparent judiciary. The U.S. government, through USAID and the Department of Justice, is providing assistance for improving criminal justice procedures and for court reform.

Since 2008, the Serbian judicial system has been engaged in a protracted process of reform, which has included challenge after challenge to various efforts to restructure the judiciary and to review the appointments of all judges and prosecutors. That process is not yet concluded, and continues to cause confusion and uncertainty in the judiciary. This protracted process began in December 2008, when the National Assembly approved a package of judicial reform laws that included laws on the High Judicial Council, on the State Prosecutors' Council, on the Public Prosecutor, on Judges, and on the Organization of the Courts. The laws created a new network of courts and prosecutors' offices intended to improve the efficiency of the judiciary. The new legislation also created High Judicial and State Prosecutors' Councils, which are now responsible for the selection, discipline, and dismissal of judges and prosecutors, and for administrative oversight of the courts.

In December 2009, the Councils selected prosecutors, deputy prosecutors, judges, and magistrates for the new court system and nominated first-time appointees who were elected to their positions by the National Assembly. Those appointments, as well as the new network of courts and prosecutors' offices, took effect on January 1, 2010. However, non-elected judges, prosecutors and deputy prosecutors, professional associations of judges and prosecutors, as well as high-ranking EU representatives challenged the 2009 election process. To address these challenges, the National Assembly in December 2010 passed amendments and addenda to the laws on judges, the prosecutor's office, the High Court Council, and the State Prosecutor's Council. These amendments, among other things, provided for the transfer of appeals pending before the Constitutional Court back to the High Court Council and the State Prosecutor's Council for assessment by those bodies. The two Councils then completed this revised review process in the spring of 2012.

Disappointed former judges and prosecutors have continued to challenge the re-election review process. In July 2012, the Constitutional Court began to render a series of decisions that eventually will invalidate the entire re-election review process. The Constitutional Court has invalidated all of the review decisions it has so far addressed, holding that that the Council review process did not meet the standards of due process. The Court ordered the two Councils to reinstate virtually all of the individual judges and prosecutors who had not been re-elected.

Some additional uncertainty has been introduced by a campaign initiated in the fall of 2012 by the new government to amend a number of organizational and procedural laws, including the Criminal Procedure Code, the Law on Judges, the Law on Prosecutors, the Law on the Organization of Courts, the Civil Procedure Code, the Criminal Code, the Law on Misdemeanors, and the Law on Mediation. Only limited changes to the Law on Judges and the Law on Prosecutors and changes to the Criminal Code were adopted by the National Assembly by the end of the year. There is concern that the speed of their consideration and passage left inadequate time for full consideration of their impact prior to passage.

Some anticipated changes in the various drafts are potentially positive. For example, the Misdemeanor Law draft is progressive and has been developed with significant independent advice and public consultation. The draft Court Organization law is expected to expand the number of courts in Serbia, in part to accommodate the large numbers of reinstated judges. Other proposed changes impair the effectiveness and efficiency of the criminal justice system. The Government of Serbia has agreed to have experts from the Council of Europe's Venice Commission review judicial reform drafts to assess alignment with European and international norms.

In December 2009, the National Assembly approved a new Bankruptcy Law that brings Serbian bankruptcy procedures closer to international standards. The law introduced "automatic bankruptcy" for legal entities whose accounts have been blocked for more than three years and allowed debtors and creditors to initiate bankruptcy proceedings. The law provided a faster and more equitable settlement of creditors' claims, lowered costs, and clarified rules regarding the role of bankruptcy trustees and creditors' councils.

According to the Bankruptcy Law, foreign creditors have the same rights as Serbian creditors with respect to the commencement of, and participation in, a bankruptcy proceeding. Claims in foreign currency are included in the bankruptcy estate in that currency, but they are calculated in dinars at the dinar exchange rate on the date the bankruptcy proceeding commenced.

In May 2006, Serbia enacted its first Law on Arbitration, which authorizes the use of institutional and ad hoc arbitration in all manner of disputes (commercial, labor, etc.). The law is based on the UN Commission on International Trade Law (UNICTRAL) model law. International arbitration is accepted as a means for settling investment disputes between foreign investors and the state. The Foreign Trade Court of Arbitration (founded in 1947), the leading domestic arbitration body, operates within the Serbian Chamber of Commerce. Arbitration is voluntary and conforms to the UNICTRAL model law.

Serbia is a signatory to the following international conventions regulating the mutual acceptance and enforcement of foreign arbitration:

-- 1923 Geneva Protocol on Arbitration Clauses;
-- 1927 Geneva Convention on the Execution of Foreign Arbitration Decisions;
-- 1958 New York Convention on the Acceptance and Execution of Foreign Arbitration Decisions;
-- 1961 European Convention on International Business Arbitration; and
-- 1965 Washington Convention on the International Center for the Settlement of Investment Disputes (ICSID).

Although Serbia is a signatory to many international treaties concerning foreign arbitration, Serbia's Privatization Agency refused for five years (2007-2012) to recognize an International Chamber of Commerce (ICC)/International Court of Arbitration award in favor of a U.S. investor. The dispute caused the U.S. Overseas Private Investment Corporation (OPIC), which had insured a portion of the investment, to severely restrict its programs in Serbia. The U.S. Embassy facilitated a settlement agreement between the Serbian government and the investor that took effect in January 2012. OPIC reinstated its programs for Serbia in February 2012.

Performance Requirements and Incentives Return to top

Since 2006, the Serbian government has maintained a system of cash grants and other incentives for greenfield and brownfield investment projects undertaken by foreign and domestic investors. The conditions for the incentives are adjusted regularly by government decrees to reflect changing investment priorities. In 2008, for example, the government added specific incentive for investments in targeted industries -- automotive, electronics, and information and telecommunication technology. In 2010, the Serbian government incentivized investments in "devastated areas," or regions of the country in which economic development is considered less than 50 percent of national average levels.

In 2012, the government, through SIEPA, instituted a "scorecard" system for foreign investments, with a sliding scale of incentives depending on the amounts invested, the number of jobs created, and the location of the investment. Investments in manufacturing, in the internationally marketable services sector, and in the field of tourism are eligible for incentives. (Projects in the agriculture, hospitality, and trade/retail sectors are not eligible to receive funding, nor are projects which involve the production of synthetic fibers or coal.) The system divides Serbia geographically based on four levels of development, ranging from "developed" to "devastated," with higher incentives offered for investments in less-developed areas. The new incentives scheme doubled the minimum level of incentives from EUR 2,000 to EUR 4,000 (USD 2,600 to USD 5,200). Details are set forth below:

For greenfield and brownfield projects in manufacturing, export-related services, and tourism, non-refundable government payments range from EUR 4,000 to EUR 10,000 (USD 5,200 to USD 13,000) per new job created within three years of the signature date of an investment incentive agreement. The exact amount per-job is determined by a scoring system that takes into account the following factors:

-- investor's references;
-- participation of domestic suppliers;
-- investment sustainability;
-- introduction of new technologies and transferability of knowledge and skills to -
- domestic suppliers;
-- effects on human resources;
-- international sales volume;
-- economic effects of the project; and
-- effects on the development of the local community.

Minimum investment thresholds to qualify for incentives differ according to the industry and the level of development. For example, to qualify for incentives for manufacturing investments in an area ranked in the top three development levels requires a minimum investment of EUR 1.0 million (USD 1.3 million) and creation of 50 new full-time jobs. For such an investment in the lowest category of development ("devastated region"), the minimum investment threshold is EUR 500,000 (USD 650,000). For investments in export-related service sectors, the minimum investment, valid for all development levels, is EUR 500,000 (USD 650,000), with the creation of ten new full-time jobs. For tourism projects, the conditions are an investment of EUR 5.0 million (USD 6.5 million) and creation of 50 jobs.

Additional incentives are available for investments over EUR 50 million (USD 65 million), as follows:

-- investment projects valued at more than EUR 200 million (USD 260 million) that create at least 1,000 new jobs within 10 years of the signature date of the investment agreement are eligible for incentives worth up to 17 percent of the investment's total value;
-- projects valued at more than EUR 50 million (USD 65 million) that create at least 300 new jobs within 10 years are eligible for incentives worth up to 20 percent of the investment's total value; and
-- projects valued at over EUR 50 million (USD 65 million) that create at least 150 new jobs within 10 years are eligible for incentives worth up to 10 percent of the investment's total value.

Additional details about SIEPA and its programs and activities are available on SIEPA's website: http://www.siepa.gov.rs/sr/.

The Serbian National Employment Service (NES) maintains two basic job creation incentives programs: the Employment Subsidies Program and the Training Program. The Employment Subsidies Program provides grants to companies that hire persons who are registered as unemployed with the National Employment Service or declared "redundant workers." A company may apply for grants for hiring up to 50 persons, but the cap does not apply to greenfield and brownfield projects. Grant amounts range from approximately EUR 860 (USD 1,118) to EUR 3,450 (USD 4,485) per employee, depending on the unemployment rate in the municipality where the project is located.

The NES Training Program offers incentive grants to companies to reimburse them for worker training, provided there are no registered unemployed workers with the requisite skills. The company and NES jointly select candidates for training, which can be provided either by the company itself or by selected educational institutions. The grants cover training expenses of up to RSD 150,000 (approximately USD 1,700) per employee. The NES bears the cost of transportation and insurance for the trainees throughout the training program.

Funding for the NES programs is limited. Companies that qualify for NES job creation and training incentives may experience difficulty collecting payment from the NES. As of the end of 2012, at least one U.S. investor who qualified for an NES grant during the year had yet to be paid.

Serbia's tax laws offer several tax incentives to new investors. The corporate profit tax rate is a flat 15 percent, one of the lowest in the region. (The rate increased from 10 percent on January 1, 2013). Non-resident investors are taxed only on income earned in Serbia. Companies that meet the following investment conditions are exempt from the corporate profit tax for up to ten years, dating from the first year in which they earn a profit: investment of more than 800 million RSD (approximately USD 9.3 million) in fixed assets; and hiring at least 100 additional employees during the investment period.

Companies that do not meet the requirements for a full 10-year tax exemption may qualify for an investment tax credit equal to 20 percent of the amount invested in fixed assets in a given tax year. The tax credit can be carried forward for up to ten years, but may not exceed 50 percent of total tax liability. Small enterprises may qualify for an investment tax credit equal to 40 percent of the amount invested in fixed assets in a given tax year (with a ten-year carry-forward period), but the credit cannot exceed 70 percent of the total tax liability.

Companies that invest in designated sectors may qualify for an investment tax credit equal to 80 percent of the amount invested in fixed assets (with a ten-year carry-forward period). These sectors are: agriculture; yarn and fabric production; garment manufacturing; leather processing; base metals and standard metal products; machinery; electronic goods; medical instruments; motor vehicles; recycling; and video production.

In addition, the tax law provides incentives for hiring new workers. An employer who hires new workers on a permanent basis is exempt from paying salary taxes (12 percent of the salary amount) and social insurance contributions for two to three years, depending on the person's age and how long he/she has been unemployed. Those who hire disabled persons qualify for a three-year exemption from payment of salary taxes and social insurance contributions.

The tax law also includes provisions for accelerated depreciation of fixed assets, tax exemptions for concession-related investments, income tax credits, and customs-duty exemptions for certain goods and equipment imports.

Right to Private Ownership and Establishment Return to top

Serbian citizens and foreign investors enjoy full rights to private property ownership. Private entities can freely establish, acquire and dispose of interests in business enterprises. Private companies compete equally with public enterprises in the market and for access to credit, supplies, licenses, and other aspects of doing business.

