Doing Business in Serbia: 2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Serbia

Market Overview Return to top

Serbia is located at the crossroads of Europe, the Middle East, and Africa. Serbia and its neighbors Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Romania, and Slovenia represent a market the size of Texas, with 60 million inhabitants and a GDP of USD 523 billion.

Following the war, economic crises, and related social and political difficulties of the 1990s, Serbia remains a country in transition. In recent years, the government has made important progress on the political front, culminating in the official opening of accession negotiations with the European Union (EU) in January 2014. Installed in April 2014, the current government won a landslide victory after campaigning on promises of economic, social, and political reforms. Economic issues are the priority for the new government, which announced plans and has made some progress on developing a modern labor code, privatizing struggling state-owned enterprises, streamlining bureaucratic processes for construction permitting and inspections, and establishing a competitive investment incentive program. With unemployment above 20 percent and the deficit ballooning to an amount equal to more than eight percent of the gross domestic product (GDP), the government aims to both stimulate job creation and tighten its finances.

After several years of slow growth and even economic contraction, the Serbian economy performed slightly better in 2013. According to the National Bank of Serbia (NBS) findings, GDP growth for 2013 was 2.4 percent. Strong performance in exports (mainly automobiles, auto parts, and oil derivatives) as well as a 26.4 percent increase in agricultural production drove this growth. Expectations for 2014 are weak based on decreased consumer demand and a drop off in investments, as well as the costs of recovery following the devastating floods that hit the region in May 2014. Local economists forecast a 1.5 percent decrease in GDP for 2014.

Inflationary pressures weakened throughout 2013 and the first quarter of 2014. Primary reasons included weak consumer demand, favorable effects on food prices following a good agricultural season, and the relative stability of the Serbian currency, the dinar. Average monthly inflation in 2013 registered at just 0.2 percent, and the annual inflation rate stood at 2.2 percent. Following the floods, however, the NBS expects year-on-year inflation in 2014 to approach the top limit of the target band (four percent plus/minus 1.5 percent).

The dinar remained virtually unchanged against the euro in 2013. In 2014, the NBS intervened on the foreign exchange market to curb additional depreciation depreciation by the intervening of the NBS on the foreign exchange market, which sold a total of USD 1 billion in foreign currency since the beginning of 2014. In August of 2014, the dollar/dinar exchange rate was USD 1.00 = RSD 88.

Job creation is a major challenge for the Serbian government. According to the Serbian Bureau of Statistics (SBS), the adult unemployment rate stands at 20.8

percent, one of the highest in Europe. The youth unemployment rate is above 50 percent.

The budget deficit remains extremely high and the International Monetary Fund (IMF) projects that it will hit 8.0 percent of GDP by the end of 2014. In January 2014, the government adopted a set of fiscal-consolidation measures, including an increase in the lower rate of value-added tax (VAT) from 8 to 10 percent; a decrease in subsidies for approximately 200 loss-making firms; and a freeze on public sector hiring, wages, and pensions. The government's budget also included a projected 15 percent increase in state fiscal revenues compared to 2013, but as of June 2014, these measures are underperforming. Thus, the 2014 deficit is expected to remain high. As a result of the high fiscal deficit and public debt levels, Fitch Ratings downgraded Serbia's credit rating to B+ (stable outlook) from BB- (negative outlook).

The restructuring of more than 150 financially struggling, state-owned enterprises (SOEs) inherited from the centralized economy of the former Yugoslavia is necessary to ease pressure on the national budget. The government has identified the sale of Telekom Serbia as a priority. International financial institutions (IFIs) including the IMF, World Bank, and European Bank for Reconstruction and Development (EBRD) provide support to the Serbian government for its reform efforts. IFIs continue to encourage the government to improve non-price competitiveness, address longstanding labor market impediments, and reduce the large number of subsidized and protected SOEs.

Serbia's arrangement with the IMF ended in January 2012 when the government budget exceeded agreed-upon targets. The IMF and the Serbian government have discussed a new precautionary arrangement, but in the absence of deficit cutting, such negotiations my not be successful.

The World Bank has an active portfolio in Serbia, allocating funds to access commercial financial markets, finance the unfinished sections of the country's stretch of the Corridor 10 highway, and support the development of the Bor mining region, small and medium enterprises (SMEs), and the health sector (https://finances.worldbank.org/en/countries/Serbia). The World Bank is also encouraging the adoption of bills on privatization and bankruptcy in Serbia, as well as SOE restructuring.

Since 2001, the EBRD has invested a total of USD 4.6 billion through 175 projects in Serbia, most of which were channeled to the energy, agriculture, and food industries. EBRD invested USD 550 million in Serbia in 2013, an increase of 50 percent compared to 2012. EBRD is preparing a four-year strategy focused on improving private-sector competitiveness and the development of the financial and infrastructure sectors. With contributions from EBRD, the European Investment Fund, the European Investment Bank, and the respective national governments, the EU established a USD 180 million regional fund to boost entrepreneurship in the Western Balkans. Expected to be operational by mid-2014, the fund will provide financing for and increase competitiveness among SMEs.

In addition to IFI support, the 2014 Serbian budget includes USD 3.9 billion in loan revenue from the United Arab Emirates, part of which will be used to repay outstanding debt. As of August 2014, the two countries officially finalized deals for USD 2 billion, with a 10-year repayment schedule and an annual interest rate of 2 percent.

Serbia has free trade agreements with the European Union, Turkey, and Russia. It is also a signatory to the Central European Free Trade Agreement (CEFTA). Serbia's foreign trade deficit was USD 5.93 billion in 2013, a decrease of 23 percent compared to the previous year, according to the Serbian Bureau of Statistics. The total value of goods exported in 2013 reached USD 14.6 billion, up 24.6 percent from the 2012 figure. In 2013, Serbian imports increased 8.5 percent year-on-year, reaching USD 20.5 billion. The growth of imports was limited due to weak consumer demand and lower international prices of raw materials.

The EU remained Serbia's biggest trade partner, accounting for over half of foreign trade, followed by the CEFTA signatories. The largest share of exports went to Italy (USD 2.38 billion), followed by Germany (USD 1.74 billion), Bosnia and Herzegovina (USD 1.18 billion), Russia (USD 1.06 billion), and Montenegro (USD 837 million). The largest share of imports came from Italy (USD 2.36 billion), followed by Germany (USD 2.25 billion), Russia (USD 1.9 billion), China (USD 1.51 billion), and Hungary (USD 1.01 billion).

According to import statistics from Serbian Customs, bilateral trade between the United States and Serbia totaled USD 841 million. U.S. exports to Serbia totaled USD 348 million, led by machines and transportation equipment, pharmaceutical and medical products, tobacco, and optical instruments. For the first time in 10 years, Serbian exports to the United States exceeded U.S. exports to Serbia; the figure of USD 490 million is mostly a result of FIAT automobile exports, which amounted to USD 350 million. As a result of the smaller trade deficit and larger remittance inflow, Serbia's current account deficit stands at USD 1.8 billion, a figure equal to approximately 5 percent of GDP.

Foreign direct investments (FDI) are on the rise. The NBS reported a net FDI inflow of USD 900 million in 2013. The largest investments were in the food processing industry, financial services, and the wholesale and retail sectors. Serbia is continuing to intensify investment-oriented contact with Russia and China, in addition to its ongoing contact with European and U.S. investors. Serbia's economic relationship with the United Arab Emirates continues to develop, with several projects including a joint venture with Air Serbia and investments in real estate development, agriculture, arms production, high tech electronic production, and tourism.

Market Challenges

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The new government installed in April 2014 has announced plans to overhaul the economy. These tasks include new laws such as a Labor Law, Law on Privatization, Bankruptcy Law, and Law on Planning and Construction. Furthermore, the government needs to ensure laws are enforced properly through better coordination with and supervision from the public administration agencies.

Access to adequate financial resources for Serbian consumers and importers remains a problem. Foreign banks operating in Serbia have provided financing, in previous years, but continued stagnation in Europe could result in a lack of liquidity in 2014 that would seriously limit further development. The primary macroeconomic risk in Serbia in the coming years will be the significant decrease in foreign capital inflow. It is unlikely foreign direct investment in 2014 will cover the deficit.

Although difficult to quantify, corruption in Serbia is pervasive according to foreign and domestic businesses. In 2013, Serbia ranked 72, an improvement from 80 in 2012, on Transparency International's (TI) annual corruption perception list. According to TI's methodology, Serbia scored 42 on a scale of 1 to 100, with 100 signifying that a country is free of corruption. The government of Serbia has made the fight against corruption a priority for several years, and the newly installed government is taking measures to combat bribery, theft, and fraudulent business. The anti-corruption campaign resulted in numerous highly publicized arrests of prominent political figures and businesspersons.

Non-transparent public procurement procedures are a major source of corruption. Although the latest amendments to the Public Procurement Law made some improvements, such as requiring the publication of all tenders on a public portal, more transparency and law enforcement are needed. The new government recently initiated an investigation of 24 allegedly suspicious privatization transactions, as recommended by the EU.

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

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Infrastructure - The pan-European Corridor 10 highways and railroads as well as a future highway informally called Corridor 11, which will run from Timisoara, Romania to Montenegro's port of Bar, are priorities for Serbia's infrastructure development. In this respect, several infrastructure projects are moving forward. In 2012, Serbia signed an agreement with Azerbaijan for a EUR 300 million loan for the construction of the Ljig-Preljina section of the Corridor 11 highway. The project involves 60 bridges and five tunnels. 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. While there are currently no plans to build any new airports, Serbia does intend to convert all of its eight military airfields into commercially managed airstrips.

In 2011, work started on the 1.5-kilometer Zemun-Borca Bridge on the Danube and 27 kilometers of access road. The Export-Import Bank of China is lending EUR 145 million for the project, which should be completed by the end of 2014. Serbia also signed initial contracts on three railway projects to be financed through a USD 800 million Russian loan for the construction of a second track of railways as well as the procurement of new diesel-powered locomotives.

To expand investments in infrastructure, the Serbian parliament passed a bill on public-private partnership (PPP) and concessions in 2011. The law allows local administrations to implement projects through PPPs without the help of the central government and extends the maximum concession period to 50 years. The Serbian Parliament also adopted a law on utility services, which is expected to draw private investments in this sector through PPPs and facilitate investments in the underdeveloped wastewater, sewerage, water supply, and waste management sectors.

Agro-Business - Serbia's agricultural sector contributed 18 percent of total GDP in 2013. Due to favorable weather conditions in comparison with the previous year, Serbia's agriculture output rose by 20 percent in 2013. The main export commodity in Serbia is corn, followed by sugar, frozen raspberries, wheat, and sunflower oil. The main agriculture and food import commodities are coffee, cigarettes, soybeans, bananas, vegetables, and fish.

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

Telecommunications - Telecommunications account for 5.5 percent of Serbia's GDP. Serbia has created competitive business conditions within the telecom sector, bringing in a greater number of operators who can offer better quality services. According to the Serbian Statistics Bureau***, the number of internet subscribers in Serbia now totals 3.9 million; an increase of 300,000 from the previous year.

Serbia fully liberalized its telecommunications market in 2012***, which primarily affected the fixed telephone segment. This liberalization allows all companies to have access to the necessary infrastructure, including cable operators, to launch fixed telephony services with a certificate from the Electronic Telecommunications Agency (RATEL). The providers of fixed telephone in Serbia are the state-owned 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 2013, Serbia Broadband (SBB), the country's biggest cable provider, received RATEL's approval to become a mobile virtual network operator.

The mobile telephone market in Serbia was worth USD 1.8 billion 2013, with investments in this segment at slightly under USD 130 million. As of December 2013, the total number of subscribers exceeded 10.5 million, with an estimated mobile penetration of 145 percent.

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

<u>Energy generation and transmission equipment</u> - Approximately 62 percent of Serbia's electricity is generated by thermo-electric power plants that burn domestically mined lignite, a highly polluting fuel source that is prevalent in Serbia. Limited maintenance of the power plants has resulted in poor power production and delivery. Plans to privatize the power generating systems focus on increased plant efficiency and environmental protection and on attracting the capital necessary for maintaining the system. Existing electricity plants are based on U.S. technology from the 1950s. Projects for modernizing centralized heating systems throughout Serbia could be attractive for U.S. companies. With the introduction of a new energy law the potential, for development of renewable energy projects has drastically increased.

Electricity Production in Serbia		
Source	Production	Share
Thermal	5,142 MW	70%
Hydro	2,833 MW	23%
Combined	356 MW	6.5%
Other	4 MW	0.5%

A new energy law approved by parliament in 2011 aligns Serbian legislation with the EU *acquis communautaire* and immediately opened the gas and electricity market for all consumers except households, for whom the market will open in January 2015. The law further envisages strengthening the role of the energy regulator, which has the power to set regulated tariffs. The law also facilitates investments in energy efficiency and established the regulatory framework for development of renewable energy projects.

<u>Heavy Industry and Mining</u> - The average capacity utilization in industrial plants in Serbia is just over 50 percent. Even in enterprises where continued production is economically viable, equipment is in need of repair or modernization. Used industrial equipment can be imported at the same or slightly higher customs rates than new

equipment. In order to support the development of heavy industry, the Serbian government announced a plan for the revitalization of the Bor (RTB) copper mine, 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.

Several European, Canadian, Australian, and U.S. companies actively are exploring for minerals on concessions they have acquired in Serbia from the government.

Market Entry Strategy Return to top

Market entry strategy varies widely from industry to industry. 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 to ensure this. Many U.S. firms have found that it is more efficient and less expensive to hire a local agent or distributor than to conduct direct sales.

Some U.S. companies have successfully established manufacturing facilities through both brownfield and green-field projects and through joint ventures. Others have entered the market using sales representation offices. Other companies use distributor/reseller agreement as their entry strategy.

The Foreign Investment Law in Serbia (2003) established the framework for investments 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 become familiar with the financial market in Serbia and become acquainted with local business practices and customs. Networking and establishing relationships with both government officials and business people is often crucial in achieving success in Serbia. The U.S. Commercial Service at the U.S. Embassy provides matchmaking services, offers business briefings, provides due diligence reports on local companies, and assists in arranging all the necessary meetings and contacts to U.S. companies interested in the Serbian market.

International consulting firms present in Belgrade may be helpful in establishing the viability of potential local partners.

Local organizations may also be useful in verifying credibility of a potential local partner, such as the American Chamber of Commerce (http://www.amcham.rs/home.9.html) and the Chamber of Commerce and Industry of Serbia (www.pks.rs).

