

FOREWORD EU

Dear White Book reader,

It is my great pleasure to foreword the 2019 White Book edition of the Foreign Investors Council (FIC).

I am truly impressed by the role FIC has played in Serbia since its establishment in 2002, with a growing membership that now includes over 120 businesses with more than 100,000 employees. This is a testament of the value and success of its mission. It has become one of the EU key partners in Serbia – firstly, because EU business represents 70% of all foreign investments in Serbia, but also because, through FIC and its members, the EU receives valuable information on the opportunities and challenges that EU businesses face on their operations on the ground.

The White Book, as one of the flagship initiatives of FIC, goes beyond a simple overview of the business sentiment in Serbia. It is a unique platform for dialogue between the authorities and the private sector, as well as a useful tool for domestic and foreign investors. The European Union pays special attention to this document – its findings are particularly useful for preparing the European Commission Annual Report, assessing the Economic Reform Program or identifying issues that affect business in Serbia. This comprehensive and holistic approach sets a clear “to do list” for the improvement of the business environment. The balance score card and the recommendations provided for each area represent also important signals for the EU assessment and monitoring of the economic situation in Serbia.

As for previous editions, the 2019 White Book identifies the key issues that businesses face when doing business in Serbia. It is important for all relevant stakeholders, from the Government to all the relevant institutions, to follow-up on the key recommendations. Their implementation will inform the EU analysis on the progress realized.

The wide and long view of the EU is the European perspective for Serbia and the WB region which remains strong and credible. The 2018 Strategy for the Western Balkans that was launched last year translates this approach into concrete work. It is a clear political commitment to enlargement and a blueprint for strengthening relations between the EU and the Western Balkans. The incoming EU leadership has clearly put the Western Balkans high on the political agenda and will build on the huge amount of work done so far.

The enlargement is a process based on key reforms, including the ones identified in the White Book.

The European Commission’s Annual Report (released this year in May) provides the most authoritative and updated overview of the accession progress in all the relevant areas. Economic governance and economic convergence with the EU economic cycle has become a key objective in the enlargement process. The positive effects of years of reform work in addressing long-standing systemic weaknesses are producing results: major fiscal adjustments have improved debt sustainability, macroeconomic stability has been maintained, economic growth is positive, inflation remains under control, and employment is increasing. Growth in exports to the EU and the region are also a positive sign. Even more significant is Serbia’s success in attracting foreign investments: with 2.2 bn EUR worth of FDI in the first part of this year, the increase is more than 40% in comparison to last year. This is due to Serbia’s excellent results in achieving macroeconomic stability, its strategic location, and relatively skilled labor-force. But even more so, by the key reforms introduced in the context of the EU accession process and its free trade agreement with the EU and the Central European Free Trade Agreement.

Of course structural reforms must continue in many areas.

First and foremost, in the rule of law area – fight against corruption, independent and efficient judicial system, enforcement of contracts – all essential to a predictable and sound economic growth.

Weaknesses need to be addressed in the fiscal governance framework, the public administration and the tax administration, and the role of the State in the economy, particularly in the area of state aid, public procurement and increased transparency in bilateral loan agreements.

Business environment and business confidence also need improvements: cutting red tape, protecting of investors and better bankruptcy policies; strengthening the institutional and regulatory environment; increasing the role of public consultations in the law-making process. Businesses need to be consulted in an open, inclusive and transparent process in initiatives that affect them.

In sum, it is evident that the results of the reform process are already visible, and they’ve improved the economy of the Country while bringing Serbia and the European Union

closer. The latest figures show that the EU is by far Serbia's key trading partner, accounting for 67% of Serbia's total exports and more than 60% of Serbia's total imports for an overall trade balance of over 24 bn euro (2018). Serbia's exports to the EU have continued to grow, tripling from EUR 3.2 billion in 2009 to EUR 10.9 billion in 2018.

Preliminary 2019 figures indicated a positive trend, that could further improve if issues such as the non-recognition of EU certificates (both, technical conformity or SPS standards), legislation harmonisation, were tackled.

More generally, the full integration in the EU single market and in the EU will depend by the comprehensive transformative accession process. At the moment of writing Serbia has opened 17 out of 34 chapters, with two provisionally closed.

The perspective for Serbia to become an EU Member is real. Common work is key. The active, professional and passionate support from our dedicated partners, like the Foreign Investors Council, will help raising awareness and finding common solutions to advance in this process.

Sincerely,

Sem Fabrizi
Ambassador of the European
Union to the Republic of Serbia