Protection of Property Rights Return to top

Serbia is still grappling with the consequences of the nationalizations and confiscations of all forms of private property following World War II. Property titles can be complicated and clouded by a multitude of factors – restitution claims, unlicensed and illegal construction, limitation of property rights to "rights of use," outright title fraud, and other issues. Investors are cautioned to investigate thoroughly all property title issues relating to land acquired for investment projects.

Related to the issue of property restitution (discussed above) is the issue of property conversion. During the socialist years, owners of nationalized land became "users" of the land and acquired "rights of use" that, until 2003, could not be freely sold or transferred. In 2003, a Law on Urban Planning and Construction recognized sales and transfers of property rights of use. The right of use was limited, however, to 99 years.

The October 2006 Constitution recognized private rights in "construction land" (a term of art referring mainly to land in urban areas). A September 2009 Law on Planning and Construction authorized the transformation of land-use rights into rights of freehold private ownership in construction land. Companies that had gained land pursuant to privatization, bankruptcy, or other means were able under the 2009 law to transform usage rights into ownership rights by paying a fee representing the difference between the current market value of construction land and the costs of acquiring the land rights. The law did not, however, adequately define the procedures for property right conversions. The National Assembly amended the law in April 2011 in an effort to clarify the procedures, but the amendments failed to produce the desired results.

Investors continue to complain that land-rights conversions are stalled for a variety of reasons. Local authorities often lack expertise in valuing land and other technical aspects of conversion, land registries tend to avoid positive resolution of conversion requests, and public attorneys' offices commonly challenge land-registry actions that do recognize conversion applications.

The uncertainty and lack of action on conversion applications, among other factors, caused a significant slowing of construction activity in Serbia over the last several years. In an effort to address inadequacies in the law and to stimulate the construction industry, in December 2012 the National Assembly approved amendments to the Law on Planning and Construction that suspend the conversion process and permit construction on non-converted land for up to one year, pending passage of a revised law.

The 2009 Law on Planning and Construction also addressed zoning and urban planning, construction permitting procedures, and legalization of property titles, all of which continue to be problematic. Serbia has not yet enacted all of the by-laws needed to implement these provisions.

Construction permitting is a particularly serious problem (Serbia ranks 179 out of 185 countries for dealing with construction permits in the 2013 World Bank's Doing Business Report). Serbia's Foreign Investors Council (FIC), National Alliance for Local Economic Development (NALED), the American Chamber of Commerce in Serbia (AmCham), and other organizations report that the process of issuing construction permits is non-transparent and heavily burdened with red tape. USAID has completed a comprehensive study of the current system that lays out specific recommendations for improvement. At the request of the Government of Serbia, USAID will assist in drafting a new law on construction permitting.

Serbia's real property registration system is based on a municipal cadastre and land books. A modern Law on Cadastre and State Survey was adopted in August 2009. Serbia, with World Bank assistance, completed a seven-year cadastre modernization project in May 2012. For the first time in its history, Serbia now has the basis for an organized real estate cadastre and property title system. The new system is expected to mitigate the problem of unlicensed building construction and to spur development of the mortgage market. However, the problem of legalizing tens of thousands of structures built without proper licenses over the past twenty years remains. Serbia also maintains a register of movable property under the authority of the Agency for Business Registers.

The World Bank Doing Business 2013 report ranks Serbia 41 of 185 countries with respect to time required to register real property (an average of 11 days). Although this is a slight decline from its 2012 ranking (39th place), it represents a significant improvement over Serbia's 2011 ranking (100th place).

Serbia's 2005 Law on Mortgages authorizes banks to issue mortgages on buildings under construction. (The previous law did not permit the registration of unfinished buildings in land registries, making it difficult to secure loans during construction.) The FIC has recommended extensive legislative changes in order to harmonize the mortgage laws with the 2009 Law on Planning and Construction. Citing the law's many omissions and unclear provisions, the FIC suggests that the Mortgage Law be completely redrafted.

Serbia has an adequate body of laws for the protection of property rights, but enforcement of property rights through the judicial system can be extremely slow. The World Bank Doing Business 2013 report, for example, ranks Serbia 103 of 185 countries with respect to time required to enforce a contract through the courts (635 days on average). This ranking reflects a slight decline from Serbia's 102 ranking in 2012 and 94 ranking in 2011.

Intellectual Property Rights

Serbia modernized its basic IPR legislation from 2004-2011, bringing its domestic IPR laws into conformity with international agreements, principles, and standards. From 2009 through 2011, the National Assembly enacted seven new IPR laws, each dealing with a particular form of intellectual property rights: the Law on Trademarks (2009); the Law on Indications of Geographical Origin (2010); the Law on Copyrights and Related Rights (2009); the Law on Protection of Topographies of Integrated Circuits (2009); the Law on Protection of Industrial Designs (2009); the Law on Optical Discs (2011); and the Law on Patents (2011). These laws, together with other legislation passed in recent years, extended legal protections to all major forms of IPR – patents, trademarks, copyrights, rights of performers and producers, industrial designs, integrated circuits, etc – and represented a significant achievement.

The most significant remaining legal steps for the modernization of Serbia's IPR regime are:

> -- amendments to the Criminal Procedure Code and related procedural laws, particularly in the area of cyber-crime; and
> -- the adoption of implementing regulations for various IPR laws.

In December 2012, Serbia took a step backward concerning its IPR laws when the National Assembly passed amendments to the Copyright Law that: exempted small businesses from paying royalties for copyrighted music played on their premises; capped remuneration fees paid to collection organizations representing the music industry; and required businesses to pay one collective bill for music rights, rather than separating payments to collection organizations representing different segments of the music industry (artists, authors, and producers). The government disregarded complaints by international collection organizations, AmCham, the European Commission, the U.S. Embassy, and other concerned parties that the amendments were inconsistent with World Trade Organization (WTO) and EU standards and with Serbia's obligations under applicable international IPR agreements.

Serbia is a World Intellectual Property Organization (WIPO) member and a signatory to all key agreements administered by WIPO. Steps have been taken to implement and enforce the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. TRIPS-compliant provisions are included in Serbia's intellectual property rights (IPR) laws and enforced by courts and administrative authorities. The Serbian government signed and ratified the WIPO internet treaties on June 13, 2003.

The Serbian government is now focused on effective IPR enforcement. On June 23, 2011, the Government of Serbia adopted a Strategy on Intellectual Property Development for the period of 2011-2015 in an effort to strengthen IPR protections. Pursuant to the strategy, the government established a Permanent Coordination Body on December 5, 2011, to coordinate the IPR enforcement activities of the Tax Administration, Police, Customs, and state inspections services.

Despite these positive steps, Serbia's record on enforcement of its IPR laws remains mixed. Pirated optical media (DVDs, CDs, software) and counterfeit trademarked goods, particularly athletic footwear and clothing, are easily available, though the government has stepped up its actions to combat illegal street sales and to seize pirated goods at the border.

Government efforts to combat software piracy have been somewhat effective -- the estimated rate of software piracy has fallen from about 99 percent ten years ago to approximately 72 percent in 2011, according to the Business Software Alliance (BSA). The BSA estimated the value of the illegal software market in Serbia at USD 116 million.

Illicit internet downloading of music and films remains a serious issue. Film and music industry representatives estimate that more than 95 percent of the films and music downloaded in Serbia is downloaded through unauthorized channels.

The European Commission offered the following assessment of Serbia's IPR enforcement activities in its 2012 Progress Report for Serbia:

> Some progress was registered in the field of enforcement. The Intellectual Property Office (IPO) conducted a large number of training events for government enforcement agencies and organized promotional activities for stakeholders. No solution has yet been found to the issue of the long-term financial sustainability of the IPO. The Customs Administration of Serbia developed its IT capacity for use in IPR protection. The level of counterfeit goods that it has seized has gone up. The administrative fee for submitting a request for intellectual property rights enforcement has been revoked, leading to an increase in requests. In the course of 2011, the Tax Administration was involved in launching three registers (of producers, of distributors, and of software) in collaboration with IPR holders, with a view to facilitating its work and its checks.

The EC Progress Report continues:

> The Market Inspectorate of the Ministry of Foreign and Domestic Trade and Telecommunications was given the use of twelve warehouses across Serbia for the storage of counterfeit and pirated goods. The number of goods that it confiscated in the first half of 2012 significantly increased with respect to 2011. However, the number of checks carried out by the Tax Administration has declined. A formal coordination mechanism between the institutions in charge of IPR protection is still lacking. The participation of economic operators and consumers in preventing counterfeiting and piracy remains limited. Regarding judicial protection of intellectual property rights, the Law on Territorial Organization of Courts in Serbia still needs to be amended to allow judges to specialize and IPR cases to be concentrated in a limited number of courts. Further specialization of prosecutors, judges and court panels handling IPR cases remains to be ensured.

The EC concluded that "good progress was made in the alignment of Serbian intellectual property law with the *acquis*. The national IPR strategy 2011-2015 is being implemented and capacity has been strengthened. A formal coordination and cooperation mechanism between the institutions in charge of IPR protection still needs to be established. Specialization of prosecutors, judges and court panels handling IPR cases needs to be ensured. Overall, alignment in the area of intellectual property law is advanced."

According to the proceedings of the American Chamber of Commerce's 2012 IPR conference, Serbia's leading IPR event:

One of the major problems in IPR in Serbia is unbalanced, slow, and often inefficient legal protection. The solution lies in specialized courts and judges for these cases. It is necessary to enable more efficient procedures for presenting evidence in cases of high-tech crime. What is also necessary is more efficient access to information on temporarily-impounded goods at customs facilities, which includes photographing confiscated items and sending them to the rights holder by e-mail for faster identification of counterfeited products. This would significantly reduce costs and speed up the procedures for identifying goods suspected of breaching intellectual property rights. A special problem is the uncoordinated approach toward the destruction of confiscated goods, resulting in high costs of storage for the state administration. (http://www.amcham.rs/events/news.95.html?nId=701)

Transparency of Regulatory System Return to top

Serbia's record on transparency of the regulatory system is mixed. Many government procedures that affect investors are opaque, with limited opportunities for investors to consult with government regulators on measures affecting their businesses. For example, the Ministry of Energy, Development and Environmental Protection developed a new regulatory regime for investments in renewable energy in late 2012-early 2013 without adequate consultations with major renewable energy investors.

Regulations are sometimes applied unevenly, or in a discriminatory manner. For example, a leading U.S. investor complained to the U.S. Embassy in November 2012 that the Ministry of Agriculture, Forestry and Water Management strictly enforces fruit drink labeling regulations on its products, but takes no action against apparent violations by domestic producers of competing products.

Some governmental bodies have a very good record of transparency. The Ministry of Finance and Economy, for example, maintains a comprehensive website with extensive information about existing regulations, legal and regulatory proposals, data on the government budget, public debt, and so on. When the Ministry proposed a series of revenue-raising measures in late 2012 to address Serbia's rising budget deficit and public debt, Ministry officials conducted extensive public briefings for interested parties, with ample opportunities to comment on and pose questions about the proposals.

The process for public participation in the drafting of new laws is inconsistent. There is no legal requirement for public comment on proposed laws and regulations; the decision to invite public comment is left to the ministry responsible for the legislation or rule. Some major pieces of draft legislation are printed online on ministry websites or the website of the National Assembly, and the public can weigh in during scheduled, open meetings in Belgrade and other major cities. In other cases, draft laws and regulations are formulated within the government with little or no public participation, and the public has limited opportunity to learn the precise content of the law before its passage and publication in Serbia's "Official Gazette."