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Chapter 2: Political and Economic Environment

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

http://www.state.gov/r/pa/ei/bgn/5388.htm

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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 their entry time and strengthening their 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. In addition, a local partner can take advantage of fast-breaking opportunities, absorb some of the expenses of doing business, and manage the logistics of importation, product marketing, and distribution.

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 conducted to a large extent through personal contact. In this respect, it is critical to find a partner who is committed to abiding to both local and U.S. laws. Companies are advised to consult with 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 officers and managers, product lines, number of employees, financial data, sales volume, reputation, and market outlook. For more information, visit: www.export.gov/serbia

The Credit Bureau (FINET), which is affiliated with the Association of Serbian Banks (www.ubs-asb.com), also provides information on the credit rating of local companies. Contact FINET to request an English language copy of a Serbian firm's

BON-1, a credit report that provides credit history. The report costs approximately USD 35 and may be obtained by contacting:

ASSOCIATION OF SERBIAN BANKS
11000 Belgrade
Bulevar Kralja Aleksandra 86
Tel: +381-11- 3020 760; 33 70 063
Fax: +381-11-3370 179; 30 20 787
www.ubs-asb.com
ubs@ubs-asb.com

The Serbian Credit Bureau is also useful in verifying the credibility of a potential local partner:

Serbian Credit Bureau
11000 Belgrade
Zagrebacka 6
Tel: + 381-11-2632 686; 2183 294
Fax: Fax + 381-11-3037 991
www.kreditnibiro.com

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

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

International consulting firms with offices in Belgrade may be helpful in establishing the credibility of a potential local partner.

Establishing an Office

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The Serbian Business Registers Agency (BRA) oversees the establishment of foreign representative offices in Serbia and performs the registration of other foreign legal entities in Serbia. Foreign entities/persons and imported goods enjoy the same treatment and the same status as domestic entities (that is, national treatment).

A representative office may operate in Serbia after completing the registration process with the BRA. The registration process takes approximately 10 days from the filing date of the application.

Representative offices may not directly sell goods or services, but may be used to support sales transactions or business development. They may conduct operations including market research and development, contract or investment preparations, technical cooperation, and similar business facilitation activities. They 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 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.). Recent amendments to the Law on Foreign Trade seek to simplify administrative procedures and harmonize terminology with World Trade Organization (WTO) standards. Branches of domestic and foreign companies and organizations are entitled to engage in foreign trade.

Limited liability companies may 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 as of 2012, generally conforms to other European laws on structuring joint stock companies. The minimum capital required for joint-stock company is RSD 3,000,000 (approximately EUR 30,000).

Residence and work permits are required for foreign employees. All resident foreigners 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. 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
11000 Belgrade
Brankova 25,
www.apr.gov.rs
Info center: +381-11- 2023 350
The Business Entities Register: +381-11- 2023 350
Financial Leasing Register: +381-11- 2023 350
The Register of Pledges on Movable Property and Rights: +381-11- 20 23 350)

Franchising

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The Serbian market remains relatively untapped for franchising. While few franchises operate in Serbia, the business concept is slowly attracting interest among local entrepreneurs. Growing consumer demand for a variety of merchandise and services make Serbia a promising market for a wide range of franchised businesses such as catering and apparel. In many cases, master franchisors cover all of Southeast Europe from a neighboring market.

There is no dedicated franchise law in Serbia. While the Law on Contracts and Torts provides some legal framework and protection, no franchise association has yet been formed to promote this industry. The U.S. Commercial Service and the Serbian Chamber of Commerce's Center for Franchising are the primary points of contact for foreign and domestic companies interested in this sector (see http://www.pks.rs/MSaradnja.aspx?id=679&p=0&).

Direct Marketing

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Direct marketing is not well developed in Serbia. With steady growth in credit card usage however, efforts are increasing to market consumer goods through catalog sales and direct response advertising (television, radio, and print media). Marketing is usually carried out via formal or informal multi-level marketing groups or direct sale chains. Informal gatherings are often used to promote product sales. Telekom Srbija publishes a Yellow Pages Directory available at www.yellowpages.rs or www.serbianyellowpages.com.

Joint Ventures/Licensing

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Serbian firms are interested in joint venture contracts with foreign firms. They are often looking for the foreign firms to provide capital, equipment, and merchandise while domestic firms would provide working and warehouse space, personnel, local experience, and channels of distribution. U.S. firms considering such ventures should carefully review the viability of potential domestic partners.

Licensing is a good way to tap into local markets, but this requires financially strong partners with good management skills. Licensing is regulated by the Law on Contracts and Torts, and not via a separate licensing law. Licensing contracts should include strong intellectual property rights (IPR) protection including a definition of the relevant intellectual property, contract terms, quality control provisions, restrictions on terms of use, etc. See Chapter 7: Trade and Project Financing, for more information on protecting IPR. Companies are advised to consult a local lawyer to ensure that provisions of the contract do not violate any Serbian laws, potentially making any agreement null and void.

Selling to the Government

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Serbian government purchases are handled principally through government tenders. The government also carries out direct negotiations with other governments at times, for example, with China for the construction of a bridge across the Danube River near Belgrade, Russia for Gazprom's investment in the Serbian Oil Company (NIS), and the UAE for Etihad's investment in JAT, now renamed Air Serbia.

Adoption of a new Public Procurement Law (PPL) in 2013 created improved the legal framework in this area. When implemented, a central purchasing body will handle procurements for state bodies, and public procurement announcements and contract awarding procedures will be aligned with EU directives. The value of registered public procurements in Serbia in 2013 reached USD 3 billion, or about 9 percent of the country's GDP.

Regular military sales are subjects of public tenders, except for cases of foreign military assistance in acquiring sensitive equipment (www.nabavke.mod.gov.rs).

Information about public procurement procedures and tender announcements is available at http://portal.ujn.gov.rs.

Government of Serbia
Public Procurement Office
Predrag Jovanović, Director
11000 Belgrade, Serbia
Nemanjina 22-26
Tel: +381-11- 2888-712; or 2888-713; or 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 their actual presence (for example, by internet, catalogue, mail order, or telemarketing) or without the prior order (or consent) of the consumer by way of direct offer (for example, door-to-door salesmen) through authorized representatives. Other sales outlets include trade from portable or mobile objects (kiosk, counter, bench, vehicle, etc.).

The 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 Trade Law also introduces a prohibition against the establishment of pyramid trade schemes.

Retail chains have played a large role in the restructuring of the market in recent years as the government sold off retail operations. 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. Approximately 25 chains control more than 87 percent of the market and the top six retailers have a combined market share of 70 percent.

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.export.gov/serbia).

Selling Factors/Techniques

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A tight credit policy in 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 partners, and aggressive market promotion. U.S. firms interested in selling products to state-owned or state-controlled enterprises will need to establish the company's creditability with Serbian Government entities. Internationally financed public procurements offer the best opportunity for transparent purchasing decisions.

Electronic Commerce

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The legal framework for e-commerce in Serbia includes the E-Commerce Law (2009), Electronic Document Law (2009), and the Electronic Signature Law (2008). The Consumer Protection Law also contains provisions concerning business relations over the internet.

Statistics regarding the use of computers, broadband penetration, and e-commerce are steadily improving. Informal estimates from the National Bank of Serbia (NBS) indicate that the number of e-commerce transactions in Serbia totaled 1.3 million in 2013 (approximately 1 million through foreign websites and an additional 300,000 on local websites) with a value of USD 230 million. Electronic banking is a widely utilized service among banks operating in Serbia.

Trade Promotion and Advertising

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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 other markets.

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

For more information on these events, please contact:

Belgrade Fair

11000 Belgrade, Bul. Vojvode Misica 14
Tel: +381-11- 2655 055
E-mail: info@sajam.rs
List of exhibitions: www.sajam.rs
Contact: Mr. Snezana Miljanic, Director, snezana.miljanic@sajam.rs

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.export.gov/serbia) .

Most Serbian companies engage in some form of advertising. Television, radio, and print advertising are the most effective. Sales promotions and trade fairs are also common. Television, which reaches 90 percent of households, 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 percent 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 television stations:

Radio Televizija Srbije (TV Serbia)
11000 Belgrade
Takovsaka 10
Tel: +381- 11- 3212 000
http://www.rts.rs/

Televizija B-92 (TV B92)
11070 Belgrade
Bul. AVNOJ-a 64
Tel: +381-11-3012 000
www.b92.net

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

Prva Srpska Televizija (TV Prva)
11080 Zemun
Autoput 22
Tel: +381-11- 2091 000
www.prva.rs

Regional television stations:

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

Televizija Novi Sad
21000 Novi Sad
Sutjeska 1
Tel: +381- 21-6615 144
www.rtv.co.rs

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

The major daily newspapers in Serbia are:

- *Politika*: www.politika.rs
- Novosti: www.novosti.rs
- *Blic*: www.blic.rs
- *Danas*: www.danas.rs
- *Kurir*: www.kurir-info.rs

The major weekly publications in Serbia are:

- *Vreme*: www.vreme.com
- *Nin*: www.nin.co.rs

The widespread business journals in Serbia are:

- *Pregled*: www.pregled.rs
- *Ekonomist*: www.emportal.rs
- *Biznis*: www.biznisnovine.com
- *Cor D*: www.cordmagazine.com

There are many 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 U.S. advertisers. The vast majority of the international agencies are in partnership with domestic 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.

Pricing Return to top

Changes in the price of certain basic products (for example, milk, bread, flour, and cooking oil) must be reported to the Ministry of Trade 15 days in advance, and the state has the authority to deny price increases for those goods. The state directly controls the price of utilities, public transportation, and telecommunication services. Significant black and gray market sales exist for many products, especially consumer goods, in efforts to avoid high customs and taxes. VAT is 8 percent for food and drugs and 20 percent for most other goods. Sales of illegal and counterfeit products persist but have declined noticeably in recent years.

Sales Service/Customer Support Return to top

The new Consumer Protection Law enacted in 2010 is generally in compliance with the EU consumer protection directives.

In 2012, the government formed the National Council for Consumer Protection as an expert advisory body to improve the system of consumer protection and the cooperation between the authorities, organizations, and other consumer protection entities, including representatives of consumer associations, experts, and chambers of commerce.

The government adopted a National Strategy for Consumer Protection in 2013 to improve the level of consumer protection. This strategy prescribes a significant extension of the obligations of local authorities, the creation of a unified register of consumer queries and claims, and the enhancement of out-of-court settlement of consumer disputes in order to relieve the courts and ensure a more efficient enforcement of consumer rights.

Consumer organizations have strengthened in the meantime. The National Consumer Organization of Serbia (NOPS) was established in 2004 and serves as an independent, non-governmental, and non-partisan alliance of consumer organizations. In addition, some organizations (for example, Consumer Centre of Serbia, Centre for Consumer Education and Protection Belgrade, Consumers' Association of Vojvodina, and FORUM-Nis) work together on consumer protection advocacy.

For more information, please visit www.zapotrosace.rs/en/serbian-consumer-legislation.php.

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IPR Climate in Serbia:

The intellectual property legal framework consists mainly of the substantive laws enacted in 2009. The following laws largely are harmonized with the relevant international conventions such as the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and EU standards:

- Law on Trademarks (2009, amended in 2013)
- Law on Indications of Geographical Origin (2010)
- Law on Copyright and Related Rights (2009, amended in 2011 and 2012)
- Law on Legal Protection of Industrial Design (2009)
- Law on the Protection of Topographies of Integrated Circuits (2009)
- Law on Patents (2011)
- Law on Protection of Business Secret (2011)
- Law on Optical Disc (2011)

The institutions that protect intellectual property rights in Serbia are the Intellectual Property Office and the relevant ministries and state bodies, with the courts being the most important. Serbia's record in protecting IPR and enforcing IPR laws is mixed. Pirated optical media (that is, DVDs, CDs, software) and counterfeit trademarked goods, particularly sneakers and clothing, are still available, but the Serbian government has stepped up its actions to combat illegal street sales. Government efforts to combat software piracy have also been somewhat effective as the estimated rate of software piracy has fallen from about 99 percent ten years ago to approximately 70 percent today.

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

A May 2012 Business Software Alliance (BSA) Global Software Piracy Study reported that Serbia reduced its piracy rate by 4 percent from the prior year. The May 2011 BSA Piracy Study noted that Serbia is 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

The American Chamber of Commerce in Serbia (www.AmCham.rs) has an active IPR Working Committee and together with its membership, is actively working on improving enforcement and training of the administration, such as customs officers, retail and tax inspectors.

Intellectual Property Office
Ms. Branka Totic, Director
11000 Belgrade
Kneginje Ljubice 5
Tel: +381-11- 2025 902
zis@zis.rs
www.zis.gov.rs

Protecting Your Intellectual Property in Serbia:

Several general 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 United States. Third, rights must be registered and enforced in Serbia under local laws. U.S. trademark and patent registrations will not be protected 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 basically depends 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 applying for trademark and patent protection even before selling products or services in the Serbian market is recommended. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. 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 Serbian law. A list of local lawyers can be obtained upon request by e-mailing: biljana.stojimirovic@trade.gov.

While the U.S. Government stands ready to assist, little can be done if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully whether to permit a partner to register your IP rights on your behalf. Doing so may create a risk that a partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Serbian require constant attention. Work with legal counsel familiar with Serbian laws to create a solid contract that includes non-competitive clauses, and confidentiality/non-disclosure provisions.

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 (PhaRMA)
- Biotechnology Industry Organization (BIO)

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 visit www.STOPfakes.gov

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199 or visit http://www.uspto.gov/

- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959 or visit http://www.copyright.gov/

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the **STOPfakes** website at http://www.stopfakes.gov/resources

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: http://origin.www.stopfakes.gov/business-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. Contact information for the IP attaché who covers Serbia can be obtained by contacting from 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, and other sources.

Experienced and well-connected local professionals are essential to investors in Serbia. The U.S. Commercial Service offers an 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.export.gov/serbia).

The U.S. Commercial Service maintains lists of international consulting firms in Belgrade; local consulting firms; and experienced, professional and reliable corporate/commercial law offices. Contact biljana.stojimirovic@trade.gov for further information.