This inconsistency has been exacerbated by a high volume of new laws and amendments to existing laws adopted by the new Serbian government in the latter half of 2012. Certain pieces of legislation were rushed through the National Assembly with little public or expert consultation (e.g., amendments to the Law on the National Bank of Serbia), while others underwent various levels of public scrutiny before being sent to the National Assembly (e.g., the new Public Procurement Law). The European Commission's 2012 Progress Report for Serbia highlighted the rushed nature of the passage of these and other laws or amendments: "The drafting process continues to lack transparency, sufficient structure and time for effective consultation of all interested parties, which would also make the legal environment more predictable."

The government's "regulatory guillotine" project, initiated in 2009, continues to streamline laws and regulations that impede businesses by removing those that are unnecessary, outdated, or contradictory. Of the 340 recommendations for regulatory reform under the "regulatory guillotine" process, 212 (or 70 percent) were implemented by the end of September 2012, accounting for an annual savings of approximately USD 170 million for businesses. Implementation of 26 of the recommendations remains in progress. An additional 66 recommendations, including key reforms in areas such as construction permits, inspections, and labor legislation, still await implementation. (The remaining 36 recommendations were abandoned following a Serbian government analysis.) Despite these efforts, the implementation of new laws and regulations remains slow. The government is preparing a regulatory reform strategy and action plan for 2013 to accelerate the regulatory guillotine process and further cut red tape.

In September 2012, the Government of Serbia eliminated 138 so-called "para-fiscal" charges imposed by various local governments that add to the financial and regulatory burden on businesses in Serbia. Many of these charges are imposed and administered in a non-transparent manner. The 138 charges eliminated represent a portion of the 370 fees identified in an April 2012 study by USAID's Business Enabling Project. The charges amounted to more than two percent of Serbia's GDP, but provided little to no benefit to business or citizens. Eliminating the 138 charges was considered a significant step in improving business conditions by various institutions, including the National Alliance for Local Economic Development, various employers' associations, and the American Chamber of Commerce in Serbia.

The 2013 World Bank Doing Business Report, which measures the efficiency of business regulation across 185 countries, ranks Serbia 86th (up from 95th place in 2012). The report recognized Serbia as one of the top-ten most improved countries in 2012. Serbia's improvement in the rankings was attributable largely to a 49-place jump in "starting a business" (from 91st place in 2012 to 42nd in 2013) and a 17-place jump in "resolving insolvency" (from 120th place in 2012 to 103rd in 2013).

The World Bank report indicates that Serbia continues to lag in other key areas. Serbia's worst ranking is in "dealing with construction permits" – 179th out of 185 economies (a one-place drop compared with 2012). The World Bank report cited excessive red tape, high costs, the eighteen different procedures, and length of time (an average of 269 days) required for procuring a construction permit as factors in the low ranking. Serbia is also low-ranked in the categories of "paying taxes" (149th place, down from 145th in 2012) and "enforcing contracts" (103rd place, down from 102nd in 2012).

There are a number of local Serbian organizations that publish recommendations for government action to improve the transparency and efficiency of business regulations.

The Foreign Investors Council publishes an annual "White Book" that offers concrete proposals for the improvement of Serbia's business climate, including suggestions for ease of doing business in specific business areas. (The White Book is available at the following link: http://www.fic.org.rs/cms/item/whitebook/en.html.) The National Alliance for Local Economic Development NALED publishes a "Grey Book" (http://www.naled-serbia.org/documents/lavirint/Grey%20Book%20III.pdf) with recommendations for removing administrative obstacles to doing business in Serbia. The American Chamber of Commerce in Serbia publishes similar materials at its website: http://www.amcham.rs/home.9.html.

Efficient Capital Markets and Portfolio Investment

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Serbia's financial sector successfully weathered the 2008 global financial crisis, largely because of conservative banking policies and regulations that require high capital adequacy ratios and high liquidity for banks operating in the country. Serbia experienced no bank failures or bailouts during the crisis, though a number of state-controlled banks have since had financial difficulties as a result of mismanagement and, in one instance, alleged corruption. The banks honored all withdrawal requests during the financial crisis and appear to have regained consumer trust, as evidenced by the gradual return of the withdrawn deposits to the banking system during 2009 and 2010. By September 2012, savings deposits in the banking sector reached USD 9.22 billion, exceeding the pre-crisis, October 2008 level.

The banking sector comprises 91 percent of the total assets of the financial sector in Serbia. As of September 2012, consolidation had reduced the sector to 33 banks with total assets of USD 33 billion (about 80 percent of GDP), with 74 percent of the market held by foreign-owned banks. The top ten banks, with country of ownership and estimated assets (in Euros) are: Banca Intesa (Italy, 2.9 billion); Komercijalna Banka (Government of Serbia (40%) European Bank for Reconstruction and Development (25%, 2.2 billion); Raiffeisen Bank (Austria, 1.9 billion); UniCredit Bank (Italy, 1.5 billion); Eurobank EFG (Greece, 1.4 billion); Hypo Alpin-Adria-Bank (Austria, 1.4 billion); AIK Banka Nis (Serbia, 1.1 billion); Société Générale Banka (France, 1.0 billion); Vojvodjanska Banka (Greece, 830 million); and Alpha Bank (Greece 750 million).

Credit is allocated on market terms. Average interest rates are high, and business leaders in Serbia cite tight credit policies and the high expense of commercial borrowing as impediments to business. According to the National Bank of Serbia (NBS), the average interest rate for business loans (in November 2012) was 7.24 percent, compared to 4 percent in Germany, 6.5 percent in Spain, and 6.24 percent in Italy. The average interest rate on a mortgage loan in Serbia was 4.7 percent. Most mortgage lending, and much commercial lending, is done in Euros to provide lower rates to borrowers and minimize exchange rate risks to lenders.

The business community has actively lobbied the NBS to lower its reserve requirements for commercial banks in an effort to secure easier, cheaper credit. The NBS has resisted, arguing that its high reserve requirements are necessary to maintain the health of the banking system and the overall stability of the economy. A new NBS governor, appointed in August 2012, confirmed the NBS' intention to maintain strict reserve requirements. (The new Serbian government, which assumed power in July 2012, enacted amendments to the Law on the National Bank of Serbia that undermined the

NBS' independence and led to the resignation of the sitting governor. The new governor has largely adhered to the NBS' traditionally conservative oversight policies with respect to the financial sector.)

The high rate of non-performing loans in the banking sector is problematic. The non-performing loan rate increased from 16.9 percent of total loans issued at the end of 2010 to 19.9 percent as of September 2012. In addition, there are significant foreign exchange risks in the banking sector, as 75 percent of all outstanding loans are indexed to foreign currencies (primarily the Euro). A sudden, swift depreciation of the dinar would cause repayment difficulties for a large number of borrowers who receive wages in dinars but whose loans are indexed to the Euro. The dinar weakened significantly throughout the first seven months of 2012, decreasing more than 11 percent versus the Euro and causing the central bank to sell more than EUR 1.33 billion (USD 1.73 billion) on the forex market to prop up the fragile dinar.

Portfolio investments are efficiently regulated. From January-October 2012, Serbia attracted USD 1.2 billion in portfolio investment from abroad.

The Serbian government regularly issues T-bills to finance the budget deficit. In 2009, the Serbian Treasury began to issue dinar-denominated T-bills for three-month, six-month, and 12-month terms. The program expanded in 2010 to include 18 and 24-month issuances, and again in 2011 to include a 36-month issuance. In January 2012, the government issued five-year T-bills for the first time. Purchase rates over the last two years have fluctuated widely, from as little as two percent (in June 2012 for three-year T-bills) to fully subscribed. Purchase rates since the formation of the new government in July 2012 have ranged between 22 to 100 percent. The total value of dinar-denominated T-bills reached USD 4.7 billion as of the end of 2012.

In September 2011, the Serbian government successfully issued its first Eurobond, selling USD 1 billion of Euro-denominated bonds bearing a 7.25 percent interest rate. The government issued another USD 1 billion worth of ten-year Eurobonds (bearing a 6.625 percent coupon rate) on September 28, 2012, and an additional USD 750 million in five-year Eurobonds (bearing a 5.25 percent coupon rate) in mid-November 2012. U.S. financial companies reportedly purchased more than half of these Eurobond issuances. With both dinar-denominated T-bills and Eurobonds included, the total stock of Serbian government-issued debt instruments stood at USD 7.5 billion at the end of 2012.

To meet its 2013 financing requirements, the Serbian government has announced plans to issue additional Eurobonds and to borrow directly from foreign governments, reportedly including Russia, China, and the United Arab Emirates.

Unfavorable public-debt dynamics resulted in sovereign debt rating downgrades for Serbia in August 2012. Standard and Poor's (S&P) downgraded Serbia's sovereign debt rating from BB to BB- with a negative outlook. Fitch Ratings followed by downgrading Serbia's outlook from stable to negative, but affirmed Serbia's long-term credit rating at BB- and its short-term rating at B. According to the World Bank, the credit rating downgrades could impede the Serbian government's ability to finance its deficits (though Serbia's successful Eurobond issues in late 2012 suggest otherwise). The World Bank cautions that further downgrades may follow if current risks to fiscal and debt sustainability are not adequately addressed.

Serbia has a capital market infrastructure, but the equity and bond markets are underdeveloped. Corporate securities and Republic of Serbia bonds are traded on the Belgrade Stock Exchange (BSE). Out of 1,091 companies listed on the exchange, shares in fewer than 100 companies trade regularly (i.e., more than once a week). The total annual turnover at the BSE was halved in 2009 to EUR 442 million (USD 575 million) and halved again in 2010 to approximately 222 million Euros (USD 289 million). The Exchange recovered slightly in 2011 to reach a turnover level of approximately EUR 280 million (USD 364 million), but declined again in 2012 to EUR 220 million (USD 286 million). These levels are far below the turnover on the BSE prior to the 2008 financial crisis -- in 2007 total turnover reached 2.2 billion Euros (USD 2.9 billion). The BSE's low turnover in the past four years is attributed to the crisis in the Eurozone and the struggling global economy.

Since 2010, the Serbian National Assembly has adopted or amended a number of laws governing capital markets and the financial system. The legislative measures are intended to develop the domestic capital market, increase the availability of dinar loans, and stimulate investment, while harmonizing Serbia's financial laws with those of the EU. For example, a new Capital Markets Law, which was developed with USAID support, was adopted in May 2010. The law was amended in the fall of 2012 to enable municipalities to issue bonds to institutional investors and on the securities market. The Foreign Exchange Law underwent major revisions in May 2011. It was amended again in December 2012 to authorize Serbian citizens to conclude transactions abroad through Internet payment systems, such as Pay Pal.

The Securities Commission (SC), established in 1995, regulates the Serbian securities market. The SC supervises investment funds in accordance with the Investment Funds Law, which came into force in January 2006 (as amended in July 2009 and May 2011). As of January 2013, 20 registered investment funds operate in Serbia.

Competition from State Owned Enterprises Return to top

Serbia maintains 35 large State-Owned Enterprises (SOEs) and more than 650 municipal enterprises in select sectors of the economy. SOEs dominate many of the leading sectors of the economy, including energy, transportation, utilities, telecommunications, infrastructure, mining and natural resources. According to the European Commission's October 2012 Progress Report for Serbia, SOEs incur approximately EUR 1.0 billion (USD 1.3 billion) in combined losses annually, approximately 40 percent of all losses in the economy. The losses amount to approximately 3.5 percent of GDP. In addition, total government subsidies and transfers to state enterprises amount to an estimated 2.3 percent of GDP.