Local Professional Services Return to top

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

Ms. Biljana Stojimirovic, Administrative Assistant
Biljana.stojimirovic@trade.gov
11000 Belgrade, Bulevar Kneza Aleksandra Karadjordjevica 92
Phone: +381-11-7064 112

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Chamber of Commerce and Industry of Serbia - http://www.pks.rs/
American Chamber of Commerce in Serbia - www.amcham.rs
Yellow Pages Directory - http://www.yellowpages.rs
Business Registering Agency - www.apr.gov.rs

Lists of Serbian companies can be found at the following websites:
www.serbianyellowpages.com
http://www.siepa.gov.rs/
www.serbia-business.com.

Market and IPR information:
http://www.ubs-asb.commail to: ubs@ubs-asb.com

http://www.stopfakes.gov/
mail to: usptochina@trade.gov

http://www.zis.gov.rs
mail to: zis@zis.rs

http://www.export.gov/serbia/
mail to: biljana.stojimirovic@trade.gov

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

Commercial Sectors

Agricultural Sectors

Medical Equipment – (MED)

Overview

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USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	194,600	200,000	208,000	220,000
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	10,000	12,000	12,000	14,000
Total Imports	184,000	192,000	195,000	200,000
Imports from the U.S.	20,000	20,000	24,000	26,000
Exchange Rate: 1 USD	85	85	90	95

Source: Serbian Bureau of Statistics and independent experts EPISCOM Report: The Medical Device Market: Serbia

In 2013, the Serbian market for medical equipment and supplies was estimated at USD 200 million, or USD 27.65 per capita. The market is expected to grow to 3 to 5 percent annually between 2013 and 2017, reaching USD 300 million by 2017. Imports account for approximately 96 percent of the market, due in part to the implementation of health reforms that increased the demand for new equipment. The Serbian government has committed to improving and modernizing the nationalized healthcare system. In recent years, an extensive program of renovation was undertaken with external financing from international organizations such as the World Bank. The leading medical equipment suppliers are EU-based manufacturers, primarily German and Italian. Approximately 10 percent of medical equipment imports are directly from the United States, although the actual share of U.S. imports is higher as some are shipped through European subsidiaries. Domestic production of medical equipment and devices is small and largely covers medical supplies such as bandages and syringes, as well as low-tech and small amounts of hi-tech medical equipment.

The healthcare system in Serbia is financed by compulsory health insurance contributions based on 12.3 percent of payroll taxes. The system provides access to health services for the entire population. A majority of hospitals are public (state-owned). Due to an undeveloped insurance market and state healthcare policy, the private sector share is minimal. The public healthcare network in Serbia includes a total of 344 healthcare institutions: 210 primary healthcare entities, 76 secondary level institutions (40 general hospitals and 36 special hospitals and rehabilitation centers), and 29 tertiary care institutions. The total number of beds in state hospitals stood at 38,000 at the end of 2013.

The Ministry of Health is the major decision maker in the Serbian healthcare market. It develops health policies and budgets, monitors the work of state-owned health institutions and approves plans for purchases of medical equipment. The Public Procurement Act requires open tenders for all purchases. Private medical practitioners present some opportunities for sales of dialysis and diagnostic imaging equipment.

In accordance with the Medical and Medical devices Law, the Medicines and Medical Devices Agency of Serbia (ALIMS) (www.alims.gov.rs) issues authorizations for marketing medicinal products and medical devices, performing laboratory quality control of medicinal products and medical devices, and collecting and processing statistical data on trade and consumption of medicinal products and medical devices.

Though Serbia has adopted most European regulations, the CE mark has not yet been recognized, so medical products from the EU have to pass a Serbian marketing authorization process.

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U.S. medical equipment has an excellent reputation in Serbia for state of the art technology, quality, and reliability. However, technical assistance concerns are seen as potential obstacles to growth of U.S. imports. The medical equipment market is 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
- ultra-violet/infra-red equipment used in medical, surgical, dental, or veterinary sciences
- apparatuses using of X-rays with alpha, beta or gamma radiation treatments
- medical lasers
- endoscopes

Local distributors indicate that there is a large demand for diagnostic tests for illicit drugs, pregnancy, and various illnesses, and expressed interest in importing new U.S. products with no European equivalents.

Digitalization of various technology processes in hospitals and optimization of the IT systems and improvement of hospital management systems will be on the agenda in 2014.

Opportunities Return to top

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. Pacemakers, nuclear medical instruments and clinical laboratory equipment, as well as health informatics equipment, home healthcare and rehabilitation equipment, and patient monitoring systems are also expected to become good opportunities for U.S. companies in the next few years.

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 Ministry of Health’s plan for the reconstruction and modernization of four clinical centers in Belgrade, Nis, Novi Sad and Kragujevac, to be funded by the National Investment Plan and international financial institutions, presents 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 EU pre-accession funds during the next five years.

Web Resources

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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/ONama.aspx?id=240

Institute of Public Health of Serbia: http://www.batut.org.rs

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

Pharmaceutical – (DRG)

Overview

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USD thousands

	2012	2013	2014 (estimated)	2015 (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	40,000	40,000
Exchange Rate: 1 USD	85	85	90	95

*Source: Serbian Bureau of Statistics and independent experts EPISCOM Report: The Medical Device Market: Serbia****

The total market for pharmaceutical products in Serbia was estimated at USD 1.06 billion in 2013, half of which were state-controlled prescription drugs. While the market is small in terms of absolute numbers, relative per capita spending on medicines is expected to increase over the long term. Serbia frequently faces medicine shortages, as some retailers and pharmacists are unable to earn profits from the sale of these medicines. Drug consumption is also expected to rise as the country continues its economic convergence with Europe.

The pharmaceutical market is dominated by local producers of generic products, three of which account for 60 percent of the market in value terms. Despite active local manufacturing, foreign producers account for more than 90 percent of innovative medicines. The United States exported USD 40 million worth of pharmaceutical preparations to Serbia in 2013.

Serbia operates a nationalized healthcare system, in which the government sets prices and subsidizes prescription medicines. Compared to 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 percent for wholesale and 12 percent for retail) are relatively low for the region.

The implementation of centralized procurement was introduced in 2013, resulting in some forced price reductions, particularly in the case of high-volume products and generics. This could benefit larger players who are able to benefit from economies of scale. The intent of the central procurement system, which for the first time included both public and private pharmacies, was to improve transparency and combat corruption.

Sub-Sector Best Prospects

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Serbia has some of the highest rates in Europe for cardiovascular disease, cancer, liver disease and cirrhosis. Pharmaceuticals that address these conditions as well as their precursors (for example, hypertension and high cholesterol) are in demand. In 2013, the highest demand was for cardiovascular drugs, followed by antibiotics and medications for the nervous system. The market for drugs and supplements is growing steadily and 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. There is also significant demand for oncology products, vitamins/minerals, durg/alcohol tests, and natural medicines aimed at the prevention of diseases.

The Serbian Law on Drugs prohibits the sale of any pharmaceuticals, including over-the-counter drugs (OTC), outside of pharmacies. Customs-free access to some markets—such as Russia, former Yugoslav countries, and the European Union—provide many opportunities for both medicines and medical devices. Serbia's leading pharmaceutical companies have modern technological solutions that comply with Good Manufacturing Practice (GMP) and enable them to manufacture over 95 percent of existing generic forms.

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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

Overview

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USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	920,000	920,000	930,000	980,000
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	n/a	n/a
Imports from the U.S.	n/a	n/a	n/a	n/a
Exchange Rate: 1 USD	85	85	90	95

Note: Data regarding U.S. imports relates to shipments from the U.S. Many U.S. companies distribute equipment from other countries, and are not treated as U.S. exports by official statistics.

In 2013, information technology (IT) market expenditures in Serbia totaled approximately USD 920 million, remaining at the same level as the previous year. Hardware sales comprised 60 percent of this total, while IT services accounted for 2 percent and software for 18 percent. Due to the budget constraints, independent experts expect minimal average growth in IT spending in Serbia over the next few years. Some recovery is expected by 2015. The emerging PC market offers long-term growth potential for U.S. firms. Businesses and public sector agencies continue to improve their basic infrastructures as their IT requirements increase. Moreover, as households seek broadband access, internet use will increase. Industry experts estimate that U.S. companies had a 32 percent share of the total hardware market in 2013. The government/state enterprises, large and small commercial enterprises, and commercial banks are highly receptive to U.S. computer technology.

Local Competition

In 2012, producers and distributors of computers and computer equipment totaled approximately 628 companies while manufacturers and distributors of computer services and software totaled approximately 1,100. Overall, the market is dominated by U.S. brand names and international suppliers of IT products and services.

Opportunities

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Due to the budget constraints, local experts predict a drop in spending on hardware. However, spending on IT security and data protection is expected to double over the next three years. The healthcare sector is also expected to present opportunities for U.S. firms. 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 are on the agenda for 2014, but will most probably be postponed to 2015.

Serbia is a good location for local assembly/manufacturing lines with a strategic geographical location for supply chain management in order to access nearby markets. It is a signatory to several free trade agreements including the Central European Free Trade Agreement (CEFTA), the Serbia-European Union Free Trade Agreement, and bilateral free trade agreements with Russia and Belarus.

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Mr. Milan Jankovic, Executive Director
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Fax: +381-11-3232 537
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Union of ICT – JISA

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E-mail: jisa@jisa.rs
Web: www.jisa.rs

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For more information on market entry strategies contact:
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Telecommunications Equipment and Services – (TEL)

Overview

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USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	2,500,000	2,600,000	2,600,000	2,750,000
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	n/a	n/a
Imports from the U.S.	40,000	42,000	46,000	50,000
Exchange Rate: 1 USD	85	85	90	95

*Source: Serbian Bureau of Statistics and independent experts-IDC report IDC Analysis and Predictions 2013: Serbia. Note: Data regarding U.S. imports relates to shipments from the U.S. Many U.S. companies distribute equipment from their other countries and are not treated as U.S. exports by official statistics***.*

The Serbian telecommunications market was USD 2.6 billion, 5.5 percent of GDP in 2013, and was the fastest growing sector over the last 10 years. According to the Serbian Statistics Bureau, the number of internet users in 2013 increased by 8.3 percent, compared to 2012. As a result, Serbia now has 3.9 million internet subscribers.

The mobile telephone market in Serbia in 2013 was estimated to be approximately USD 2 billion, with investments in this segment at slightly under USD 150 million. At its peak growth in 2011, the industry recorded new subscriber growth rates of nearly 30 percent a year. At the end of 2013, the total number of subscribers exceeded 10.5 million, a penetration rate of 145 percent. Calls increased 10 percent from 2012. The number of SMS messages went up by 2 percent to 10 billion. The dominate mobile providers, Telenor and Telekom Srbija, held 31 percent and 52 percent market share, respectively.

Serbia partially liberalized its telecommunications market in 2012, primarily affecting the fixed telephone segment. The liberalization allows all companies that have the necessary infrastructure, including cable operators, to launch fixed telephone 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. Telekom Srbija operates the national landline network. Fixed-line telephone use decreased 2.2 percent in 2013, to 3.2 million users. Cable television services, offered by 80 providers, recorded a total of 3.65 million users (about 50 percent of households in Serbia).

Broadband internet access is widely available in Serbia. Penetration, including mobile 3G users, reached 65 percent with 4.7 million subscribers at the end of 2013. Internet service providers (ISPs) offer a variety of broadband internet access options at speeds of up to 120 Mbps on the retail market. Due to increased competition among ISPs, the price of internet access is decreasing. According to the International Telecommunication Union (ITU) Broadband Commission Report (September 2013), Serbia ranked 42 out of 170 ITU member countries in terms of mobile broadband penetration.

Mobile telephone providers are aggressively rolling out 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. 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 partnership with U.S. telecommunications equipment manufacturers with innovative, low cost solutions for small-scale digital exchanges and homegrown ADSL solutions. U.S. companies could find opportunities in this market, which is dominated today by European companies. Overall, U.S. telecommunications equipment is very well received in the Serbian market.

In early 2012, Serbia adopted a new strategy for the broadcast of digital television, which envisages the switchover to digital television broadcasts by mid-2015. A pilot digital TV signal was launched in 2012 and now broadcasts digital signals from 15 locations across the country. The project for replacing the analog broadcasting network with digital will cost approximately USD 35 million and will be financed with a loan by the EBRD.

Sub-Sector Best Prospects

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The best prospects for U.S. suppliers in this market are for internet-related equipment such as routers, switches, 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 expertise in internet applications.

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 television broadcasters. 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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Web site: www.ratel.rs

Serbian telecom providers:
www.telekom.rs
www.mts.rs
www.telenor.rs
www.vipmobile.rs
www.orion.rs

For more information on market entry strategies contact:
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Agricultural Sectors - (AGS) Return to top

Agriculture's contribution to Serbia's GDP remains high. In 2013, agriculture accounted for 10.1 percent of GDP, compared to the EU 27 average of 2 percent. This can be attributed mostly to Serbia's fertile land and favorable natural conditions for agricultural production, as well as the continued importance of the rural economy to Serbia's population and delays in structural reforms in other sectors of the economy. Approximately 26 percent of Serbia's labor force is actively employed in agriculture. Agriculture is the most important export sector in Serbia, accounting for almost 20 percent of all Serbian exports, enjoying a surplus of USD 1.20 billion in 2013. Approximately 60 percent of Serbia's agricultural land is used for cereal and other staple 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 percent of total cultivable land in Serbia. Serbia has 5.05 million hectares (HA) of agriculture land. Approximately 90 percent of Serbia's arable land is privately owned and 10 percent belongs to the government. According to the 2012 Serbian Agriculture Census, there are approximately 630,000 registered agricultural entities of which approximately 99.6 percent are family households and 0.4 percent are legal entities. The average family holding is 4.5 HA.

In 2013, the total value of Serbia's agricultural production reached USD 5.2 billion, or 26.4 percent higher than in 2012. This increase can be attributed mainly to a 62 percent increase in corn production. Corn production is valued at USD 1.4 billion annually (6.5 million MT). Wheat is the second most cultivated cereal valued at USD 400 million (2.0 million MT). Sunflower production is valued at USD 230 million (300,000 MT per year) and soybean is value at USD193 million (360,000 MT). It is one of the most important agricultural crops for Serbia. Sugar beets production, valued at USD131 million (2.5 million MT), is another important Serbian crop. Considerable revenues of USD 520 million annually also come from the fruit sector, especially apples (USD1 49.5 million) and raspberries (USD143 million). Serbia's livestock production was valued at USD 1.63 billion in 2013, a modest decline of 1.5 percent compared to 2012. Proportionally Serbia's livestock sector is divided as follows: pigs USD 670 million (41 percent), cows USD 650 million (40 percent), poultry USD 230 million (14 percent), and sheep USD 80 million (5 percent).

The Ministry of Agriculture and Environmental Protection 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 the beginning of 2014, the Serbian Ministry of Agriculture, Forestry and Water Management presented a new Draft Serbian Agriculture and Rural Development Strategy for 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements. The proposed reforms will try to improve Serbia's business environment and competitiveness, raise living conditions, and provide greater stability for Serbia's farmers in rural areas by creating a more uniform and equitable division of state agricultural resources amongst all potential stakeholders.

At the end of 2013, the Serbian Government adopted its final 2014 budget, allocating approximately 5.65 percent to agriculture or 47 billion dinars (USD 550 million). This is slightly higher (1.15 percent) than last year's agricultural allocation. For 2014, approximately 31 billion dinars (USD 365 million) will be used to cover production subsidies (mainly for milk, livestock, and fruits), 10 billion dinars (USD 114 million) to make diesel fuel payments and certified seed refunds to registered farmers, and 6 billion dinars (USD 71 million) for new investments in the food and agriculture sector such as supporting further processing of agriculture products (for example, new storage facilities including cold storage for fruits and vegetables, new processing capacities, and incentives to modernize livestock production).

From 2009 to 2013, the Serbian Ministry of Agriculture, Forestry, and Water Management adopted 23 new laws and approximately 55 regulations that enable implementation of the new laws adopted since 2009 relating to agriculture and food. These framework laws and sub-laws will improve the overall environment for agricultural producers in Serbia and will ensure Serbia's practices are in compliance with the EU and the rules outlined by international organizations like the World Trade Organization (WTO) and the International Union for the Protection of New Varieties of Plants (UPOV). However, the 2009 Law on Genetically Modified Organisms (GMOs) that bans the cultivation and use of these products without a scientific review process is not in line with EU or WTO regulations. Until this law is amended to comply with WTO rules, it remains an obstacle to Serbia's EU accession.

Effective January 1, 2014, per the Serbia's Stabilization and Association Agreement with the European Union (SAA), approximately 95 percent of all EU agriculture imports became duty-free. All other items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities. These products include honey, fresh tomatoes, peppers, potatoes, leafy greens, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy, and most dairy products. However, significant reductions in customs tariffs were introduced for some agricultural products: beef (from 15 percent to 12 percent), pork and poultry meat (15 percent to 9 percent), and cheeses (15 percent to 10.5 percent). Tariffs on bovine milk were completely eliminated. Serbia also has Free Trade Agreements (FTA) with the Russian Federation, Turkey, Belarus, Kazakhstan, and countries from Central European Free Trade Agreement (CEFTA), Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo.

Serbian agriculture and food trade partners:

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

Source: Serbian Ministry of Agriculture

Serbia's agro-food exports reached a value of USD 3.04 billion in 2013, a 6.3 percent increase from 2012. Agriculture is the most important export sector, accounting for almost 20 percent of all Serbian exports and enjoying a trade surplus of USD 1.2 billion. The European Union remains the most important trading partner for Serbia. Exports to EU countries accounted for 58 percent of Serbia's total agricultural exports, whereas imports from the EU represented 45 percent of Serbia's total agricultural imports. Since 2001, Serbia's agricultural exports have enjoyed preferential EU access. 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 471 million), refined sugar (USD 198 million), edible sunflower and soya oils (USD 138 million) and wheat flour products (USD 124 million). The Serbian products with the best production and export potential are grains, oilseeds, sugar, fruits, vegetables, non-alcoholic beverages, water, dairy products and products from the confectionary industry.

Total agro-food imports in Serbia were valued at USD 1.84 billion in 2013, a total 15 percent higher than in 2012. Agro-food imports represent approximately 8.6 percent of Serbia's total imports. Agricultural imports are mostly high-value food items with European products dominating the import market. It is expected that agricultural imports will continue to grow in 2014 due to increasing demand for high quality consumer-oriented products that enter mostly from the EU duty-free.

In 2013, Serbia's total agro-food imports from the United States was USD 30.4 million, an increase of USD 5.4 million or 21.6 percent higher than in 2012 (mostly due to increased imports of tobacco, almonds and planting seeds). U.S. agro-food exports consisted mainly of almonds, tobacco, corn, sunflower seeds, vegetable planting seeds, dietetic foods, and concentrated proteins without dairy fats, alcoholic drinks, frozen fish and seafood, snacks and fruits. Despite the slight decline in 2012, U.S. exports of these products to Serbia increased in 2013 and are expected to continue to grow. In the medium term, Serbia is likely to increase imports of planting seeds, fish and fishery products, and poultry meat for processing, high-value consumer products, and beverages. Possibilities also exist for the expansion of U.S. exports of high value products such as tree nuts, raisins, snacks, beverage concentrates, planting seeds and seedlings, bovine semen and embryos, flavors, and fragrances.

In 2013, total agro-food exports from Serbia to the United States reached USD 24 million, an increase of USD 9 million, or 60 percent higher than in 2012 (mainly due to increased exports of frozen, processed, and dried fruits from Serbia). Other Serbian agricultural exports to the United States included yeast, frozen vegetables, fruit juices, confectionary products, brandy, processed fruits (jams, puree, and jelly), sweet corn, coffee, wine, cheese, and bakery products. In 2013, the United States had a USD 6.4 million surplus in agricultural trade with Serbia, which was approximately USD 3.6 million less than in 2012.

The following table represents the most important U.S. agro-food exports to Serbia in 2013:

No.	**Commodity**	**Tariff Code**	**Imports from the U.S. USD**	**Total Serbian Imports USD**	**U.S. Share of total imports**
1	Tobacco and tobacco products	2401/2402/2403	7,121,571	65,109,200	11%
2	Almonds	080212900	5,330,231	5,775,233	92%
3	Consumer orientated products	2106909290/2106909890	4,428,171	7,242,389	9%

4	Whisky bourbon	2208301100	1,986,121	2,800,224	71%
5	Protein concentrates	2106102000	1,308,472	1,572,414	83%
6	Vegetable seeds	1209918000	1,055,377	7,226,833	15%
7	Canned fish, Salmon, Squids	160420900/0303120000/ 0307493800	939,810	5,344,594	16%
8	Sunflower seeds	1206001000	930,413	6,123,430	15%
9	Corn seeds	1005900000/0712901100/ 1005109000	912,697	0,023,116	9%
10	Dry beans	0713331000	516,985	955,720	54%
11	Processed fruits with sugar	200899490	446,655	3,233,880	14%
12	Hop, grounded	121020900	257,941	1,122,008	23%
13	Fats and oils	1504209000	243,105	340,668	89%
14	Pistachios	0802510000	145,204	1,344,734	11%

Source: Serbian Chamber of Commerce

U.S. Foreign Trade with Serbia in USD

Year	U.S. Agro-Food Imports from Serbia	U.S. Agro-Food Exports to Serbia
2013	24,406,902	30,373,349
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

2013 Totals	2013 (in USD)
Total Agro-Food Imports into Serbia	1,843,175,125
Total Agro- Food Imports into Serbia from the United States	30,919,039
U.S. Share of Total Agro-Food Imports	1.7%

Source: Serbian Chamber of Commerce

Foreign Agricultural Service (FAS):

U.S. Officer:

Christine Sloop,
Regional Agricultural Counselor (residing in Rome, Italy)
U.S. Embassy
Foreign Agricultural Service - USDA
U.S. Embassy-Rome, Italy
Tel: (39) 06-4674-2396/2617
E-mail: christine.sloop@usda.gov or sloopcm@state.gov
Webpage: http://italy.usembassy.gov/agtrade.html

FAS Office in Belgrade:

U.S. Embassy Belgrade
USDA/FAS Office
Bulevar Kneza Aleksandra Karadjordjevica 92,
11 000 Belgrade
Tel: +381-11-706-4000
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Useful Links:

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

Serbian Government sites:
Ministry of Agriculture and Environmental Protection (in Serbian):
http://www.mpsv.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): http://webrzs.stat.gov.rs/WebSite/

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
Food Technology: www.tehnologijahrane.com
Agriculture Fair Novi Sad: www.sajam.net/live/Events/Fairs/2014/Agricultural_fair

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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Serbia's Customs Law, adopted in 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 U.S. are the same as those levied on EU member countries and may be reviewed at: http://www.upravacarina.rs/en/Zakoni%20engleski/SR-Customs%20Tariff%20Law-EN-2009.pdf

Trade Barriers

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Serbia has made some trade policy reforms to bring practices closer to conformity with WTO requirements. Reforms include the elimination of import quotas, the reduction of import licensing and prohibitions, the streamlining of customs procedures, and the reduction of tariff and non-tariff barriers.

The legal basis for the trade of goods in Serbia is defined through the Law on Foreign Trade Transactions (FTT), the Law on Customs, the Law on Customs Tariffs, and the Decision on Determining Goods Subject to Issuance of Specific Documents for Import, Export, 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 required for re-export transactions, except for arms, ammunition and dual-use goods, which are subject to other regulations.

Import Requirements and Documentation

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Serbia uses a standardized import/export documentation process (generally requiring a bill-of-lading, etc.). With the liberalization of the trade regime and reformation of the trade/customs-related institutions, Serbia continues to synchronize its documentation with the European Union.

The Serbian Customs Tariff is annually harmonized with the EU Combined Nomenclature. In Serbia, there are several tariff regulations that are binding:

- Decisions on Tariff Classification published in the Official Journal of the European Union;
- Decisions on Tariff Classification issued by the World Customs Organization (WCO); and
- Binding Tariff Information issued by the Serbian Customs Administration, upon request, regarding the classification of certain goods, in case of ambiguity or uncertainty.

Official translations of EU and WCO decisions are regularly published in the Official Gazette of the Republic of Serbia.

Import licenses are required for narcotics (including psychotropic substances), medicines containing narcotics, precursors for the manufacture of narcotics, 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, radioactive materials, reactors and reactor parts, arms, military equipment and dual-use goods, asbestos, industrial explosives, hunting and sports arms and ammunition for such arms, precious metals, and specific agricultural products for veterinary purposes. The majority of the above-mentioned goods are subject to import licenses in accordance with existing international conventions.

U.S. Export Controls

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In 2001, the U.S. Government issued an Executive Order discontinuing all business sanctions imposed on what was then the Federal Republic of Yugoslavia. 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 (for example, 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

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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 is a member of the Customs Convention on the Carnet ATA for the temporary import of goods.

Labeling and Marking Requirements

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Product labels must contain the following: title of the product, full address of the producer or 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, 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 those obtained from waste recycling. The regulation governing the use of ecological labels was 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 http://www.carina.rs/.

Customs Regulations and Contact Information Return to top

Contact:

Serbia Customs Administration
Address: Bulevar Zorana Djindjica 155
11070 Novi Beograd
Web site: http://www.serbiancustoms.rs/en/

Ministry of Foreign and Internal Trade, Tourism and Telecommunications
Address: Nemanjina 25 A/V/5 /11000 Belgrade
Web site: www.mtt.gov.rs
Ana Blagojevic, Ph.D. Head of foreign trade policy department

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The Institute for the 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 applications that were adopted prior to 1996 became voluntary in 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 in 2009, Serbian standards must be published in one of the official languages of the European organizations for standardization (CEN, CENELEC, and ETSI). In 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 (www.iss.rs)

Contact:

Center of the Institute for Standardization of Serbia
Telephone: +381-11-7541 421, +381-11-7541 260
E-mail: ljubica.petrovic@iss.rs , iss1@iss.rs

Standards Organizations Return to top

Based on the Law on Standardization, the Serbian government issued the Decision on Amendments to the Founding Act of the ISS in 2009. The Institute performs tasks specified by the Law on Standardization and its work is supervised by the Ministry of Economy. Expert councils 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 were developed in accordance with International Standards Organization (ISO), International Electrotechnical Commission (IEC), European (EN) standards, and related documents of other countries.

Contact:

The Institute for Standardization of Serbia (ISS)
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11030 Belgrade
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Fax: +381-11-7541 257
E-mail: iss1@iss.rs

Web site: www.iss.rs

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 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 http://www.nist.gov/notifyus/.

Conformity Assessment Return to top

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 recognition of foreign documents and markings of conformity in Serbia.

Product Certification

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A product may be placed in the market only if:

- it conforms to 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.

There are no existing Mutual Recognition Agreements with any U.S. 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 out in relevant international standards and that it is competent to perform these activities.

In Serbia, the Accreditation Board of Serbia (ATS) grants accreditation. 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 maintains registers of current technical regulations and those under preparation.

In addition, the Ministry of Economy 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 in Serbia, verifying conformity of the product with certain technical regulations, may be the CE mark or another conformity mark according to special regulations (for example, homologation mark). The Serbian conformity mark confirms that the product meets the 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 ‘A’ letters connected in the shape of an equilateral triangle and is affixed to the product in such a manner as to be visible. Artwork of this mark can be downloaded in several formats at: http://www.kvalitet.co.rs/en/znaci-usaglasenosti-za-proizvode

It is prohibited to affix any other mark of similar content or form on a product which could be misleading to the consumers, or in a manner that would impair the visibility or legibility of the conformity mark. 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, the ISS approves the use of national marks of conformity with Serbian standards. Certification bodies could be providers of other conformity marks. Manufacturers and service providers can issue a declaration of conformity with Serbian standards, but this declaration does not result in the use of a conformity mark. As compliance with standards is voluntary, products are not required to bear a national conformity mark. Affixing a mark to a product does however demonstrate that the requirements of a specific ISS standard were met.

Contacts Return to top

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E-mail: ekolab@sezampro.rs

Ministry of Finance
Sector for Quality Infrastructure
Bulevar Kralja Aleksandra 15, 11000 Beograd
Tel: +381-11-2855 192; 2855 341
E-mail: tbtinfo@mfp.gov.rs
Web: http://www.tehnis.privreda.gov.rs/en.html

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

Trade Agreements

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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 ceased to be a CEFTA member upon entry into the European Union in July 2013. CEFTA's primary objective is to facilitate and expand trade and investment among its members, which together have a total population of almost 30 million.

Goods originating from Serbia and exported to the European Union 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 European Union without customs duties and quantitative restrictions for almost all products originating from Serbia.

In 2008 Serbia and the European Union signed a Stabilization and Association Agreement (SAA) and Interim Agreement on Trade and Trade-Related Issues. The SAA and its subsequent trade agreement with the European Union opened the door for Serbia to begin systemic reforms and harmonize its legislation with EU standards. This agreement paved the way for further introduction of international standards to the domestic market. Under this agreement, Serbia phased out and abolished tariffs on most goods imported from the EU. Import duties on all industrial products were fully scrapped, while duties on some agriculture products will remain even after January 2014.