Serbian law explicitly authorizes the establishment of SOEs in the following sectors: production, transmission, and distribution of electricity; production and processing of coal; production, processing, transport and distribution of crude oil, natural gas and liquefied natural gas; trade in crude oil and oil derivatives; railways; postal services; air traffic services; telecommunications; issuance of the official gazette of the Republic of Serbia; publishing of school books; management of nuclear facilities; use, management, protection and development of "public interest goods" (including water, roads, mineral resources, forests, rivers, lakes, shores, hot springs, wild game, and protected areas);

production, trade and transportation of arms and military equipment; waste management; and utility services.

Recent Serbian governments have treated SOEs as political prizes to be divvied up among political parties in the ruling government coalition. SOE managers often are politicians or party activists appointed because of their political connections rather than their management skills or substantive expertise. In an effort to reverse the politicization of public enterprises and put them under more professional management, the National Assembly adopted a new Law on Public Companies in December 2012 that requires all SOE directors to be selected through a public tender process by mid-2013. The law permits an SOE director to maintain a political party membership, but bars him or her from exercising political party functions while serving as director. The new law also abolishes SOE Managing Boards, relics of the socialist period that served primarily as a means of rewarding political party members.

The 2012 law also introduced greater transparency into the work of public companies by requiring them to publish quarterly financial reports, plans, and all tenders on their websites. The law makes explicit that private entities, including companies and entrepreneurs, are entitled to equal treatment with public companies in the marketplace, unless otherwise provided by law.

In some economic sectors dominated by SOEs, Serbia has started opening or preparing for the opening of markets to competition. In telecommunications, for example, the Norwegian mobile-telephone provider Telenor won a 10-year renewable license from Serbia's Telecommunications Agency (RATEL) in 2010 to operate telephone landlines, thereby ending state telecom operator Telekom Srbija's landline monopoly. In 2011, the Serbian government attempted to privatize state-owned Telekom Srbija, though the privatization failed.

In energy, the government sold a majority share in the former state-owned petroleum company Naftna Industrija Srbije to Russia's Gazpromneft in 2008. Full liberalization of the domestic oil and oil derivatives market commenced on January 1, 2011. Although electricity production remains the monopoly of state-owned power utility Elektroprivreda Srbije (EPS), private trading in electricity is permitted and a flourishing, private, cross-border power market has developed. The Energy Act 2011 envisages gradual liberalization of the Serbian energy market by the introduction of market-based mechanisms for determining energy prices, an incentive structure for developing renewable energy sources by private companies, and free choice of electricity suppliers for all consumers by January 1, 2015.

Serbia encourages foreign participation in the privatization of state-owned or "socially-owned" enterprises. As of the end of 2012, foreign entities and citizens have purchased 177 companies through the privatization process. Foreign investors and entities may not, however, establish enterprises in the defense sector or areas legally designated as restricted zones, although they may acquire minority rights in such investments, subject to Ministry of Defense approval.

Recent, high-profile attempts to privatize large, state-owned companies have not been successful. A tender for 51 percent of Telekom Srbija shares failed in 2011 because the offer of the sole bidder, Telekom Austria, was lower than the prescribed minimum-offer price (EUR 1.4 billion). In 2012, the Serbian government rolled back a prior, partial privatization of Telekom Srbija by paying USD 495 million to buy back a 25 percent stake held by Greek telecom operator Hellenic Telecom (OTE). Serbian government officials suggested that full government ownership would make Telekom Srbija easier to privatize in a future tender, and indicated that the minimum purchase price would be EUR 2.5 billion (USD 3.3 billion).

The Serbian government initiated a second attempt to privatize JAT Airways on August 1, 2011, but attracted no bids. Serbian officials maintain that JAT will be restructured and/or privatized, and the new government has organized a working group to address the issue. The government also opened a tender in 2012 for the sale of loss-making Zelezara Smederevo steel works, which U.S. Steel sold back to the government for a nominal EUR 1 in January 2012. The government has extended the tender process twice thus far, reportedly at the request of an interested company, Russia's UralVagonZavod.

Additionally, on December 13, 2012, the Serbian government ordered the Ministry of Finance and Economy to locate a strategic partner for the deeply indebted, state-owned pharmaceutical company Galenika. The Ministry announced that an international tender privatization of Galenika will be opened in early 2013. The Ministry also announced plans to sell state-owned Privredna Banka Beograd in 2013.

Other large, state-owned enterprises are potential future candidates for privatization of all or a portion of their shares, including: Belgrade's Nikola Tesla airport; state-owned power utility EPS; the state railway company; and the remaining nine state-owned banks. However, the Serbian government stated in its "Fiscal Strategy for 2013 and Projections for 2014 and 2015" that it will sell only those companies that face competition in their specific markets on grounds that they could potentially increase their competitiveness by a sale to strategic partner. Pursuant to this policy, the Serbian Prime Minister announced in late 2012 that the government will not sell certain state-owned monopolies, e.g., power supplier EPS, and will maintain a majority share in the railways, postal services, and Belgrade's airport.

The number of "failed privatizations" has exceeded 27 percent since the beginning of the privatization process in 2000. Over the past ten years, a total of 2,350 companies were privatized; of this figure, 646 privatization contracts (27 percent) were annulled because of the buyers' failure to fulfill the contract terms.

Approximately 535 companies still await privatization, their prospects clouded for a variety of reasons. Approximately 170 of these companies are designated as "in restructuring;" most companies in restructuring are highly indebted, overstaffed, lack markets for their products, and survive on government subsidies, rendering them relatively unattractive to potential buyers. On December 15, 2012, Serbia adopted amendments to the Privatization Law that set a deadline of June 30, 2014 for resolving the status of companies in restructuring, which will force them to either find a buyer or enter bankruptcy proceedings.

Efforts at privatization are sometimes complicated by ownership disputes, some of which are the legacy of Yugoslavia's dissolution (i.e., joint ownership with enterprises in former Yugoslavia that are now separate, sovereign nations). Many other companies on the privatization list were returned to the Privatization Agency following the annulment of privatization contracts. Finally, privatization of "socially-owned entities" (a Yugoslav-era designation distinguishing "worker-owned" firms from larger, state-owned firms) has stalled. A 2008 Law on Privatization stipulated that all socially-owned entities were to have been privatized by the end of 2008, but many of these entities continue in existence with no productive activity.

Corporate Social Responsibility

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Corporate social responsibility (CSR) is a relatively new concept in Serbia and remains poorly understood by the Serbian public. The business sector is gradually becoming more familiar with the concept of CSR, though many Serbian companies view CSR mainly as a public relations tool to help improve their image or reputation. Although the largest Serbian companies have a growing awareness of the importance of CSR, multinational companies that possess wide experience in this field are its primary and most effective practitioners. The corporate sector has become more active over the last few years in partnering with NGOs and other relevant organizations to organize events and conferences to raise awareness of CSR principles.

In general, the Serbian public has a limited understanding of CSR principles and is often skeptical about the intentions of the business sector. According to CSR surveys conducted over the last two years by the Synovate market intelligence agency, only 34 percent of 2,241 respondents had heard of the concept and only 11 percent were able to give an example. The survey also suggested that consumer pressure is unlikely to motivate the corporate sector to be more socially responsible, as 60 percent of respondents said they would buy a product regardless of whether its manufacturer acts in conformity with ethical principles.

Several local organizations actively promote the concept of CSR in Serbia. The American Chamber of Commerce in Serbia (AmCham), for example, actively promotes CSR principles among its member companies and the wider Serbian business community and public. AmCham maintains a CSR web-page with member success stories and publishes a CSR-themed e-newsletter, available at: http://www.amcham.rs/corporate_social_responsibility_(csr)/amcham_members_success_stories.22.html, and http://www.amcham.rs/corporate_social_responsibility_(csr)/csr_e-news.140.html. Through these tools, AmCham has published more than 50 reports about its members' CSR initiatives and activities. In 2012, AmCham launched an educational program, AmCham Academy, for young, prospective managers to learn from top business leaders on leadership, corporate governance, and other topics.

USAID sponsors the annual Virtus Awards for Corporate Philanthropy, which recognizes companies that most effectively and efficiently support non-profit actions or organizations for the public good. The award has been presented for the last six years by the Balkan Community Initiatives Fund (BCIF) to companies that have demonstrated the highest degree of social responsibility in Serbia. The latest round of awards was held in January 2013, honoring corporate recipients for their philanthropic activities on the national and local levels and for their long-term cooperation with non-governmental organizations. In cooperation with USAID, BCIF also supports the Serbian Philanthropy Forum, a networking body for donors (including numerous corporate actors) to advance philanthropic concepts in Serbia.

USAID also promotes CSR through its partnership with a Serbian organization, Smart Kolektiv, whose outreach and advocacy efforts encourage corporate volunteer programs and other forms of community engagement. Smart Kolektiv staffs the Business Leaders ' Forum, which engages prominent businesspeople (increasingly from Serbian, rather than multinational, companies) to address socio-economic and community challenges.

Since its launch in Serbia in 2007, the UN Development Program's (UNDP) Global Compact initiative has organized a number of educational events intended to strengthen capacity in areas relating to CSR. Global Compact is a voluntary international network of companies and non-corporate actors committed to improving human rights, labor practices, environmental protection, and anti-corruption efforts. All UNDP Global Compact members are obliged to incorporate theses principles in their business practices. In Serbia, Global Compact has created a five-member Steering Committee, a Secretariat maintained by UNDP Serbia and the National Bank of Serbia, and five working groups.

In December 2012, the UN Global Compact held its Annual Assembly in Belgrade to highlight its local activities. Among the notable achievements of Global Compact members were: a donation of 500 books to a local library, assistance to elderly and disabled persons in rural areas, and the organization of conferences on "Business Principles and Children's Rights" and "Principles of Empowering Women" (attended by the President of Serbia). Belgrade also hosted the Third Annual Meeting of the European Network of the Global Compact in October 2012. During the two-day conference, domestic Global Compact representatives joined 55 members of delegations from 21 local European networks to promote the fight against corruption, among other topics.

Political Violence

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Since October 2000, Serbia has been led by democratically elected governments that have publicly committed to supporting stability and security in the region.

There have been periodic spikes in political tension and threats of politically motivated violence in both the Sandzak region and south Serbia. In the Sandzak region, these tensions have led to sporadic, localized violence between competing political groups. This violence is usually directed at opposing party figures and has not targeted unrelated civilians or businesses

Immediately following Kosovo's February 17, 2008 declaration of independence from Serbia, groups twice broke away from larger demonstrations and attacked embassies of countries that had recognized Kosovo, including the U.S. Embassy in Belgrade. Since these attacks in February 2008, there have been no major violent incidents in Serbia related to Kosovo. However, extremists from Serbia regularly have been accused of fomenting and participating in politically motivated violence in northern Kosovo.

The October 10, 2010 Pride Parade in Belgrade was marred by significant violence. Approximately 6,000 demonstrators, mostly young soccer hooligans and nationalist extremists, attempted to attack and disrupt the parade. When police prevented them from reaching the parade, they attacked several buildings, including foreign embassies and political party headquarters, in downtown Belgrade. The rioters injured 147 police officers and caused approximately $1.4 million in property damage. The Serbian government cancelled the planned October 2011 and October 2012 Pride Parades at the last minute, ostensibly because of threats of violence by the same nationalist and extremist groups that attempted to disrupt the 2010 parade.

Following the assassination of Serbia's prime minister in the spring of 2003 by a criminal group, the Serbian government launched a crackdown on organized crime. Starting in 2008, the government passed and began implementing new legislation to strengthen the tools available to law enforcement and prosecutors to combat organized crime. The previous government increased law enforcement cooperation with other governments in the region. The government elected in 2012 has pledged to continue these efforts, and has already registered some high-profile arrests and investigations.

In September 2011, the National Assembly adopted a new Criminal Procedure Code. The Code is intended to make the criminal justice system more effective and efficient by, among other reforms, introducing prosecutor-led investigations and expanding the use of cooperating witnesses and guilty pleas. The new Code took effect in January 2012 for the specialized courts for organized crime and high-level corruption and for war-crimes cases. It is scheduled to take effect nationwide in October 2013, although it is currently undergoing some significant revisions in consultation with U.S. government experts. In November 2012, the National Assembly passed an amnesty law reducing the sentences of thousands of convicts, including many convicted of involvement in organized criminal activities.

Organized crime in Serbia is frequently linked to sports hooliganism. In 2009, sports hooligans in Serbia attacked and killed a visiting French national. The government responded with a renewed crackdown on organized crime and sports clubs promoting hooliganism. In October 2010, Serbian ultra-nationalist soccer hooligans clashed with Italian police in the northern Italian city of Genoa during the two countries' Euro 2012 qualifying game. At least sixteen people were hospitalized and 17 Serbian fans were arrested after violent riots caused a 40-minute delay in the match, and then forced the game to be abandoned after six minutes of play. Serbian officials expressed concern afterwards about a right-wing extremist plot against Serbia's entry into the European Union. Security forces increased their presence substantially at all ensuing international soccer matches in Serbia. In January 2012, hooligans attacked visiting Croatian fans in Novi Sad and Ruma, resulting in several injuries, and set fire to visitors' cars in Novi Sad during the Euro 2012 handball championships held in Serbia.

A number of ultra-nationalist organizations, such as "Obraz" and "Nasi," are active in Serbia. Popular support for such organizations appears to be very limited. In 2012 these organizations issued numerous statements and so-called "blacklists" targeting certain Serbian political leaders, local NGOs, and media outlets alleged to be "pro-Western." To date, the calls of these organizations for action against their targets have not resulted in any violent incidents.

Corruption Return to top

Although difficult to quantify, corruption in Serbia is believed to be pervasive. Serbia ranked 80 of 174 countries in the 2012 Corruption Perception Index survey compiled by Transparency International, an international, anti-corruption watchdog organization. Serbia's ranking improved compared to 2011 (86th place).

In an effort to combat corruption, the Serbian National Assembly in 2008 approved the creation of an Anti-Corruption Agency (ACA). The ACA began functioning on January 1, 2010 as an independent governmental body accountable to the Serbian National Assembly. The ACA is charged with unifying current anti-corruption activities, including: enforcing the National Strategy to Fight Corruption; monitoring conflicts of interest; tracking politicians' property and assets; monitoring political party financing; and facilitating international anti-corruption cooperation.

During 2012, the ACA continued filling vacancies and hired a number of highly qualified experts. The ACA suffered a setback in November 2012, however, when its first Director, Zorana Markovic, was dismissed in the wake of allegations of abuse of authority arising from the purported misuse of state-owned apartments. The ACA managing board selected a new Director, Tatjana Babic, in January 2013. Babic had served as the ACA's Acting Director since the dismissal of her predecessor.

The ACA played a significant role in Serbia's 2012 parliamentary and presidential elections. For the first time, the ACA verified asset disclosure forms of both former and new public officials, reviewed new public officials for conflicts of interest, and examined election financing. During the summer of 2012, the ACA compiled a series of reports on former members of the government who had failed to disclose all of their assets. The ACA also uncovered several conflict of interest cases involving Serbian public officials and referred a number of them to appropriate investigative authorities. The ACA's evaluation of election financing, however, encountered delays, and as of the end of 2012, the ACA had not produced complete results of political party financing during the 2012 elections.

Since its formation in the summer of 2012, the new Government of Serbia has made the fight against corruption a priority. The anti-corruption campaign has resulted in a number of highly-publicized arrests of prominent political figures and businessmen. In October 2012, Serbian authorities charged the minister of environment and spatial planning in the previous government and two of his associates with corruption and abuse of office in connection with construction deals in 2009 and 2010.

In November 2012, authorities arrested the former minister of agriculture and eight others on charges of corruption and suspected fraud arising out of the issuance of state grants to selected companies and the bankruptcy of a state-controlled bank, Agrobanka. An additional 19 persons were also arrested in connection with the Agrobanka case, including Agrobanka's executive board chairman. (Agrobanka allegedly issued large loans to politically connected enterprises without appropriate collateral or guarantees. The loans were never repaid, resulting in USD 369 million in losses.)

In December, authorities arrested one of Serbia's wealthiest and most powerful businessmen and his son for alleged abuses in the privatization of a road construction and maintenance company. In addition, the new government initiated an investigation of 24 allegedly suspicious privatization transactions, as recommended by the EU.

Serbia is a signatory to the Council of Europe Civil Law Convention on Corruption and has ratified the Council's Criminal Law Convention on Corruption, the United Nations Convention Against Transnational Organized Crime, and the United Nations Convention Against Corruption. Serbia is also a member of the Group of States against Corruption

(GRECO), a peer-monitoring organization that provides peer-based assessments of members' anti-corruption efforts on a continuing basis.

Both giving and receiving a bribe is a crime in Serbia. Bribes by local companies to foreign officials are also criminal acts punishable by law. Corruption offenses are handled by higher courts and prosecutors' offices. On January 1, 2010, the Organized Crime Prosecutor's Office assumed jurisdiction over corruption-related offenses involving high-level public officials and cases involving more than USD 2.7 million in illicit proceeds.

The Criminal Code was amended at the end of 2012 to introduce a new corruption offense – abuse of authority in relation to public procurements – in response to the significant number of corruption cases in this area. The 2012 amendments also establish a distinction between abuse of public authority and abuse of private authority, making the latter a separate offense subject to criminal prosecution if it resulted in an unlawful benefit or significant damage. Serbian government officials indicate that drafting legislation to address corruption-related offenses by the private sector will be a priority in 2013.

In November 2010, the National Assembly passed amendments and addenda to the Anti-Money Laundering and Counter-Terrorism Law. Among other provisions, these amendments require banks and other financial institutions to gather data about legal and natural persons that electronically transfer money and to monitor unusual transactions. The amendments also expand the role of the Anti-Money Laundering Unit of the Ministry of Finance and Economy by vesting it with supervisory authority over a number of institutions and business, including money transmitters and factoring and forfeiting entities.

The Regional Anti-Corruption Initiative, originally organized under the auspices of the Stability Pact for South Eastern Europe, maintains a website with updates about anti-corruption efforts in Serbia: http://www.anticorruption-serbia.org/

Bilateral Investment Agreements

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Serbia has concluded investment protection treaties/agreements with the following 51 countries: Albania, Algeria, Austria, Azerbaijan, Belarus, Belgium, Luxemburg, Bosnia and Herzegovina, Bulgaria, Russia, China, Cyprus, Croatia, Cuba, the Czech Republic, the Democratic People's Republic of Korea, Denmark, Egypt, Finland, Macedonia, Malta, France, Germany, Ghana, Greece, Guinea, Hungary, Holland, India, Indonesia, Iran, Israel, Italy, Kazakhstan, Kuwait, Libya, Lithuania, Nigeria, Montenegro, Poland, Portugal , Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, Ukraine, and Zimbabwe.

The United States does not have a bilateral investment treaty or a double taxation treaty with Serbia. The United States extended duty-free privileges to qualified Serbian exports under the Generalized System of Preferences program in July 2005.

In April 2008, the Serbian government signed a Stabilization and Association Agreement (SAA) and Interim Agreement on Trade and Trade-Related Matters with the European Union. Implementation of the SAA's interim trade agreement with Serbia was put on hold over the issue of Serbia's cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTY). Serbia unilaterally applied the interim trade agreement beginning February 1, 2009. In December 2009, the EU Council of Ministers decided to implement the interim trade agreement following a positive report from the ICTY prosecutor on Serbia's cooperation. The European Parliament approved the SAA in January 2011. As of the end of 2012, 26 of the 27 EU Member States had ratified the SAA. Full implementation of the SAA cannot take place until Lithuania, the only EU member not to have ratified the accord, does so.

The Serbian government continues to pursue membership in the World Trade Organization. The government made steady progress in 2012 in multilateral and bilateral negotiations that are part of the WTO accession process. Multilateral negotiations are at an advanced stage. Serbia must still finalize bilateral negotiations with a handful of countries, including the United States.

The primary remaining obstacle in Serbia's WTO negotiations is the country's complete ban on the cultivation and trading of agricultural biotechnology products. According to the Serbian government's "Action Plan" for fulfilling European Commission recommendations to advance Serbia's European integration, the law will be amended to conform to the EU *acquis* and WTO rules in the first half of 2013.

Serbia has been a member of the Central European Free Trade Agreement (CEFTA) since December 19, 2006. CEFTA is a multilateral free-trade agreement among southeastern European countries, including: Croatia, Macedonia, Serbia, Montenegro, Bosnia-Herzegovina, Albania, Moldova and UNMIK/Kosovo. Croatia will cease to be a CEFTA member upon entry into the European Union in 2013. CEFTA's primary objective is to facilitate and expand trade and investment among its members, whose collective population is almost 30 million.

Serbia has concluded bilateral free trade agreements with Russia, Belarus, Kazakhstan, Turkey, and the European Free Trade Association states (Norway, Switzerland, Iceland, and Liechtenstein).

OPIC and Other Investment Insurance Programs

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Serbia and Montenegro signed a bilateral agreement with the U.S. Overseas Private Investment Corporation (OPIC) in July 2001 and became eligible for OPIC programs in November 2001 upon the agreement's ratification. Following Serbia and Montenegro's separation, the agreement remained in effect with respect to Serbia.

OPIC products include:

-- insurance for investors against political risk, expropriation, damages due to political violence and currency convertibility;
-- insurance for certain contracting, exporting, licensing and leasing transactions;
-- medium- to long-term funding through direct loans and loan guaranties to eligible investment projects in developing countries and emerging markets; and
-- support for the creation of privately-owned and managed investment funds.

For complete information on OPIC programs, see: http://www.opic.gov.

In July 2009, OPIC severely restricted its programs for Serbia over an investment dispute involving a U.S. company that held OPIC policies on its Serbian investments. The Serbian government and the investor concluded a settlement agreement in January 2012 that led to the reinstatement of the full range of OPIC programs for Serbia the following month.

Serbia became a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank affiliate, in April 2002.

Labor

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Serbia has a total labor force of approximately 2.86 million people, of which 2.20 million are employed, according to October 2012 figures from the Serbian Statistics Office (http://webrzs.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=28). Approximately two-thirds of those employed work in the private sector, while one-third work in the public sector, which includes state-owned companies and the government. The unemployment rate as of October 2012 stood at 22.4 percent. The unemployment rate declined slightly from the previous year (23.7 percent in October 2011).

Labor costs are relatively low in Serbia. As of the end of 2012, the average net take-home salary was approximately USD 500. The minimum wage for the period April 2012 to February 2013 is set at approximately USD 250 per month.

Staff leasing, although frequently used in practice (and to a certain extent tolerated by labor authorities), is not regulated by Serbian law. As a result, there is a significant degree of legal uncertainty in this area.

Business associations, including AmCham and the Foreign Investors Council, advocate significant changes in Serbia's labor laws, which they view as highly favorable to the employee. Businesses assert that the rigidity of the labor laws is a disincentive to hiring new employees. Among the most problematic aspects of the labor laws in the view of business associations are:

> -- a requirement that in cases of redundancy, the current employer pay severance based on an employee's total years of employment, rather than on the years of service with that employer;
> -- strict and inflexible mandates concerning working hours, annual leave, and other conditions of employment;
> -- excessive administrative burdens for employers (e.g., voluminous documentation requirements, physical signature requirements, lack of authorization for electronic signatures, document delivery or salary payments);
> -- temporary, fixed-term employment contracts that are limited to 12 months (business associations favor a 36-month term); and
> -- a chaotic system of collective bargaining at the national and industry levels under which the terms of labor agreements may be extended to all companies (either nationally or within a given industry), whether or not they were represented in the bargaining process.