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) with Serbia in December 2003. This provides improved access to the U.S. market for 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).

Web Resources

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Serbian Customs Administration: www.carina.rs
The Institute for Standardization of Serbia (ISS): www.iss.rs
Ministry of Foreign and Internal Trade, Tourism and Telecommunications: www.mtt.gov.rs
Accreditation Board of Serbia (ATS): www.ats.rs
Bureau of Industry and Security – U.S. Department of Commerce: www.bis.doc.gov/
U.S. Department of Treasury: www.treasury.gov

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Chapter 6: Investment Climate

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Executive Summary

Following the country's recent political progress, Serbia's investment climate is slowly improving. In April 2013, the country signed an agreement to normalize relations with neighboring Kosovo, which paved the way for the January 2014 opening of accession negotiations with the European Union (EU). These developments present a real opportunity for the country to attract new foreign direct investment (FDI), especially as the government moves to align domestic legislation with EU standards and implement other measures to improve the business environment.

The Serbian government continues to prioritize investment, especially investment originating from abroad. U.S. investors report positively on doing business in Serbia. They highlight the country's strategic geographic location, the well-educated and affordable labor force, and the free trade agreements with key markets (including Russia, Turkey, and the EU) as particular appeals. Although there are occasional challenges with bureaucratic delays and corruption, for the most part U.S. investors enjoy a level playing field with their Serbian and foreign competitors. The U.S. Embassy in Belgrade assists investors when issues arise, and Serbian leaders are responsive to our concerns.

The March 2014 national elections resulted in Aleksandar Vučić becoming the new Prime Minister, and he has identified economic growth as his top concern. Prime Minister Vučić has promised swift action by his government to resolve a number of long-standing issues related to the country's slow transition to market-driven capitalism. On the legislative front, the country's outdated labor, construction permitting, bankruptcy, and privatization laws hinder the development of a stronger business environment. The public sector is bloated, and more than 150 struggling state-owned enterprises (SOEs) are in urgent need of restructuring. Tens of thousands of government employees may face layoffs as the government implements these reforms. While this will be painful for the Serbian economy, the government recognizes the need to cut spending while also improving the investment climate to draw in new private sector companies to offset the public sector job losses.

If the government delivers on the promised reforms, as it has already to some extend with the passage of Labor and Privatization Laws, investors could find significant business opportunities over the next few years. Key sectors poised for growth include agriculture, information and communications technology (ICT), and mining. Investors should monitor economic reform steps that the new Serbian government takes during 2014. Comprehensive reform in the areas listed above will signal that the state is serious about opening the economy to private investment. Similarly, investors should follow the development of the new investment incentive program, which the Prime Minister has said will feature smarter, individually tailored offerings. With an already adequate climate for foreign investors, there is room for substantial progress in the near term as the new Serbian government places economic reform at the top of its agenda.

Serbia is open to foreign direct investment (FDI), and attracting FDI is a priority for the Serbian government. Even during its communist past, Serbia prioritized international commerce and has attracted a sizeable international business community. This trend looks to continue, as recently installed Prime Minister Aleksandar Vučić develops a new package of government incentives for foreign investors.

Serbia's Law on Foreign Investments extends national treatment to foreign investors, allows the transfer or repatriation of profits and dividends, provides guarantees against expropriation, and allows customs-duty waivers for equipment imported as capital-in-kind. The Law on Foreign Exchange Operations regulates payments between residents and non-residents while the Law on Protection of Competition regulates fair competition in the market.

Serbia obtained European Union (EU) candidate status on March 1, 2012, and January 21, 2014, marked the opening of the country's formal accession negotiations. The government is implementing a National Program for Integration into the EU to harmonize domestic legislation with EU norms. This modernization of Serbian legislation would contribute significantly to improvements in the investment climate in areas including foreign trade, corporate governance, and environmental regulation.

Serbia has struggled with a rising fiscal deficit and has looked to plug the budget gap with new revenue measures. In December 2012 the Serbian National Assembly adopted Amendments to the Law on Corporate Profit Tax that increased the corporate-profit tax rate from 10 to 15 percent, and in 2013 the government amended the same law to cancel a tax holiday for investments in new equipment. Still, the government continues to offer some incentives designed to attract foreign investors, including a 10-year corporate-profit tax holiday introduced for companies that invest more than USD 11.9 million and hire at least 100 new employees. The Serbian government maintains the Serbian Investment and Export Promotion Agency (SIEPA) (http://www.siepa.gov.rs/sr/) to administer the investment incentive program. In 2010, Serbia established economic advisor positions at select foreign missions, including the Serbian Consulate General in Chicago, to promote foreign investment in Serbia (http://www.scgchicago.org/).

In addition to SIEPA, the Serbian Privatization Agency works with potential investors on investment opportunities in state-owned enterprises. Details about privatization policies are located in the “Competition from State-Owned Enterprises” section below.

The government of Serbia actively promotes the growth of specific economic sectors. The country’s National Development Strategy designates automobiles, information and communications technologies (ICT), and electronics as priority sectors, for which the government offers investors special incentive packages (http://www.gs.gov.rs/lat/strategije-vs.html). The strategy also states that the country’s industrial policies aim to attract FDIs in “high value” areas such as renewable energy, new technologies, logistic centers, customer centers, automobiles, and chemicals.

The Law on Foreign Investments prohibits foreign companies from establishing a company in the production and trade of arms (for example, the defense industry) and within specific areas of the country marked as prohibited areas. Although a foreign company can establish a joint venture with a domestic company in these areas, the foreign company cannot obtain majority ownership.

From 2001-2011, the Serbian government privatized 2,380 state-owned enterprises (SOEs), generating revenues of USD 3.4 billion for the Serbian budget. The government later cancelled 646 of these privatizations, alleging that investors did not meet contract obligations related to employment and investment. Meanwhile the number of workers employed at privatized companies decreased from 680,000 to 270,000 (http://www.ecinst.org.rs/sites/default/files/page-files/prezentacija-privatizacija-u-srbiji-ivan-nikolic.pdf).

The Serbian government continues to engage foreign investors in the privatization process by inviting them to submit tenders, participate in auctions, and purchase company shares. Prime Minister Vučić announced that during the summer of 2014, the National Assembly will adopt key reform laws, including a new Privatization Law that would facilitate the conclusion of other planned privatizations by the end of 2014. At present, the Ministry of Economy lists more than 150 SOEs in need of restructuring. The Ministry is working to provide a detailed assessment of each company’s assets and liabilities to potential investors. Companies still awaiting privatization (or re-privatization) include metal, machinery, and food and beverage producers. Poor financial situations, outdated technology, and a lack of relevance in the modern global economy render some of these companies unappealing. However, with an estimated market value of USD 2.6 billion in 2013, state telecommunications company Telekom Srbija has garnered significant investor interest. Still, a 2011 attempt at privatization failed when the sole bidder, Telekom Austria, failed to offer the minimum bid set by the Serbian government. The state steel company in Smederevo may also attract foreign investor interest.

The National Assembly enacted the new Law on Protection of Competition in July 2009 and subsequently amended it in 2013. As an independent organization accountable to the National Assembly, the Commission for the Protection of Competition implements the law. The Commission also applies rules that regulate competition in the EU market, in accordance with Article 73 of Serbia’s Stabilization and Association Agreement (SAA) with the European Union. The commission is active in the market and in 2012, according to its annual report, initiated 92 proceedings for competition violation. However, the commission cited difficulties with “judicial review of decisions of the commission, particularly the extreme slow action of the Supreme Court of Cassation.” Actions of the commission are published online (http://www.kzk.org.rs/en/izvestaji).

According to SIEPA, since 2000, Serbia has attracted USD 29.1 billion in gross FDI. The peak year for investments was 2006 when Serbia attracted USD 5.6 billion, followed by a gradual slowdown in FDI inflow to USD 1.4 billion in 2013. Sectors that attracted the largest amount of FDI included finance, manufacturing, wholesale and retail, real estate, and transport (http://siepa.gov.rs/en/index-en/invest-in-serbia/strong-fdi-figures.html). The National Bank of Serbia (NBS) and SIEPA both track FDI inflows.

A number of well-known multinational companies completed major investments in Serbia between 2011 and 2014: Fiat and Benetton (Italy), Siemens and Grundfoss (Germany), Delhaize (Belgium), Yura (South Korea), and Actavis, Cooper Tire, Johnson Controls, KKR, and NCR (United States) are represented in the Serbian market. Both Ball Corporation and PepsiCo have expanded their investments in recent years.

Measure	**Year**	**Rank or value**	**Website Address**
TI Corruption Perceptions index	2013	72 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic' Freedom index	2013	95 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	93 of 189	http//doingbusiness.org/rankings
Global Innovation Index	2013	54 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	5,280 USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Serbia's Foreign Investment Law guarantees the right to transfer and repatriate profits from Serbia, and ensures that foreign exchange is readily available (http://www.nbs.rs/export/sites/default/internet/english/20/laws/law_foreign_exchange_operations.pdf). Serbia permits a relatively free flow of capital, including for investment in Serbia such as the acquisition of real estate and equipment. Non-residents may maintain both foreign currency and dinar denominated bank accounts without restrictions. Investors may use these accounts to make or receive payments in foreign currency. Non-residents may not transfer capital to purchase domestic short-term securities. The government amended the Foreign Exchange Law in December 2012 to allow Serbian citizens to conclude transactions abroad through Internet payment systems such as PayPal.

The National Bank of Serbia targets inflation in its monetary policy and regularly intervenes in the foreign exchange market to that end. The dinar has been relatively stable, depreciating by 1.5 percent between January 1, 2013 and April 9, 2014.

Remittances denote a significant additional income source for Serbian households. In 2013, Serbian citizens received total remittances of USD 4.0 billion, equivalent to more than nine percent of GDP. However, recipients most often used these remittances for consumption rather than investment.

Serbia is a member of MONEYVAL, which regularly assesses the implementation of anti-money laundering and counter-terrorism financing (AML/CFT) measures in Serbia (http://www.fatf-gafi.org/countries/s-t/serbia/). Serbia is also an observer of the Eurasian Group (EAG). In November 2010, the National Assembly amended the Anti-Money Laundering and Counter-Terrorism Law to require banks and other financial institutions to gather data about legal and natural persons that electronically transfer money and to also monitor unusual transactions. The amendments also expand the role of the Anti-Money Laundering Unit in the Ministry of Finance by vesting it with supervisory authority over a number of institutions and businesses, including money transmitters and factoring and forfeiting entities.

The 2013 International Narcotics Control Strategy Report (INCSR) listed Serbia as a "country of concern," explaining that, "Serbia is situated on a major trade corridor known as the Balkan route and commonly confronts narcotics trafficking; smuggling of persons, weapons, cigarettes, vehicles, and pirated goods; tax evasion; and other criminal activities" and that "Serbia has long been and continues to be a black market for smuggled goods". Corruption and organized crime also continue to be significant problems in Serbia. Proceeds from illegal activities are invested in real estate and increasingly into sports, particularly football (soccer) club operations. Cyprus, Macedonia, Hungary, Switzerland, Austria, Netherlands, and China are destinations for laundered funds. Trade and service based transactions, particularly through the use of over- or under-invoicing, are a commonly used method for laundering money and transferring value. Purchases of some private and state-owned companies have been linked to money laundering activities."
(http://www.state.gov/j/inl/rls/nrcrpt/2013/database/211183.htm#Serbia)

Expropriation and Compensation

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Serbia's Law on Expropriation, approved by the National Assembly in 2001 with amendments in 2009, authorizes expropriation for the following reasons: 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.

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, or 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 current 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. The Law on Private Property and Compensation, 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 laws 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. However, many properties are exempt from in-kind restitution. In addition, there are no legal provisions to address "heirless properties" left by victims of the Holocaust.

When the government may not return property in-kind, claimants may receive compensation in cash or bonds. Serbia has allocated EUR 2.0 billion for financial compensation in bonds. Bonds issued beginning January 1, 2015, will 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. The deadline for filing restitution applications was March 1, 2014. The Agency for Restitution received over 70,000 property claims and expects it to take two to three year to adjudicate restitution claims that requested restitution of property in-kind, while financial compensation in bonds will start next year. Additional information about the Agency for Restitution is available at its website (http://www.restitucija.gov.rs/eng/index.php).

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 allowing 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. Many U.S. citizens filed claims under the law. Serbia's 2006 Law on Restitution to Churches and Religious Communities authorizes in-kind property restitution, financial reimbursement, and substitution of alternative property as means of compensation. However, the government has not reconciled this law with the Law on Private Property and Compensation as described above.

Dispute Settlement Return to top

Serbia's judicial system is based on European civil law. Lower courts may, however, use higher court decisions as guidance. 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.

In July 2013, the government formally adopted the national Judicial Reform Strategy and Action Plan in order to tackle judicial-reform issues in a more systemic manner. Aligned with the requirements of the EU accession process, the Strategy emphasized the five pillars of "independence, impartiality and quality of justice, competence, accountability, and efficiency."

In November 2013, the government enacted a package of amendments to the four key justice-sector laws – the Public Prosecution Service, Judges, Court Organization, and the Court and Prosecutorial Network. The Law on the Public Prosecution Service provides only modest improvement in the autonomy of individual prosecutors. Changes to the Laws on Organization of Courts and the Court and Prosecutorial Network were more substantial; many of these amendments were intended to reverse decisions made by the prior government administration, such as a significant reduction in the number of judges/prosecutors and in the number of courts and prosecutors' offices.

In 2013, the new Criminal Procedure Code (CPC) took effect nationally. It enables more efficient and effective criminal proceedings and provides protection for human rights consistent with European and international standards. Innovations include prosecutor-led investigations, expanded availability of special investigative techniques and cooperating witnesses, a reduced role for the trial judge through more adversarial procedures, and implementation of stricter and more efficient appellate procedures to streamline the appeals process and reduce the number of extraordinary legal remedies.

Bankruptcy: The 2009 Bankruptcy Law brings Serbian bankruptcy procedures more in line with international standards. The law stipulates "automatic bankruptcy" for legal entities whose accounts have been blocked for more than three years and allows debtors and creditors to initiate bankruptcy proceedings. The law ensures 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 (for example, commercial and labor). 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
- 1965 Washington Convention on the International Center for the Settlement of Investment Disputes (ICSID)

Although Serbia is a signatory to many international treaties, 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 activities 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

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Despite opening accession negotiations in 2005, Serbia remains an “observer” at the World Trade Organization (WTO). The country must amend domestic legislation and conclude bilateral negotiations with current members before it can formally accede. Still, Serbia complies with the provisions outlined by in Trade Related Investment Measures (TRIMs) agreement.

From 2006 to the end of 2013, Serbia employed a system of cash grants and other incentives for greenfield and brownfield investment projects. These incentives included funding for research and development. The Serbian National Employment Service (NES) also provided job-creation incentives, but budgetary constraints resulted in the suspension of the program. The incoming government, led by Prime Minister Vučić, announced that it will offer new incentives to encourage investment, but the program details have not been finalized.

At the provincial level, the Vojvodina Government offers some investment incentives. Managed by the Vojvodina Investment Promotion Agency (VIP), these incentives include the reimbursement of costs for project design or temporary facility leasing (up to one year) while a greenfield facility is being constructed. The maximum reimbursement level is approximately USD 139,000 per business entity. In addition, the Vojvodina Provincial Secretary for Work and Employment may award incentives for new employment. Thus far in 2014 however, no public calls for incentive applications have been issued, likely as a result of budget constraints. Details are available at http://www.vip.org.rs/Business_Incentives.

A wide array of incentives is also available at the local level. For more details, please visit http://siepa.gov.rs/en/index-en/invest-in-serbia/investment-incentives.

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. Non-resident investors are taxed only on income earned in Serbia. Companies that invest more than one billion RSD (approximately USD 12 million) in fixed assets and hire at least 100 new employees are exempt from the corporate profit tax for up to ten years.

The Serbian government does not maintain a policy of “forced localization” designed to oblige foreign investors to use domestic content in goods or technology. Similarly, the government does not force foreign investors to establish and maintain a certain amount of data storage within the country.

Right to Private Ownership and Establishment Return to top

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

However, as prescribed by the Law on Foreign Investments, a foreign investor cannot own a majority of shares in a company producing or trading arms. Also, a foreign investor cannot establish and be majority owner of a company in an area marked as a prohibited zone. When a foreign company wishes to invest as a minority shareholder into these kinds of companies, it must obtain approval from the Ministry of Defense.

In addition, foreign citizens and companies are prohibited from owning agricultural land in Serbia, in accordance with the 2006 Agricultural Land Law. According to Serbia’s EU SAA, the government must lift the agricultural land ownership prohibition by 2017, unless Serbia requests and receives an extension on the ban.

Protection of Property Rights

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Serbia has an adequate body of laws for the protection of property rights, but the enforcement of property rights through the judicial system can be extremely slow. The World Bank Doing Business 2014 report ranks Serbia 116 of 189 countries with respect to the time required to enforce a contract through the courts (635 days on average).

The country continues to grapple with the consequences of the nationalization and confiscation of private property during the Holocaust and under the communist government of the former Yugoslavia following World War II. A multitude of factors can complicate and cloud property titles – restitution claims, unlicensed and illegal construction, limitation of property rights to "rights of use," outright title fraud, and other issues. Investors should investigate thoroughly all property title issues on land intended for investment projects.

During the country's 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. A September 2009 Law on Planning and Construction authorized the transformation of land-use rights into rights of freehold private ownership for construction land. The law intended to allow companies that had gained land pursuant to privatization, bankruptcy, or other means to transform usage rights into ownership rights. They could do so by paying a fee representing the difference between the current market value of construction land and the cost of acquiring the land rights. Because the law did not adequately define the procedures for property right conversions, the National Assembly has amended it five times.

Investors continue to complain that land-rights conversions are stalled. Local authorities often lack expertise in valuing land and other technical aspects of conversion and land registries avoid positive resolution of conversion requests. The public attorneys' offices commonly challenge land-registry actions that do recognize conversion applications. Construction permitting represents a particularly serious problem, as non-transparency and burdensome red tape put Serbia at 182 of 189 countries in World Bank's Doing Business Report. In the absence of the new construction law, these combined issues continue to impede construction activity in Serbia.

Serbia's real property registration system is based on a municipal cadaster and land books. The National Assembly adopted a modern Law on Cadaster and State Survey in August 2009, and with World Bank assistance the government completed a seven-year cadaster modernization project in May 2012. For the first time in its history, Serbia now has the basis for an organized real estate cadaster and property title system. The new system is expected to mitigate the problem of unlicensed building construction and spur the development of the mortgage market.

However, the problem of legalizing tens of thousands of structures built over the past twenty years without proper licenses remains, as 1.3 million buildings in Serbia are not registered in the cadaster. Of this total, only 800,000 building owners have applied for legalization. In an effort to register (a precursor to legalization) all illegally built properties, the outgoing Minister of Construction and Urban Planning recently announced a new program for free registration in the cadaster, financed with a USD 60 million loan from the World Bank.

Serbia also maintains a register of movable property under the authority of the Agency for Business Registers. The World Bank Doing Business 2014 report ranks Serbia 44 of 189 countries for time required to register real property. This ranking represents a significant improvement from Serbia's 2011 ranking of 100 out of 189. Serbia's 2005 Law on Mortgages authorizes banks to issue mortgages on buildings under construction, but the law needs to be amended and harmonized with the 2009 Law on Planning and Construction.

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 TRIPS Agreement. TRIPS-compliant provisions are included in Serbia's intellectual property rights (IPR) laws and enforced by courts and administrative authorities.

For the most part, Serbia's domestic legislation related to IPR is modern and complies with international standards. From 2005 to 2011, the National Assembly enacted nine new IPR laws: the Law on Trademarks, the Law on Indications of Geographical Origin, the Law on Copyrights and Related Rights, the Law on Protection of Topography of Semiconducting Products, the Law on Protection of Industrial Designs, the Law on Optical Discs, the Law on Patents, the Law on Special Competence for Efficient Protection of Intellectual Property Rights, and the Law on Organization and Competence of State Authorities in Fighting Against High Technology Crime. These laws extend legal protections to all major forms of IPR (including patents, trademarks, copyrights, industrial designs, and integrated circuits).

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

- Amendments to the Criminal Procedure Code and related procedural laws, particularly in the area of cyber-crime
- Adoption of implementing regulations for various IPR laws
- Reform of the Copyright Law to comply with international standards

In December 2012, Serbia's IPR regime backslid when the National Assembly passed amendments to the Copyright Law that exempted small businesses from paying royalties for copyrighted music; capped remuneration fees paid to collection organizations; and allowed businesses to pay one collective bill for all music rights.

In June 2011, the government adopted a Strategy on Intellectual Property Development for 2011 to 2015 in an effort to strengthen IPR protections. Pursuant to the strategy, the government established a Permanent Coordination Body for IPR enforcement activities within the Tax Administration, Police, Customs, and state inspections services. The Public Procurement Law adopted by the National Assembly in December 2012 dictates that bidders must sign a statement affirming that they have ownership rights to the IPR utilized in fulfilling a public procurement contract. In addition, the tax administration continues to check software legality during its regular tax controls of businesses in Serbia.

Despite the relatively solid IPR legal framework, implementation of IPR laws is weak and IPR enforcement is insufficient, allowing piracy and counterfeiting to persist. 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. Film and music industry representatives estimate that more than 95 percent of the films and music downloaded in Serbia is downloaded through unauthorized channels. Government efforts to combat software piracy have been somewhat effective – the estimated rate of software piracy has fallen from about 99 percent in 2000 to approximately 72 percent in 2011, according to the Business Software Alliance. The estimated value of the illegal software market in Serbia is USD 116 million.

Formal coordination between all entities charged with IPR enforcement is lacking, as noted in the assessment by the European Commission of Serbia's IPR activities in its 2013 Progress Report for Serbia, which can be found at: http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/sr_rapport_2013.pdf.

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Transparency of Regulatory System

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To establish transparent rules and regulations, foster competition, and attract investments, the Serbian government has established independent agencies and bodies such as the State Auditing Institution, Public Procurement Office, Anti-Monopoly Commission, Energy Regulatory Agency, and Regulatory Agency for Telecommunications.

Serbia's record on transparency of the regulatory system is mixed. Some government institutions have a very good record of transparency. The Ministry of Finance, 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. But 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 early 2013 without adequate consultations with major renewable energy investors. Regulations are sometimes applied unevenly, or in a discriminatory manner.

The process for public participation in the drafting of new laws remains 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. The European Commission's 2012 Progress Report for Serbia highlighted the rushed nature of legislative review stating, "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."

In September 2012, the Government of Serbia eliminated 138 so-called "para-fiscal" charges imposed by various local governments that added to the financial and regulatory burden on businesses in Serbia. 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 (AmCham) in Serbia. USAID has identified an additional 132 charges that should be eliminated.

According to the World Bank Doing Business 2014 report, Serbia ranked 93 out of 183 on the efficiency of business regulation due to excessive delays in issuing construction permits as well as problems with paying taxes, enforcing contracts, and resolving insolvency issues. The newly-elected government has publicly committed to passing immediate reforms in construction permitting, labor, and inspections.

Several Serbian organizations publish recommendations for government action to improve the transparency and efficiency of business regulations. The Foreign Investors Council publishes an annual "White Book" (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/en/page/53/The+Local+Grey+Book), and AmCham publishes similar materials on its website: http://www.amcham.rs/

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 February 2014, savings deposits in the banking sector reached USD 11.6 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 2013, consolidation had reduced the sector to 31 banks with total assets of USD 34.6 billion (about 80 percent of GDP), with 74.8 percent of the market held by foreign-owned banks. The top ten banks, with country of ownership and estimated assets in USD are: Banca Intesa (Italy, 5.0 billion); Komercijalna Banka (Government of Serbia 40 percent***,4.2 billion); UniCredit Bank (Italy, 3.0 billion); Société Générale Banka (France, 2.5 billion); Raiffeisen Bank (Austria, 2.4 billion); Eurobank EFG (Greece, 2.0 billion); AIK Banka Nis (Serbia, 1.8 billion); Hypo Alpe-Adria-Bank (Austria, 1.8 billion); Vojvodjanska Banka (Greece, 1.3 billion); and Sberbanka (Russia, 1.2 billion). (http://www.nbs.rs/internet/english/index.html)

Market terms determine credit allocation. The total volume of issued loans stood at USD 20.8 billion at the end of September 2013. Average interest rates are high, and the business community in Serbia cites tight credit policies and the high expense of commercial borrowing as impediments to business expansion. 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 high rate of non-performing loans (NPLs) in the banking sector is problematic. The NPL rate increased from 16.9 percent of total loans issued at the end of 2010 to 21.1 percent as of September 2013. However, banking industry representatives claim that the real figure is higher - closer to 40 percent - as banks use creative loan classifications to conceal the true extent of the problem. In addition, there are significant foreign exchange risks in the sector, as 71 percent of all outstanding loans are indexed to foreign currencies (primarily the euro).

With a high NPL rate and banks who hesitate to lend money, liquidity is an issue in Serbia and many companies are hungry for working capital. In an attempt to improve liquidity in the economy, the National Assembly adopted the Law on Payment

Deadlines in Commercial Transactions which set maximum payment terms of 60 days for business-to-business transactions and 45 days for public sector-to-business sector payments. The Assembly also adopted the Law on Conditional Write-off of Interest and Tax Debt which allows those companies that currently pay their taxes on time but have unpaid tax debts, to write off interest on the outstanding tax debt. These changes have not significantly improved liquidity in the system. According to the Serbian Association of Employers, average collection time in Serbia improved by only five days after the implementation of the payment deadlines. AmCham members noted that the law complicated business-to-business invoicing.

Portfolio investments are efficiently regulated. In 2013, Serbia attracted USD 2.5 billion in portfolio investment from abroad. The Serbian government welcomes both domestic- and foreign-sourced portfolio investments since they offer a financing source for the country's significant fiscal deficit, projected at 7.1 percent of GDP for 2014. The Serbian government regularly issues bonds to finance the budget deficit including short-term, dinar-denominated T-bills (up to a 2-year maturity period) and dinar-denominated, euro-indexed government bonds (up to a 7-year maturity period). The total value of bonds issued on the domestic market reached USD 7.0 billion at the end of February 2014.

Since September 2011, when the Serbian government issued its first Eurobond on the international market, it has sold a total of USD 5.25 billion in four issuances bearing coupon rates between 4.875 and 7.25 percent. 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 10.8 billion as of February 2014 (http://www.javnidug.gov.rs/eng/default.asp). To meet its 2014 financing requirements, the Serbian government has announced plans to issue domestic securities of USD 4 billion, to issue additional Eurobonds of USD 750 million, 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 when Standard and Poor's (S&P) downgraded Serbia's sovereign debt rating from BB to BB- with a negative outlook. Fitch Ratings followed in January 2014 by downgrading Serbia's long-term foreign and local currency Issuer Default Ratings (IDRs) to B+ from BB- with stable outlook. Both agencies cited further deterioration of public finances as the rationale for the drop.

Serbia's equity and bond markets are underdeveloped. Corporate securities and government bonds are traded on the Belgrade Stock Exchange (BSE). Of 1,087 companies listed on the exchange, shares of fewer than 100 companies are traded regularly (more than once a week). The total annual turnover at the BSE in 2013 was USD 347 million and has held at that approximate level for the past four years. Activity on the BSE remains below pre-2008 financial crisis levels, as 2007 total turnover reached USD 2.7 billion. The BSE's low turnover in the past four years is linked to the crisis in the eurozone and the struggling global economy (http://www.belex.rs/eng/).

Established in 1995, the Securities Commission regulates the Serbian securities market. The Commission supervises investment funds in accordance with the Investment Funds Law (passed in January 2006 and amended in July 2009 and May 2011). As of April 2014, 14 registered investment funds operate in Serbia (http://www.sec.gov.rs/index.php?option=com_content&task=category&sectionid=7&id=95&Itemid=151).

Hostile takeovers have been extremely rare in Serbia in recent years. Share takeovers usually occur in cases of "rounding-up" ownership shares acquired in the privatization process when a company that is already the majority owner makes an offer to assume remaining minority shares. Articles 38 and 39 of the Law on Takeover of Shareholding Companies regulate defense mechanisms of companies.