According to AmCham, these and other regulatory shortcomings are coupled with a haphazard system of enforcement by the Labor Inspectorate and slow court procedures for resolving labor disputes.

Foreign investors can be particularly disadvantaged by Serbia's collective bargaining system. Industry-wide labor agreements are negotiated by the relevant labor unions and the Serbian Association of Employers, the sole employers' representative organization involved in collective bargaining. Most foreign investors are not members of the Association. Under the labor laws, the Ministry of Labor, Employment and Social Policy can extend collective agreements negotiated by the Association to all companies operating in the industry, including foreign-owned companies.

In this way, employers who do not participate in negotiations and the conclusion of these industry-wide collective agreements are compelled to abide by the obligations contained in them. Foreign investors often learn about the terms of the industry-wide collective agreements only after they are published. AmCham and the Foreign Investors Council criticize this practice on the grounds that it extends an agreement between two parties to a third party that did not participate in its negotiation, creating additional uncertainty for foreign investors. (In 2012, the Labor Ministry extended industry-wide collective agreements to all employers in Serbia in the following three spheres: chemical and non-metals industry; metals industry; and the construction and construction materials industry.)

A related organization, the Serbian Social and Economic Council, is an independent body comprising representatives of the Serbian government, the Serbian Association of Employers, and trade unions. The Council is authorized to conclude an umbrella collective bargaining agreement at the national level on basic employment conditions (minimum wage, working hours, etc.) for all companies in Serbia. The Council is also a leading venue for tripartite (government, labor, and business) discussions of significant labor and social issues, including: working conditions and terms of employment; the impact of economic policies on employment, wages and prices; competition policies; privatization; workplace health and safety; and education and professional training. Additional information about the Council is available at its website: http://www.socijalnoekonomskisavet.rs/en/index.html.

Foreign-Trade Zones/Free Ports Return to top

Serbia has eight designated free trade zones (FTZs) (Subotica, Pirot, Zrenjanin, Kragujevac, Sabac, Novi Sad, Uzice, and the Nis-based Free Zone South, which is spread over three separate locations. The Serbian Government plans to establish additional FTZs in 2012.

FTZs are established in accordance with the 2006 Law on Free Trade Zones and are intended to attract investment by providing tax-free areas to companies. Business activities conducted in these areas receive benefits such as unlimited imports and exports, preferential customs treatment and tax relief/VAT exclusions. Goods coming in or out of the FTZs must be reported to the customs authorities and payments must be made in accordance with regulations on hard currency payments. Earnings and revenues generated within an FTZ may be transferred freely to any country, including Serbia, without prior approvals, and are not subject to any kind of taxes, duties or fees. Companies must provide information to the Administration for Free Trade Zones and, other than the financial benefits described above, are subject to the same laws and supervision as other businesses in Serbia. The law allows up to 100% foreign ownership of the FTZ’s managing company.

Foreign Direct Investment Statistics Return to top

The National Bank of Serbia (NBS) and the Republic Statistics Office report that net foreign direct investment (FDI) in Serbia, including goods and equipment, totaled approximately EUR 81 million (USD 105 million) from January-October 2012. FDI inflows in the period totaled approximately EUR 638 million (USD 829 million). FDI outflows during the period, at approximately EUR 557 million (USD 724 million, were unusually high, largely because of two large transactions. First, at the beginning of 2012, the state-owned telecommunications company, Telekom Srbija, re-purchased 20 percent of its shares from the Greek telecom operator Hellenic Telecom (OTE) for EUR 381 million (USD 495 million). Second, Norway's Telenor, owner of Serbia's leading mobile telephone service provider, transferred approximately EUR 176 million (USD 229 million) from Serbia to Denmark. According to SIEPA, political uncertainty stemming from the country's May elections contributed to a slow-down in FDI inflows in 2012.

Serbia's net portfolio investments totaled EUR 941.7 million (USD 1.2 billion) between January-October 2012. This represents a decrease from the same period in 2011, when it stood at EUR 1.63 billion (USD 2.12 billion). Full NBS balance of payment statistics can be found at: http://www.nbs.rs/internet/english/80/platni_bilans.html.

According to SIEPA, two-thirds of total investments in 2012 were greenfield investments. A number of large-scale projects (over USD 50 million) were completed in 2012. In April, production commenced at Fiat Group Automobile's EUR 947.0 million (USD 1.2 billion) automobile factory in Kragujevac. The French electric engineering company Schneider Electric opened a USD 132 million greenfield investment in a smart-grid technology development center in Novi Sad. U.S. tire manufacturer Cooper Tire and Rubber Company purchased a tire manufacturer in Krusevac as part of a USD 65 million investment. The U.S.-Canadian brewing company Molson Coors purchased Apatinska Brewery as part of a USD 3.3 billion corporate acquisition of Starbev brewing company and its nine brewery properties in Central and Eastern Europe. More common were small (up to USD 10 million) and medium-sized (between USD 10 million and USD 50 million) greenfield and brownfield investments.

The food processing and beverage industry was the leading sector for FDI in 2012, followed by retail, construction, real estate, the financial and insurance industry, IT and communications, transportation, and mining.

According to the NBS, Croatia was the leading investor by country in Serbia in 2012, followed by Switzerland, Italy, Austria, Germany, Cyprus, Bulgaria, the United Kingdom, the United States, and Luxemburg. (Note: Many firms, including U.S.-based firms, invest through subsidiaries registered in Luxembourg or the Netherlands.) According to the American Chamber of Commerce, U.S. companies have invested nearly USD 3.0 billion in Serbia to date.

The largest investors over the previous decade were: Telenor (EUR 1.6 billion/USD 2.1 billion); Gazprom Neft NIS (EUR 947.0 million/USD 1.2 billion); Fiat Group Automobiles (EUR 947.0 million/USD 1.2 billion); Delhaize (EUR 933.0 million/USD 1.2 billion); Phillip Morris (EUR 733 million/USD 953 million); Stada Hemofarm (EUR 650 million/USD 845 million); Mobilkom Austria (EUR 633 million/USD 823 million); and Agrokor (EUR 614 million/USD 798 million).

The following are major FDI transactions completed or announced in Serbia in 2012:

Company: Fiat Group Automobiles
Country: Italy
Investment: USD 1.2 billion in an export-oriented automobile production plant in Kragujevac (production commenced in April 2012)

Company: Schneider Electric DMS
Country: France/Serbia
Investment: USD 132 million in a smart grid technology IT development center in Novi Sad

Company: Consortium of the Bulgarian companies Rubin and Glass Industry
Country: Bulgaria
Investment: USD 100 million acquisition of 63 percent of the Paracinka Glass Works Paracin

Company: Bosch
Country: Germany
Investment: USD 94 million in a production facility for automobile windshield wipers in Pecinci

Company: Boral Aluminyum Sanayi ve Ticaret Company
Country: Turkey
Investment: USD 73 million in an aluminum processing plant in Doljevac (South Serbia)

Company: Cooper Tire and Rubber Co.
Country: United States
Investment: USD 65 million in a tire plant in Krusevac

Company: Swarowski
Country: Austria
Investment: USD 28 million in a crystal processing plant in Subotica

Company: Mitas
Country: the Czech Republic
Investment: USD 27 million in an expansion of a tire plant in Ruma

Company: Energozelena
Country: Belgium/Serbia
Investment: USD 27 million in a meat industry waste treatment operation

Company: Cooper Standard Automotive
Country: United States
Investment: USD 26 million in a rubber automotive parts plant in Sremska Mitrovica

Company: Gorenje
Country: Slovenia
Investment: USD 24.8 million in a new factory for the production of home appliances in Valjevo

Company: Calzedonia
Country: Italy
Investment: USD 22 million in a textile company in Subotica

Company: Enesco
Country: Slovakia
Investment: USD 20 million in the construction of a biogas power plant in Bac

Company: Vindija
Country: Croatia
Investment: USD 20 million acquisition of a dairy company in Senta

Company: Geox
Country: Italy
Investment: USD 21 million in a shoe production facility in Vranje

Company: Ditre Italia
Country: Italy
Investment: USD 18 million in a furniture company in Vranje

Company: BPI
Country: the Czech Republic/Serbia
Investment: USD 16 million in the construction of a wood pallet company in Sombor

Company: Panasonic Lighting Europe GmbH
Country: Germany
Investment: USD 16 million expansion of an electric components factory in Svilajnac

Company: Mura
Country: Slovenia
Investment: USD 14.5 million acquisition and brownfield investment in the textile company "Prvog Maja" in Pirot

Company: Eurofoil/Drava International/JJS
Country: Serbia/Croatia/United States
Investment: USD 9.3 million in a recycling facility in Bor

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http://www.siepa.gov.rs/site/en/home
http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.
http://www.state.gov/g/drl/rls/hrrpt/
http://report.globalintegrity.org/
www.justice.gov/criminal/fraud/fcpa
http://www.ogc.doc.gov/trans_anti_bribery.html
http://www.justice.gov/criminal/fraud/fcpa.
http://www.oecd.org/dataoecd/11/40/44176910.pdf
http://www.ogc.doc.gov/trans_anti_bribery.html
http://www.ustr.gov/trade-agreements/free-trade-agreements
www.trade.gov/cs

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment) Return to top

Standard international forms of payment are all common in Serbia. Larger importers regularly receive goods under a short-term (about three months) supplier credit. Longer term financing is available for larger purchases but is difficult to obtain in the current financial downturn. The following instruments are used in Serbia for payments abroad: remittances, documentary collections, checks, and letters of credit. In 2007, the U.S.-origin surety company, North American Sureties, opened an office in Serbia. In January of 2010, the national Business Registers Agency, according to its website, started providing financial statement data and solvency-related services. Requests for data and services are accepted online, by regular mail, or in person.

How Does the Banking System Operate Return to top

Today there are 33 commercial banks (down from 88 in early 2001) in Serbia, most of which are authorized for international banking operations. The banking sector has undergone considerable restructuring. USAID has provided active assistance to the National Bank of Serbia to improve bank supervision and to develop institutional capacity.

On November 11, 2005, the Serbian parliament adopted a new banking law, reaffirming the role of the National Bank of Serbia in supervising much of the financial sector. The Serbian Law on Banks provides the regulatory framework for the banking sector in the country. The law determines the conditions and manner for establishing a bank, supervision and control of bank transactions, as well as the discontinuation of a bank. Supervisory authority is clearly vested in the National Bank of Serbia to oversee the banking sector. The law requires that a buyer of more than 5% of a bank's capital seek approval from the National Bank and sets the required initial capital for a bank at EUR 10 million. The law stipulates that banks are no longer run by a general manager but rather by a two-member executive board. It also introduced more responsibilities for auditors and calls for setting up a risk management unit within every bank.

The National Bank is charged with formulating monetary policy, credit control, managing foreign exchange transactions, bank supervision, and the supervision of insurance companies and voluntary pension funds. The National Bank is independent from the government but reports to the Parliament. In August of 2012, the ruling coalition appointed Ms. Jorgovanka Tabakovic as the Governor of National Bank of Serbia.

The National Bank of Serbia pursues a strict monetary policy with the dual objectives of controlling inflation and stabilizing the exchange rate. The National Bank is expected to continue its course of anti-inflationary policies. The National Bank's Monetary Board has gradually reduced the key policy rate from near 17.5% in 2008 to 9.5% at the end of 2009. Under current policy, the rate for 2013 is targeted at 11%. According to banking legislation, foreign legal entities and private individuals may establish new banks or make investments in existing banks provided that the condition of reciprocity is met.

Of the 33 banks in the Serbia, 19 are foreign owned, nine are domestic private banks, and the remaining five are majority owned by the state. Foreign ownership resulted primarily through acquisitions of existing banks and through licenses. Over the past three years, the total number of banks' branch offices across Serbia has grown from 1,465 to 2,033. Foreign banks present in the market include: Societe Generale (France), Credit Agricole (France), Raiffeisen Bank (Austria), Erste Bank, HVB- (Italy-Austria-Germany), the National Bank of Greece, Pireus Bank, Laiki Bank, Alpha Bank (Greece), Hypo Alpe Adria (Austria), and Banca Intesa, (Italy). AKB "Euroaxis Banka" - Moskva, BNP Paribas - Paris, Deutsche Bank Aktiengesellschaft - Frankfurt, LHB Internationale Handelsbank a.g. - Frankfurt, West LB AG- Diseldorf, Commerzbank AG – Frankfurt maintain representative offices in Serbia. The largest banking group in the world, U.S. Citibank, opened a representative office in Serbia in December of 2006. Komercijalna Banka is the largest Serbian bank and remains state-controlled.

Foreign banks interested in opening a representative office in Serbia may do so provided they meet the conditions of reciprocity. This includes for the purpose of market research in banking and financing, or for the purpose of advertising, promotion and representation. A representative office does not have the status of a legal entity and is not allowed to engage in banking operations. The entity who establishes the office guarantees all the obligations of the representative office. Permission to operate is granted to representative offices of foreign banks by the National Bank, which maintains the Register of Representative Offices of Foreign Banks and issues permits for their registration. Currently there are six representative offices operating in Serbia.

Foreign-Exchange Controls

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The dinar is the legal tender in Serbia. The dinar floats, although the National Bank manages the float to avoid excessive volatility. There are no legislative restrictions limiting the ability of a local company to pay for imported goods or services. Companies in Serbia are allowed to hold a foreign exchange account in one or more of the banks authorized for international banking operations. These accounts may be used to make or receive payments in foreign currency. Foreign exchange may not be purchased for speculative purposes. However, Forex purchases are permitted at any time to pay for imports, evidenced by presenting a contract or invoice. Repatriation of proceeds from exports should be made within 60 days from the day of export. Currently, there is no lack of foreign exchange in Serbia.

U.S. Banks and Local Correspondent Banks

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There are no U.S. banks providing services in Serbia. Komercijalna Banka, a state-controlled bank, has the best correspondent relationship with U.S. banks (Citibank, JP Morgan/Chase, American Express, etc). In December 2006, U.S. Citibank opened a representative office in Serbia but is mostly involved in corporate cross-border financing.

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The European Bank for Reconstruction & Development (EBRD) engages in an active program in Serbia providing assistance in the road, rail, and civil aviation sectors. EBRD has also provided municipal loans to Belgrade as well as developed a working capital fund for companies soon to be privatized. EBRD assisted with the establishment of ProCredit Bank and maintains an equity position in Eksim Banka, which was purchased by HVB. In March 2006, EBRD became a major shareholder in government owned Komercijalna Banka by purchasing a 25% share for EUR 70 million. To date the EBRD has committed close to €1.8 billion in the Serbian economy, mobilizing additional investments worth more an additional €1.7 billion.

Contact Information in Belgrade:

Resident Rep: European Bank for Reconstruction & Development
Mr. Matteo Patrone, Country Director
Bulevar Zorana Djindjica 64A, 5th Floor
11070 Novi Beograd, Serbia
Tel: +381 11 212 0529;
Fax: +381 11 212 0534
Web site: www.ebrd.com

The Overseas Private Investment Corporation (OPIC) is a semi-independent U.S. Government agency that promotes growth in developing countries by encouraging U.S. private investment. OPIC's key programs are its loan guarantees, direct loans and political risk insurance. Serbia became eligible for OPIC programs in July 2001. OPIC also established the Southeast Europe Equity Investment Fund I and II that is managed by Bedminster Capital Management. This fund is capitalized at $150 million. Following a break in activities due to an unresolved dispute with the Serbian Government over the privatization of Serbian major Travel Agency Putnik, OPIC reassumed the activities in late 2012.

Contact: OPIC
1100 New York Ave, N.W.
Washington, D.C. 20572
Tel: (202) 336-9700
Fax: (202) 408-5155
Web site: www.opic.gov

The Trade & Development Agency (TDA) is an independent U.S. government agency, which promotes U.S. exports for major development projects. TDA funds feasibility studies, orientation visits, training programs, and other project planning services related to U.S. exports. Contracts funded by TDA grants must be awarded to U.S. companies. U.S. involvement in project planning helps position potential U.S. suppliers at the project implementation stage. TDA has been active in Serbia with projects in energy, transportation, airport, and telecommunications (IT) sectors.

Contact: Ms. Kendra M. Kintzi
Project Analyst, Contractor
Middle East, North Africa and Europe
U.S. Trade & Development Agency
Tel: (703) 875-4357 | Fax: (703) 875-4009

E-mail: kkintzi@ustda.gov
Web site: www.tda.gov

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Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

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Business managers in Serbia are familiar with western-style market economy philosophy, customs, and business practices. Top management is typically designated by the title of Managing Director, a position denoting the key decision-maker. Business relationships in Serbia are founded on trust with significant time and energy invested in developing relationships among the parties.

Business dinners are a common practice. While most meals in Serbia are meat-based, it is possible to go vegetarian, but not easily. It is a common practice to toast with a shot of Slivovica (traditional Serbian plum brandy) or rakija (fruit brandy) prior to the actual meal. A toast is accompanied by saying 'Ziveli', which means 'good health' and is similar to saying 'Cheers', although it is customary in Serbia to look your counterparts in the eye when saying 'Ziveli'.

As is true in other European countries, summer holidays stretch throughout July and August and it is frequently difficult to reach company management during this period. Likewise, it is nearly impossible to conduct any business in Serbia in the first 2-3 weeks of January due to the Orthodox Christmas and New Year's holidays as this is the time most people take their winter holiday. Orthodox Easter is also a slow period for business (see the 'Local Time, Business Hours, and Holidays' section for a list at dates of all major holidays in Serbia).

Travel Advisory Return to top

General and country-specific travel information can be found on the U.S. Department of State's web site: www.travel.state.gov/travel/.

Visa Requirements Return to top

On June 1, 2003, the Serbian Government liberalized the country's visa regime. Visas are no longer required for entry and stay in Serbia for up to 90 days (within six months) for citizens of selected countries, including the United States. This policy covers bearers of U.S. tourist, official, and diplomatic passports. Individuals planning to stay longer than 90 days are obliged to apply for temporary resident status before the three-month period expires. Please visit http://www.mup.gov.rs/cms_eng/home.nsf/inf-for-foreigners.h for more information.

To obtain a visa or for other entry requirements, travelers should contact the Embassy of Serbia in Washington, or Consulate General of Serbia in Chicago and New York City prior to arrival. The address of the Serbian Embassy is 2134 Kalorama Road, Washington, DC 20008; Web site: www.serbiaembusa.org. American citizens intending to work in Serbia must obtain the requisite visa in advance. Details on visa requirements and other travel information can be found at the following link: http:// www.mfa.gov.rs

U.S. Companies requiring the travel of Serbian business persons to the U.S. should direct these contacts to the U.S. Embassy website for more information. The vast majority of Serbian applicants apply for B1/B2 visas, for which the validity for Serbian citizens was increased on May 20, 2010 to ten years. The 10-year visa for Serbian applicants is valid for multiple entries and the visa fee will be paid once every ten years.

Visa applicants should go to the following links for more information:

- State Department Visa Website: http://travel.state.gov/visa/index.html
- United States Visas: http://www.unitedstatesvisas.gov/
- American Embassy Belgrade, Consular section:
- http://serbia.usembassy.gov/service.html

Telecommunications Return to top

There are three mobile telephone operators currently operating in Serbia: Telekom Serbia's Mobile operator MTS, www.mts.rs, Telenor, www.telenor.rs and VIP, www.vipmobile.rs. Cell phones in Serbia are operating on European, 900/1800 frequencies. Telekom Srbija acquired BlackBerry service in 2008, followed by Telenor, who also recently introduced BlackBerry service.

The dominant telecom company in Serbia is Telekom Srbija, www.telekom.rs. Approximately 95% of the fixed line telephone networks have been digitalized in Serbia. The main business centers (Belgrade and Novi Sad) have good communications infrastructure but 100 percent digitization of the network has not yet been completely attained in these cities.

When dialing a phone number in Serbia, the country code is 381, followed by the appropriate area code: Belgrade (11), Novi Sad (21), Nis (18), etc. Internet service availability is widespread for international business travelers. Currently, around 40% of households in Serbia use Internet services. All major ISPs have introduced ADSL Internet connections, which will likely increase the number of subscribers in the future. There are increasing numbers of restaurants and cafés in Belgrade and Novi Sad equipped with wireless Internet hotspots.

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Serbia operates state-owned airports as well as the national air carrier, JAT. Direct-flight regional air travel is limited due to an absence of bilateral aviation agreements between Serbia and many of the neighboring countries. It is not possible to fly direct between Belgrade and Zagreb; Belgrade and Sofia; Belgrade and Budapest. Overall, the air-travel network is improving in Serbia with good connections to longer haul destinations such as Vienna, Istanbul, Frankfurt, Athens, and beyond. There are no direct flights between Belgrade and the United States. Airline ticket prices can be quite high for this region given the virtual monopoly JAT has in the market. This is being offset by the increasing number of low cost carriers servicing Serbia, however, with companies like "German Wings", "Fly Niki", and 'Wizz Air", now flying to multiple destinations throughout Europe from Belgrade.

There are two major airports in Serbia:

- *Belgrade*

Belgrade's "Nikola Tesla" International Airport is the country's largest airport and has direct service to many Western European cities. The construction of International Terminal 2 and the reconstruction of the runway have helped increase passenger traffic at the airport and enabled it to handle the most sophisticated aircraft including, according to a report by the ECAA, the AirbusA380. The report added that the inspection of passengers, hand luggage, and baggage is also in line with all international standards, including those of the U.S. Transportation Security Administration. Other than the national carrier, JAT, approximately 20 airlines service Belgrade, including Alitalia, Austrian Airlines, Adria (Slovenia), Aeroflot (Russia), Cross/Swissair, CSA (Czech), Lufthansa (Germany), Olympic (Greece), Turkish Airlines, Lot (Polish),Tarom (Romania), Air France, German Wings, Wizz Air, and others.

- *Nis*

The Nis airport, located in southern Serbia, is open for some commercial activity. "Montenegro Airlines" (Montenegro) is flying from Nis to Podgorica. A number of low cost companies have also expressed their interest in flying from this airport.

Serbia can also be reached by railway from Croatia, Hungary, Romania, Bulgaria and Macedonia. Internal trains service most areas of the country. Long distances, however, can take a considerable amount of time, and are often unreliable. This is due to the poor status of the rail infrastructure in Serbia that has not been well maintained. Better alternatives for traveling to Serbia are by air or road transport.