Competition from State Owned Enterprises Return to top

Passed in December 2012, the Law on Public Enterprises defines a public enterprise as "an enterprise pursuing an activity of common interest, founded by the State or Autonomous Province or a local self-government unit." Activities of common interest included in the law are: electricity generation (transmission and distribution); coal extraction and processing; exploration, extraction, processing, transport and distribution of oil and natural and liquefied gas; sale of oil and oil products; railway, postal and air traffic; telecommunications; publication of the official journal of Serbia; publication of school books; management of nuclear facilities; utilization, management, protection, and enhancement of common resources (waters, roads, mineral raw materials, forests, inland waterways, lakes, river banks and lake shores, spas, and game animal areas and protected areas); production, sale and transportation of arms and military equipment; waste management; and utility services. Activities may also include any activities of "strategic importance" for the country, as well as any activities necessary for the operation of public authorities and local self-government bodies under the law or decision of the government.

SOEs dominate many leading sectors of the economy, including energy, transportation, utilities, telecommunications, infrastructure, mining, and natural resources. Serbia has about 1,300 SOEs, which employ more than 280,000 people or approximately 16 percent of the formal workforce. These enterprises can be divided into three groups:

1) About 550 enterprises that the Privatization Agency manages and is preparing for divestiture

2) Another 50 utilities and commercial enterprises not yet slated for restructuring

3) 700 municipal enterprises

The Ministry of Economy has slated 154 SOEs for restructuring, most of which are highly indebted, overstaffed, lack markets for their products, and depend on government subsidies, rendering them uninviting to potential buyers. Under the December 2012 Privatization Law, Serbia set a June 30, 2014 deadline for resolving the status (via sale or bankruptcy) of companies in restructuring. After extraordinary national elections in March 2014, this deadline is unlikely to be met. Approximately 500 additional SOEs have entered bankruptcy proceedings (www.privreda.gov.rs).

Serbia encourages foreign participation in the privatization of SOEs and in public-private partnerships. Foreign investors and entities may not 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 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 Enterprises in

December 2012 that requires all SOE directors to be selected through a public tender process. The law permits an SOE director to maintain 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 financial reports, plans, and 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. The Law on Public Companies represents a positive step toward removing political parties from public enterprises. Implementation remains a challenge as many SOE directors still openly maintain party ties, not all projects are chosen through public tenders, and some managing boards continue to exist.

Corporate Social Responsibility

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Corporate social responsibility (CSR) is a relatively new concept in Serbia. Businesses are gradually becoming more familiar with the concept of CSR, though many Serbian companies view it mainly as a public relations tool to help improve their image or reputation. Multinational companies that possess wide experience in the CSR realm 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.

Several local organizations actively promote the concept of CSR among the wider Serbian business community and the public. AmCham, for example, maintains a CSR webpage with member success stories and a CSR-themed e-newsletter (http://www.amcham.rs/). The Trag Foundation also supports the Serbian Philanthropy Forum, a networking body for donors (including numerous corporate actors) to advance philanthropic concepts in Serbia.

Since its 2007 inception, 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 in Serbia. In December 2013, the UN Global Compact held its annual assembly of Serbian members in Belgrade to highlight its local activities. The most notable 2013 achievements were organization of *Global Knowledge-Local Impact* conference, as well as the inclusion of the Declaration on the Fight against Corruption of the Global Compact into the Serbian government's National Strategy of Combating Corruption in August 2013 (http://www.ungc.rs/).

Political Violence

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Since October 2000, Serbia has been led by democratically elected governments that have publicly committed to supporting regional stability and security. The run-up to the March 2014 snap parliamentary elections did not include appreciable political tensions or threats of politically motivated violence in either the Sandzak region or south Serbia. In the Sandzak region, these tensions have occasionally incited localized violence between competing political groups. This violence is usually directed at opposing party figures and has not targeted unrelated civilians or businesses. The newly elected government has pledged to continue successive Serbian governments' notable efforts to combat organized crime and corruption and continues to register high-profile arrests and launch new investigations.

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

The October 2010 LGBT Pride Parade in Belgrade was marred by significant and widespread violence. The Serbian government cancelled the subsequent three 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. The government has cancelled Pride Parades since then.

Organized crime in Serbia is frequently linked to sports hooliganism. There have been no serious ultra-nationalist, sports-related violence since January 2012, when 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. Judging by the results of 2014 national elections, popular support for such organizations appears to have ebbed, as no right-wing party crossed the threshold to enter parliament. In 2013, these organizations continued activities targeting certain Serbian political leaders, local NGOs, and media outlets alleged to be "pro-Western." Yet, their calls for action against their targets have not resulted in any violent incidents.

Corruption Return to top

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anti-corruption laws of both the foreign country and the United States in order to properly comply with them, and when appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for, with, or directing business to any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental in the expansion of international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-bribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Anti-bribery Convention: The OECD Anti-bribery Convention entered into force in 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Anti-bribery Convention through the U.S. FCPA. Serbia is not a party to the OECD Anti-bribery Convention.

UN Convention: The UN Anti-Corruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Anti-bribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Serbia is a party to the UN Anti-Corruption Convention

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html). Serbia is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco). Serbia is a party to both CoE Conventions and is a member of GRECO.

Free Trade Agreements: While it is U.S. Government policy to include anti-corruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anti-corruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. The United States does not currently have a free trade agreement in effect with Serbia***.

Local Laws: U.S. firms should familiarize themselves with local anti-corruption laws, and when appropriate seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce website at http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives.

Exporters and investors should be aware that all countries generally prohibit the bribery of their public officials and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption in Serbia: The level of corruption within the country is believed to be pervasive, but it is difficult to quantify. In Transparency International's 2013 Corruption Perception Index, Serbia ranked 72 of 177 countries; an improvement from the country's ranking of 86 in 2012. In July 2013, the Government of Serbia formally adopted a new Anti-Corruption Strategy that aligns with its EU accession commitments. 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.

In an effort to combat corruption, the National Assembly approved the creation of an Anti-Corruption Agency (ACA) in 2008. The ACA began functioning in January 2010 as an independent governmental body accountable to the National Assembly 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.

The ACA's first director, Zorana Markovic, was dismissed in November 2012 in the wake of allegations of abuse of authority arising from the purported misuse of state-owned apartments.

Amendments to the Law on the ACA are under consideration, and the Ministry of Justice has produced a draft whistleblower-protection law with USAID and DOJ assistance.

The Government of Serbia elected in summer 2012 made the fight against corruption a priority, and the new Government formed after March 2014 parliamentary elections is expected to maintain this focus. The anti-corruption campaign resulted in a series of highly-publicized arrests and indictments of prominent political figures, including former ministers and businessmen associated with a number of political parties. In December 2012, 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. The trial began in November 2013 and is ongoing. This case is one of 24 allegedly fraudulent privatizations cited by the EC in its annual reports on Serbia's progress in the accession process.

Both giving and receiving a bribe is a crime in Serbia. Bribes by local companies to foreign officials are criminal acts punishable by law. Corruption offenses are handled by higher courts and prosecutors' offices. In January 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 National Assembly amended the Criminal Code in 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 established a distinction between the abuse of public authority and the 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 2014.

Government contracts remain the most common form of political corruption, and corrupt officials have commonly abused contracting procedures to drain government funds and gain personal benefit. In an attempt to remedy this situation, a new Public Procurement Law entered into force in April 2013. The law adds significant anti-corruption control mechanisms, greater transparency, and more effective oversight to public procurement procedures, in particular for small-value and non-competitive negotiated procurements. Coupled with the procurement-fraud provisions of the Criminal Code (adopted in December 2012), the new law should help expedite criminal investigation and prosecution of public procurement abuse. Awareness of the importance of public procurements in the wider anti-corruption context rose throughout 2013 as the government's anti-corruption campaign gained momentum.

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/.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's website at: http://www.justice.gov/criminal/fraud/fcpa

- Information about the OECD Anti-bribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/daf/anti-bribery/oecdantibriberyconvention.htm. See also new Anti-bribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/daf/anti-bribery/44176910.pdf

- General information about anti-corruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages is available at the Department of Commerce Office of the Chief Counsel for International Commerce website: http://www.commerce.gov/os/ogc

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://cpi.transparency.org/cpi2013/ . TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) as well as a separate segment on corruption and the regulatory environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. See https://www.globalintegrity.org/

Bilateral Investment Agreements

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Serbia has concluded investment protection treaties/agreements with the following 50 entities: Albania, Algeria, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Russia, China, Cyprus, Croatia, the Czech Republic, Denmark, Egypt, Finland, France, Germany, Ghana, Greece, Guinea, Hungary, Holland, India, Indonesia, Iran, Israel, Italy, Kazakhstan, Kuwait, Libya, Lithuania, Macedonia, Malta, Morocco, Montenegro, Nigeria, North Korea, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, Ukraine, and Zimbabwe. Following their 2013 signings, the agreements with Morocco and the United Arab Emirates are newest to the list.

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 (GSP) program in July 2005. However, the entire GSP program expired on July 31, 2013, and extension bills remain pending with the U.S. Congress.

In April 2008, the Serbian government and EU signed the Stabilization and Association Agreement (SAA). The agreement, which came into force in June 2013, provides for free trade with EU member states, as well as harmonization of Serbia's domestic legislation with EU guidelines.

Serbia has been a Central European Free Trade Agreement (CEFTA) member since December 19, 2006. CEFTA's primary objective is to facilitate and expand trade and investment among its members, whose collective population is almost 30 million.

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

As noted in Section 5 above, Serbia remains in "observer" status with the WTO. To accede, Serbia must amend domestic legislation, including its current blanket ban on trade and cultivation of agricultural biotechnology products. Serbia must also conclude bilateral negotiations with current WTO members.

Bilateral Taxation Treaties

Serbia has signed and implemented Bilateral Taxation Treaties with the following 54 countries: Albania, Austria, Azerbaijan, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Holland, Hungary, India, Iran, Ireland, Italy, Kuwait, Latvia, Lithuania, Libya, Macedonia, Malaysia, Malta, Moldova, Montenegro, North Korea, Norway, Pakistan, Poland, Qatar, Romania, Russia, Slovakia, Slovenia, Sri Lanka, Switzerland, Sweden, Spain, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and Vietnam. (Source: Finance Ministry of the Republic of Serbia, http://www.mfin.gov.rs/pages/issue.php?id=7063.)

Serbia has signed Bilateral Taxation Treaties with an additional seven countries: Ghana, Guinea, Indonesia, Morocco, Palestine, Philippines, and Zimbabwe. The Serbian National Assembly has ratified these agreements, but legislatures in the foreign states have not yet ratified them.

OPIC and Other Investment Insurance Programs Return to top

The former Republic of 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 ratification of the agreement. Following Serbia and Montenegro's dissolution, the agreement remained in effect for Serbia.

Currently, OPIC, the International Finance Corporation, and the European Bank for Reconstruction and Development are engaged in joint negotiations with the Serbian government related to a U.S. investor-backed, multi-million dollar wind energy project. For full information on OPIC programs, please visit http://www.opic.gov.

Labor Return to top

Serbia has a total labor force of approximately 2.96 million people, of which 2.3 million are employed. The employment rate is low, at just 37.7 percent in 2013. According to government data, 656,120 are unemployed, as reflected in the 2013 unemployment rate of 20.1 percent. The leading sector for employment is the government, which according to government officials employs as many as 800,000 people.

Labor costs are relatively low in Serbia, especially compared to European averages. In February 2014, the average net take-home salary was approximately USD 527 for the month. Minimum wage for the period between January and June 2014 was approximately USD 250 per month. Investors routinely cite favorable labor costs, as well as the highly educated, multi-lingual workforce, as advantages to doing business in Serbia. Forty-nine percent of workers in Serbia have completed secondary education.

Serbia's Labor Law dates to 2005, with amendments in 2009, 2013, and 2014. The official mechanism for the tripartite labor dialogue is the Serbian Social and Economic Council, an independent body with representatives from the Serbian government, the Serbian Association of Employers, and select trade unions. The Council is the leading venue for discussions on 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. The Council is authorized to conclude an umbrella collective bargaining agreement at the national level covering basic employment conditions for all companies in Serbia. Additional information about the Council is available at http://www.socijalnoekonomskisavet.rs/en/index.html.

Officially, there are nearly 25,000 labor unions registered in the country. However, only an estimated one-third (or approximately 8,300) are active. Most of the registered unions are dormant but remain on the books because according to the law a union must submit a formal request for removal from the official register, and many fail to do so following a bankruptcy or restructuring of the associated company. Only two unions have full government-granted representativeness, meaning they can sit on the Social and Economic Council. Only one employers' association has representativeness. Business associations, especially those representing foreign companies, contend that they lack a voice in the tripartite dialogue as a result.

Serbia has ratified 8 fundamental International Labor Organization conventions including Forced Labor (No. 29), Freedom of Association and Protection of the Right to Organize (No. 87), Right to Organize and Collective Bargaining (No. 98), Equal Remuneration (No. 100), Abolition of Forced Labor (No. 105), Discrimination (No. 111), Minimum Age (No. 138), Worst Forms of Child Labor (No. 182).

Foreign-Trade Zones/Free Ports Return to top

Serbia maintains 13 designated free-trade zones (FTZs): Apatin, Kragujevac, Krusevac, the Nis-based Free Zone South, Novi Sad, Pirot, Sabac, Smederevo, Svilajnac, Subotica, Uzice, Vranje, and Zrenjanin. FTZs, established in accordance with the 2006 Law on Free Trade Zones, are intended to attract investment by providing tax-free areas for company operations. Businesses operating in FTZs qualify for benefits that include unlimited duty-free imports and exports; preferential customs treatment; and tax relief/value-added tax (VAT) exclusions. Companies operating within an FTZ are subject to the same laws and governmental supervision as other businesses in Serbia (except for the tax-free privileges that the FTZ offers).

Goods moving in or out of the FTZs must be reported to customs' authorities, and payments must be made in accordance with regulations on hard-currency payments. Goods being delivered from FTZs to other areas in Serbia are subject to customs and tax duties. 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. The law allows up to 100 percent foreign ownership of the FTZ's managing company.

Additional information about Serbia's free-trade zones is available at http://siepa.gov.rs/en/index-en/start-a-business/free-zones.html

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TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source		USG or international statistical source		Source of Data: BEA; IMF; Eurostat; UNCTAD, or other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions*	2012	38,003	2012	37,490	http://www.worldbank.org/en/country

U.S. Dollars)					
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2005-2012	228	2005-2012	655	• Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2005-2012	119	2005-2012	-1	• Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	2012	0.5 %	2012	1.5%	

GDP data source: http://webrzs.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=61
FDI data source: http://www.nbs.rs/internet/cirilica/80/platni_bilans.html

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	22,169	100%	na		
Austria	3,847	17%			
Netherlands	3,772	17%			
Cyprus	3,321	15%			
Greece	1,428	6%			
Slovenia	1,173	5%			

“0” reflects amounts rounded to +/- USD 500,000.