Serbia can be entered by vehicle from various border points across the country. The most utilized border crossings are those connecting Serbia with Croatia, Hungary and Bulgaria. The quality of Serbian roads and expressways, however, varies greatly. Serbia's motorway network is not extensive; most roads are two-lane highways. There is a four-lane expressway between Zagreb and Belgrade (travel time is approximately 3.5 – 4 hours depending on the time spent passing through immigration at the border) and is the best highway in the country. Travel time between Budapest and Belgrade is approximately 4 – 4.5 hours, as is the travel time between Belgrade and Sofia. The expressway extending south from Belgrade is good until Nis, after which two-lane highways predominate for routes extending to Kosovo, Bulgaria and Greece. Kosovo can be reached by automobile from either Sofia (Bulgaria) or Skopje (FYR Macedonia). Car rental from Hertz, Avis, Budget, and others are available from the Nikola Tesla International airport as well as other locations in Belgrade and Novi Sad. A complete list of rental car companies operating in Serbia can be found at the following website: www.belgradeeye.com/rentacar.html. U.S. citizens do not need an International driver's license to drive in Serbia. A passport and US drivers license is sufficient. Taxis are quite affordable and abundant within Belgrade. Taxis can be hailed curbside, at taxi stands, or by calling ahead to a reputable taxi company for radio dispatch.

Language
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The predominant language is Serbian. Fortunately, many business people speak foreign languages, mostly English and German although some French and Italian are also spoken. Overall, Serbia has one of the highest English proficiency levels in the entire region. In the northwestern Vojvodina region of Serbia many citizens are fluent in Hungarian. Serbia uses the Cyrillic alphabet, although many signs in urban areas are in both Cyrillic and Latin script. There are newspapers and magazines published in Latin script.

Health
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Belgrade's air quality is poor during winter months due to the pollution produced by the burning of low-grade coal, automobile exhaust and cold air inversions.

No specific immunizations are needed although Hepatitis A and B vaccinations are recommended for those living in Serbia. Many medications may not be available in Belgrade so you are best advised to bring required medications with you on business travel. Local pharmacies may be able to order medications from other parts of Europe, but this could be expensive, time-consuming, and often advance payment is required.

In the case of an adult medical emergency please go to the Military Medical Academy (VMA), Crnotravska 17, "Centar Hitne Pomoći" entrance. Tel: +381 11 2661-122 or +381 11 360 93 98. Payment is expected at the time of the service.

Fruits and vegetables are usually of excellent quality. Precautions related to the washing of raw fresh fruits and vegetables are similar to those that should normally be practiced in the United States.

Local Time, Business Hours, and Holidays
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Local time is GMT+01:00.
Usual business hours are from 08:00 to 16:00, Monday to Friday.

Serbian (and U.S.) Holidays in 2013:

January 1, Tuesday, New Year's Day
January 2, Wednesday, New Year's Day (Observed)
January 7, Monday, Orthodox Christmas
January 21, Monday, Martin Luther King's Birthday
February 15, Saturday, Serbian State Day
February 16, Saturday, Serbian State Day
February 18, Monday, President's Day
May 1 Wednesday, May Day
May 2 Thursday, May Day
May 3, Friday, Orthodox Good Friday
May 5, Sunday, Orthodox Easter
May 6, Monday, Orthodox Easter (Observed)
May 27, Monday, Memorial Day
July 4, Thursday, Independence Day
September 2, Monday, Labor Day

October 14, Monday, Columbus Day
November 11, Monday, Veterans Day/Armistice Day
November 28, Thursday, Thanksgiving Day
December 25, Tuesday, Christmas Day

The following holidays may be observed by Serbia's citizens of a particular religion:

- December 25 Christmas (Catholic)
- Easter (Catholic)
- Ramadan Bairam (Muslim)
- Yom Kippur (Jewish)
- Rosh Hashanah (Jewish)

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There are no restrictions or duties to be paid on temporary entry of materials and personal belongings. However, items that are temporarily imported have to be reported to custom officials on the border of entry by filling out a designated form. All temporary imported items have to be re-exported at the same point of entry. There are different requirements in place for intercompany transfers and the temporary import of cars and equipment for representative offices and wholly foreign owned enterprises.

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http://travel.state.gov ;
www.unitedstatesvisas.gov
http://belgrade.usembassy.gov/consular/index.html
www.telekom.rs; www.mts.rs ; www.telenor.rs; www.vipmobile.rs
www.orion.rs
www.jat.com
www.beg.aero
www.belgradeeye.com/rentacar.html

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

Embassy of the United States of America
U.S. Commercial Service
Mr. Bradley Harker, Commercial Counselor, bradley.harker@trade.gov
Ms. Zorica Mihajlovic, Senior Commercial Specialist, zorica.mihajlovic@trade.gov
Mr. Boris Popovski, Commercial Specialist, boris.popovski@trade.gov
Ms. Biljana Stojimirovic, Administrative Assistant, biljana.stojimirovic@trade.gov

11000 Belgrade, Kneza Milosa 50
Phone: (381 11) 306-4800; Fax: (381 11) 361-7582
Web site: www.export.gov/serbia

U.S. Department of Commerce, Market Access and Compliance (MAC)
Silvia Savich, MAC Desk Officer
Central and Eastern Europe Division
Washington, DC
Tel: 202-482-4915
Fax: 202-482-4505

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone: 202/720-7420

TPCC Trade Information Center in Washington; Phone: 1-800-USA-TRADE
U.S. Department of State Office of Business Affairs: phone 202-647-1625;
Overseas Private Investment Corporation (OPIC): 202-336-8499

Embassy of Serbia
Commercial Section
2134 Kalorama RD., NW
Washington, DC 20008
Phone: (202) 332-0333, ext. 111
Fax: (202) 332-3933
www.serbiaembusa.org

Government of the Republic of Serbia

PRIME MINISTER AND MINISTER OF INTERIOR
11000 Belgrade, Nemanjina 11
Phone: (381 11) 3617-586, Fax: 3617-586
Mr. Ivica Dacic
E-mail: kabinetpremijera@gov.rs
Web site: http://www.srbija.gov.rs

FIRST DEPUTY PRIME MINISTER FOR DEFENCE, SECURITY AND THE FIGHT AGAINST CORRUPTION AND CRIME AND MINISTER OF DEFENCE
11000 Belgrade, Nemanjina 11; 11000 Belgrade, Bircaninova 5

Mr. Aleksandar Vucic
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11070 Belgrade, Bul. Mihajla Pupina 2
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Mr. Rasim Ljaljic

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Mr. Jovan Krkobabic

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Ms. Suzana Grubjesic
E-mail: eu.integracije@gov.rs

MINISTRY OF INTERIOR
11070 Belgrade, Bulevar Mihajla Pupina 2
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Mr. Ivica Dacic, Minister
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MINISTRY OF FINANCE AND ECONOMY
11000 Belgrade, Kneza Milosa 20
Phone: (381 11) 3614-007; 3642-606; Fax: (381 11) 3618-961
Mr. Mladjan Dinkic, Minister
E-mail: press@mfp.gov.rs
Web site: http://www.mfp.gov.rs

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11000 Belgrade, Kneza Milosa 22-26;
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Mr. Ivan Mrkic, Minister
E-mail: msp@mfa.rs
Web site: http://www.mfa.gov.rs

MINISTRY OF DEFENSE
11000 Belgrade, Bircaninova 5
Phone: (381 11) 3006-311; Fax:(381 11) 3006-062
Mr. Aleksandar Vucic, Minister
E-mail: info@mod.gov.rs
Web site: http://www.mod.gov.rs

MINISTRY OF HEALTH
11000 Belgrade, Nemanjina 22-26
Phone: (381 11) 3613-734; 3616-540; Fax: (381 11) 2656-548
Ms. Slavica Djukic Dejanovic, Minister
E-mail: kabinet@zdravlje.gov.rs
Web site: http://www.zdravlje.gov.rs

MINISTRY OF JUSTICE AND PUBLIC ADMINISTRATION
11000 Belgrade, Nemanjina 22-26
Phone: (381 11) 3616-548; Fax: (381 11) 3616-549
Mr. Nikola Selakovic, Minister
E-mail; kabinet@mpavde.gov.rs
Web site: http://www.mpravde.gov.rs

MINISTRY OF CULTURE AND INFORMATION
11000 Belgrade, Vlajkoviceva 3
Phone: (381 11) 3398-172; Fax: (381 11) 3398-811
Mr. Bratislav Petkovic, Minister
E-mail; kabinet@kultura.gov.rs
Web site: http://www.kultura.gov.rs

MINISTRY OF AGRICULTURE, TRADE, FORESTRY AND WATER MANAGEMENT
11000 Belgrade, Nemanjina 22
Phone: (381 11) 306-5038; 306-5039; Fax: (381 11) 3616-272
Mr. Goran Knezevic, Minister
E-mail: press@mpt.gov.rs
Web site: http://www.mpt.gov.rs

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGICAL DEVELOPMENT
11000 Belgrade, Nemanjina 22-26
Phone: (381 11) 3616-489; Fax: (361 11) 3616-491
Mr. Zarko Obradovic, Minister
E-mail: kabinet@mp.gov.rs
Web site: www.mp.gov.rs

MINISTRY OF REGIONAL DEVELOPMENT AND LOCAL SELF-GOVERNMENT
11000 Belgrade, Vlajkoviceva 10
Phone: (381 11) 333-4105; Fax: 333-4181
Ms. Verica Kalanovic, Minister
Web site: www.mrrls.gov.rs

MINISTRY OF NATURAL RESOURCES, MINING AND SPATIAL PLANNING
11000 Belgrade, Nemanjina 11
Phone: (381 11) 3617-717;
Mr. Milan Bacevic, Minister
E-mail: info@ekoplan.gov.rs
Web site: http://www.ekoplan.gov.rs

MINISTRY FOR YOUTH AND SPORT
11070 Belgrade, Bil. Mihajla Pupina 2

Phone: (381 11) 3130-912; 3117-628; Fax: (381 11) 3130-915
Ms. Alisa Maric, Minister
E-mail: office@mos.gov.rs
Web site: http://www.mos.gov.rs

MINISTRY OF TRANSPORT
11000 Belgrade, Nemanjina 22-26
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Mr. Milutin Mrkonjic, Minister
E-mail: mrkonjicm@mi.gov.rs
Web site: www.mi.gov.rs

MINISTRY OF CONSTRUCTION AND URBAN PLANNING
11000 Belgrade, Nemanjina 22-26
Phone: (381 11) 3616-518; Fax: (361 11) 3617-521
Mr. Velimir Ilic, Minister

MINISTRY OF ENERGY, DEVELOPMENT AND ENVIRONMENTAL PROTECTION
11000 Belgrade, Nemanjina 11
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Ms. Zorana Mihajlovic, Minister
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Web site: http://www.merz.gov.rs

MINISTRY OF LABOUR, EMPLOYMENT AND SOCIAL POLICY
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Web site: www.minrzs.gov.rs

MINISTRY OF FOREIGN AND INTERNAL TRADE AND TELECOMMUNICATIONS
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Mr. Rasim Ljaljic, Minister
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Web site: www.mtt.gov.rs

Minister without Portfolio
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11000 Belgrade, Nemanjina 11
Phone: (381 11) 3065 -960; Fax: 3617-314
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Web site: www.komrp.gov.rs

Financial Institutions:

NATIONAL BANK OF SERBIA
11000 Belgrade, Kralja Petra 12
Phone: (381 11) 3027-100; 3027 – 343; Fax: (381 11) 3027-394
Ms. Jorgovanka Tabakovic, Governor

E-mail: kabinet@nbs.rs
http://www.nbs.rs

SECURITIES COMMISSION
11000 Belgrade, Omladinskih brigada 1
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Dr. Zoran Cirovic, President
E-mail: office@sec.gov.rs
Web site: www.sec.gov.rs

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Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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Please click on the link below for information on upcoming trade events.
http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters in Serbia, please click on the following link: www.export.gov/serbia

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE).**

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: Market_Research_Feedback@trade.gov

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