Note: This data differs from NBS data. According to NBS data, total inward FDI into Serbia in 2001-2012 was USD 20,274 million (compared to USD 22,169 million in the table above). The top five investors were Austria with USD 3,104 million; Norway with USD 1,704 million; Luxemburg with USD 1,611 million; Italy with USD 1,264 million; and Netherlands with USD 1,250 million. IMF data is not available for outward FDI from Serbia (http://www.nbs.rs/internet/cirilica/80/platni_bilans.html).

Contact Point at Post

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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Standard international forms of payment are common in Serbia. Larger importers regularly receive goods under short-term (3 months) supplier credit. Long-term financing is available for larger purchases, but it is often 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, U.S.-origin surety company North American Sureties opened an office in Serbia. In 2010, the National Business Registers Agency, according to its website, began providing financial statement data and solvency-related services.

How Does the Banking System Operate

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Today there are 29 commercial banks in Serbia, down from 88 in early 2001, most of which are authorized for international banking operations (see www.nbs.rs). The banking sector has undergone considerable restructuring.

In 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 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 percent 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 a two-member executive board should manage banks. It also introduced more responsibilities for auditors and calls for setting up a risk management unit within every bank.

The National Bank formulates monetary policy, manages foreign exchange transactions, and supervises banks, insurance companies, and voluntary pension funds. The National Bank is independent from the government but reports to the Parliament. In 2012, the ruling coalition appointed Ms. Jorgovanka Tabaković 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 gradually reduced the key policy rate from near 17.5 percent in 2008 to 9.5 percent by the end of 2009. Under current policy, the rate for 2014 is targeted at 8.5 percent. In making this decision, the Executive Board was guided by the fact that year-on-year inflation has been moving around the lower end of the target tolerance band and that inflationary pressures have subsided significantly. Also, medium-term inflation expectations of financial and real sectors are stable and within the band.

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 may not engage in banking operations. The entity who establishes the office guarantees all the obligations of the representative office. The National Bank grants representative offices of foreign banks permission to operate and maintains the Register of Representative Offices of Foreign Banks. Currently there are six representative offices operating in Serbia.

In 2013, Serbian amended the Law on the Export Credit and Insurance Agency (AOFI), transforming AOFI into a business finance and recovery agency, which will have new roles, including the management of a transition fund and investment in venture capital funds. It would also cover companies undergoing restructuring, privatization, and bankruptcy proceedings. The 2014 budget law envisages RSD 17.4 billion for the transition fund, with the restructuring and privatization of socially and state-owned companies planned for this year. Using the transition fund's assets and other funds it raises in the market, the AFS would take measures for companies' recovery and restructuring to ensure a more efficient collection of creditors' claims, with the aim of preparing the companies in question to operate without state subsidies from 2015 onwards.

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, foreign exchange purchases are permitted at any time to pay for imports. Repatriation of proceeds from exports should be made within 60 days from the day of export.

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. In 2006, Citibank opened a representative office in Serbia, but it is mostly involved in corporate cross-border financing.

Project Financing

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The European Bank for Reconstruction & Development (EBRD) has 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 2006, EBRD became a major shareholder in government-owned Komercijalna Banka by purchasing a 25 percent share for EUR 70 million. To date, the EBRD has committed close to EUR 3.4 billion in the Serbian economy, mobilizing additional investments worth an additional EUR 2 billion.

Contact Information in Belgrade:

Resident Rep: European Bank for Reconstruction & Development
Mr. Matteo Patrone, Country Director
Blue Center Building, Spanskih boraca 3, 6th Floor
11070 Novi Beograd, Serbia
Tel: +381 11 212 0529 Fax: +381 11 212 0534
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 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 USD 150 million. Following a break in activities due to a dispute over the privatization of the Serbian travel agency Putnik, OPIC resumed activities in late 2012.

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

The Trade & Development Agency (TDA) is an independent U.S. government agency that 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.

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U.S. Trade & Development Agency
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Web Resources

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National Bank of Serbia: www.nbs.rs
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.ustda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation:
http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc
U.S. Agency for International Development: http://www.usaid.gov
List of Banks in Serbia:
http://www.nbs.rs/export/sites/default/internet/latinica/20/zakoni/kpb_banke.pdf

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Chapter 8: Business Travel

Business Customs Return to top

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. Serbian business people are also quick to recognize opportunities and can just as suddenly move at an accelerated place.

Business dinners are a common practice. While most meals in Serbia are meat-based (all kinds of meat), it is possible to eat vegetarian. It is a common practice to toast with a shot of slivovitz (traditional Serbian plum brandy) or rakiya (fruit brandy) prior to the actual meal. A toast is accompanied by saying ‘Zhiveli’, which means ‘good health’ and is similar to saying ‘Cheers’. It is customary to look your counterparts in the eye when saying ‘Zhiveli.’

As is true in other European countries, summer holidays stretch throughout July and August and it is often difficult to reach company management during this period. Likewise, it is nearly impossible to conduct any business in Serbia during the first two to three weeks of January due to the Orthodox Christmas and New Year’s holidays. 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: http://travel.state.gov/content/travel/english.html

Visa Requirements Return to top

In 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. An individual 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 the Consulate General of Serbia in Chicago or New York City prior to arrival. The address of the Serbian Embassy is 2134 Kalorama Road, NW, 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/en/consular-affairs/entry-serbia/visa-requirements

U.S. Companies requiring the travel of Serbian businesspersons to the United States 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 increased on May 20, 2010 to 10 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/content/visas/english.html
- U.S. Embassy Belgrade, Consular Section: http://serbia.usembassy.gov/service.html

Telecommunications

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There are three mobile telephone operators 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 and Telenor support BlackBerry service.

Telekom Srbija is the dominant carrier with more than three million fixed line subscribers. Approximately 95 percent 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.

In 2009, Serbia's second landline license was awarded to the mobile operator Telenor. In addition, the fixed wireless operator, Orion Telekom, www.oriontelekom.rs, started providing mobile Internet services in 2010. Orion offers fixed telephony services based on the Code-Division Multiple Access (CDMA) technology to the local market. When dialing a phone number in Serbia, the country code (381) is dropped and a zero precedes the city code. The city code for Belgrade is 11, 21 for Novi Sad, and 18 for Nis.

Internet service availability is widespread for international business travelers. Approximately 55.8 percent of households in Serbia have internet access. 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.

Transportation

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Serbia operates state-owned airports as well as the national air carrier, which was recently re-branded from Jat Airways into Air Serbia. In 2013, UAE Etihad took over 49 percent of Air Serbia and now operates the airline. Furthermore, Air Serbia began selling Etihad tickets at its offices and via its website to the more than dozen routes it will code share on to China, Vietnam, Australia, and Thailand. Regional direct flights are available to many capitals, including Sofia, Bucharest, Budapest, Athens, Sarajevo, Prague, and more. There are no direct flights between Belgrade and Zagreb. Airline ticket prices can be quite high given Air Serbia's market dominance. However, there are an increasing number of low cost carriers servicing Serbia such as German Wings, Fly Niki, Wizz Air, Fly Dubai, EasyJet, and Pegasus Airlines that are now flying to multiple destinations throughout Europe and the Middle East from Belgrade.

The two major airports in Serbia are Belgrade's Nikola Tesla International Airport and the Nis Airport. Nikola Tesla International Airport is the country's largest airport and has direct service to many Western European cities, such as Vienna, Frankfurt, Munich, Abu Dhabi, Amsterdam, Istanbul, London and Paris. There are no direct flights between Belgrade and the United States. The construction of a new international terminal and the reconstruction of the runway have helped increase passenger traffic and enabled it to handle the most sophisticated aircraft, including the Airbus A380. Other than the national carrier, Air Serbia, approximately 20 airlines service Belgrade, including Alitalia, Austrian Airlines, Adria (Slovenia), Aeroflot (Russia), Cross/Swissair, Croatia Airlines (Croatia), Lufthansa (Germany), Olympic (Greece), Turkish Airlines, Lot (Polish), Qatar Airways, Montenegro Airlines, Tarom (Romania), Air France, German Wings, Wizz Air, and others.

The Nis Airport in southern Serbia offers limited commercial activity. A number of low cost companies have also expressed interest in flying from this airport.

Serbia can also be reached by rail 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 due to the aging rail infrastructure. The most convenient and efficient means of travel to Serbia are by air or road transport.

Serbia can be entered by vehicle from various border points. 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, while 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) which 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 extend to Kosovo, Bulgaria, and Greece. Kosovo can be reached by automobile from either Sofia (Bulgaria) or Skopje (Macedonia). Car rentals 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 at Nikola Tesla International Airport can be found at: http://www.beg.aero/to_&_from_the_airport/rent_a_car.328.html

U.S. citizens do not need an International driver's license to drive in Serbia. A passport and U.S. driver's license are sufficient. Taxis are quite affordable and abundant within Belgrade and can be hailed curbside, at taxi stands, or by calling for radio dispatch.

Language Return to top

The predominant language in Serbia 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 Return to top

Belgrade's air quality is poor during winter months due to the pollution from burning 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 travelers are advised to bring required medications with them. 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.

One of the best facilities in the case of an adult medical emergency is 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 Return to top

Local time is GMT+01:00.
Usual business hours are from 08:00 to 16:00, Monday through Friday.

<u>2014 Serbian and U.S. Holidays:</u>

January 1, Wednesday, New Year's Day
January 2, Thursday, New Year's Day (Observed)
January 7 Tuesday, Orthodox Christmas
January 20, Monday, Martin Luther King's Birthday
February 15, Saturday, Serbian State Day
February 16, Sunday, Serbian State Day
February 17, Monday, Serbian State Day (Observed)
February 17, Monday, George Washington's Birthday
April 18, Friday, Orthodox Good Friday
April 20, Sunday, Orthodox Easter
April 21, Monday, Orthodox Easter (Observed)
May 1, Thursday, May Day
May 2, Friday, May Day
May 26, Monday, Memorial Day
July 4, Friday, Independence Day
September 1, Monday, Labor Day
October 13, Monday, Columbus Day
November 11, Tuesday, Veterans Day/Armistice Day
November 27, 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)

July and August are the preferred months for summer vacations and are therefore a very slow time for commercial activity in Serbia. The same can be said of the period encompassing Orthodox Easter.

Temporary Entry of Materials and Personal Belongings

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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.

Web Resources

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U.S. State Department visa information: http://travel.state.gov

U.S. Embassy Belgrade visa information: http://serbia.usembassy.gov/visas.html

Serbian telecom providers:
www.telekom.rs
www.mts.rs
www.telenor.rs
www.vipmobile.rs
www.orion.rs

Air Serbia: www.airserbia.com

Serbian Railways: http://www.serbianrailways.com/

Nikola Tesla International Airport: www.beg.aero

Rental car information: www.belgradeeye.com/rentacar.html

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

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U.S. Commercial Service:
Ms. Zorica Mihajlović, Senior Commercial Specialist, zorica.mihajlovic@trade.gov
Mr. Boris Popovski, Commercial Specialist, boris.popovski@trade.gov
Ms. Biljana Stojimirović, Administrative Assistant, biljana.stojimirovic@trade.gov

11040 Belgrade, 92 Blvd. Kneza Aleksandra Karadjordjevića
Phone: +381-11-706-4112 Fax: +381-11-706-4010
Web site: www.export.gov/serbia

ITA U.S. Department of Commerce, Global Markets
Ms. Silvia Savich,
Office of European Country Affairs
Washington, DC
Tel: 202-482-3615 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 in the United States
Commercial Section
2134 Kalorama RD., NW
Washington, DC 20008
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www.serbiaembusa.org

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Ms. Zorana Mihajlović
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Mr. Rasim Ljaljić
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Mr. Nebojsa Stefanović, Minister
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Web site: http://www.mup.gov.rs

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11000 Belgrade, Kneza Miloša 20
Phone: +381-11-3642-626; 3642-606; Fax: +381-11-3618-961
Mr. Dusan Vujović, Minister
E-mail: press@mfp.gov.rs
Web site: http://www.mfin.gov.rs/?change_lang=en

MINISTRY OF ECONOMY
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Web site: http://www.mpravde.gov.rs

MINISTRY OF CULTURE AND MEDIA
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Web site: http://www.kultura.gov.rs

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Mr. Velimir Ilic

Offices of the Serbian Government

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Ms. Gordana Dostanic, Director
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See Chapter 7 for contact information.

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Commercial Courts

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VALJEVO, Karadjordjeva 48a
ZAJECAR, Trg Oslobodjenja 30
ZRENJANIN, Kej Drugi Oktobar 1
KRALJEVO, Cara Dusana 41
KRAGUJEVAC, Trg Slobode 3
LESKOVAC, Blagoja Nikolica 1
NIS, Svetosavska 7a
NOVI SAD, Sutjeska 3
PANCEVO, Trg Radomira Putnika 13-15
POZAREVAC, Jovana Serbanovica 4
SOMBOR, Venac Vojvode Zivojina Misica 23
SREMSKA MITROVICA, Trg Svetog Dimitrija 39
SUBOTICA, Sencanski put 1
CACAK, Cara Dusana 6
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Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

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.

Trade Events

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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 marshals 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 is part of the U.S. Department of Commerce International Trade Administration, the official trade promotion agency of the U.S. Government. With industry experts in Washington, DC, 108 Export Assistance Centers located throughout the United States, and 77 offices in foreign countries, the Commercial Service is positioned uniquely to assist U.S. companies—large, small, and medium sized—with their exports. U.S. exporters are strongly encouraged to contact the Export Assistance Center nearest to their office where international trade specialists can answer questions about trade financing, shipping, market opportunities, product certification, trade events, etc. International trade specialists in the Export Assistance Centers work together with commercial specialists in foreign embassies to provide customized, borderless solutions tailored to meet each company's specific export objective. U.S. companies rely on the Commercial Service for country-specific as well as regional strategic advice, partner searches, market information and assessments, meetings with foreign officials and companies, due diligence on targeted partners, customized promotional events, U.S. government support in public tenders, assistance removing trade barriers, and much more. –

A global network of trade specialists works one-on-one with U.S. exporters through every step of the exporting process, helping to:

- Target the best markets
- Promote products and services to qualified buyers
- Meet the best distributors and agents
- 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 information on other markets in Southeast Europe, contact:

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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-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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