

GUIDE TO

# Foreign Investors Council in Serbia 2009/2010



*Opinions and advice from the foreign business community*



**216.000 EUR**



## The most expensive mushroom in the world.

The 1.5kg truffle, found in Italy, 76cm below the ground, was sold for amazing 216.000 Euros. This expensive delight is consumed raw to spice up pasta and meat dishes.



**29.990 EUR**



The most rational luxury in the world.

C-Class is a supreme quality delicacy that will spice up your days and it can be yours from only 29.990 Euros. Actually, the only difference is that it is not unreasonably expensive and it can be found in all our showrooms. [www.mercedes-benz.rs](http://www.mercedes-benz.rs)

Mercedes-Benz

Guide to the  
**FOREIGN  
INVESTORS  
COUNCIL  
2009/2010**

**IMPRESSUM****EDITOR IN CHIEF**

Tatjana Ostojčić  
t.ostojcic@cma.rs

**EDITOR**

Mark R. Pullen

**ART DIRECTOR**

Tamara Ivljanin  
t.ivljanin@cma.rs

**EDITORIAL****CONTRIBUTORS**

Mark R. Pullen, Ana Stojanović

**PHOTO**

Slobodan Jotić

**TRANSLATORS**

Snežana Bjelotomić

**PROJECT MANAGERS**

Vesna Vukajlović,  
v.vukajlovic@aim.rs;  
Tanja Miličević, t.milicevic@aim.rs;  
Maja Vidović, m.vidovic@aim.rs

**GENERAL MANAGER**

Ivan Novčić  
i.novcic@cma.rs

**FINANCIAL DIRECTOR**

Ana Besedić  
a.besedic@cma.rs

**EDITORIAL MANAGER**

Tanja Banković,  
t.bankovic@cma.rs

**PRINTING**

Rotografika d.o.o.  
Segedinski put 72, Subotica  
Guide to the Foreign Investors  
Council 2009 published by:  
alliance international media  
Knjeginje Zorke 11b,  
11000 Belgrade, Serbia  
Phone: +(381 11) 308 99 77,  
308 99 88  
Facsimile: +(381 11) 244 81 27  
E-mail: office@  
allianceinternationalmedia.com  
www.allianceinternationalmedia.com



ISSN no: 1451-7833  
All rights reserved  
alliance international  
media 2009



This issue is  
audited by  
**ABC Serbia**

**CONTENTS****STABLE BANKING SECTOR**

**6** COMMENT - Radovan Jelašić, Governor of the National Bank of Serbia

**PREPARING FOR THE END OF THE CRISIS**

**8** INTERVIEW - Aleksandar Radosavljević, FIC President and CEO of Carlsberg Srbija

**INVESTING IN SCIENTIFIC INFRASTRUCTURE**

**14** INTERVIEW - Božidar Đelić, Deputy Serbian Prime Minister and Minister of Science & Technology LEADERS

**20**

**SEEKING CONSISTENCY**

**22** INTERVIEW - Kjell-Morten Johnsen, FIC Vice President, CEO of Telenor

**YEAR OF CRISIS & REFORM**

**26** INTERVIEW - Nebojša Ćirić, State Secretary in the Serbian Economy and Regional Development Ministry

**WORLD ECONOMIC FORUM**

**30** Switzerland on top

**NEW FIXED-LINE OPERATORS**

**32** INTERVIEW - Jasna Matić, Serbian Minister for Telecommunications and Information Society

**UNPARALLELED GEO-STRATEGIC POSITION**

**36** INTERVIEW - Slobodan Milosavljević, Serbian Minister of Trade and Services

**REVITALISING REAL ESTATE**

**41** COMMENT - Đorđe Pavković Bugarski (Hauzmajstor) – Head of the FIC Real Estate Committee

**HERE TO STAY**

**42** Interview - Luiz Heeren, Member of the FIC Board of Directors, General Manager of British American Tobacco East Balkans

**ADOPTED LAWS****MUST BE IMPLEMENTED**

**44** INTERVIEW - Mihailo Crnobrnja, Editor of the FIC White Book and director of the FEFA Institute

**BUSINESS**

**47** Serbia's ranking up

**OPEN & CONSTRUCTIVE DIALOGUE**

**48** INTERVIEW - Werner Herics, Member of the FIC Board of Directors, Deputy Managing Director of Politika Newspapers and Magazines

**PHARMACEUTICALS RECESSION RESISTANT**

**50** MARKET ANALYSIS by Erste Group

**53** BUSINESS NEWS

**ADVANTAGES IN CRISIS**

**54** INTERVIEW - Michael Kefalopoulos, General Director of Mellon d.o.o.

**FASTER REFORMS REQUIRED**

**56** INTERVIEW - Nenad Vuković, Member of the FIC Board of Directors, President of Henkel Serbia

**59** BUSINESS NEWS

**EU-STANDARD LAWS**

**60** BUSINESS - Jelena Pejčinović (FIC), Executive Secretary of the ADCPI Committee

**61** BUSINESS NEWS

**REGULATING A CHANGING INDUSTRY**

**62** INTERVIEW - Vera Nikolić Dimić (Vip Mobile), Head of the FIC Telecommunications Committee and Coordinator of the Telecommunications Working Group within the Regulatory Guillotine Project

**PREDICTABILITY IN THE HR SECTOR**

**64** INTERVIEW - Miloš Mirić (Holcim) - Head of the FIC HR Committee

**SEEKING CLARITY**

**66** INTERVIEW - Ivan Rakić (Ernst&Young) – Head of the FIC Taxation Committee and Coordinator of the Tax Working Group within the Regulatory Guillotine Project

**69** BUSINESS PROMOTION

**LAWS TO SUIT THE ECONOMY**

**70** INTERVIEW - Milica Subotić (JPM) - Head of the FIC Legal Committee

**BUSINESS**

**72** CE's Top 500

**AIMING FOR A****BETTER BUSINESS FRAMEWORK**

**74** INTERVIEW - Ana Firtel Vlajić, Executive Director of the Foreign Investors Council

**78** MEMBER CONTACTS



Together to London  
with the best team



Telenor is General sponsor of Serbian Olympic  
team for 2012 Olympic Games in London



# Stable banking sector

*Banks in Serbia have high adequacy of capital at their disposal, which allows them to absorb any external and internal pressures*

“ **B**y accepting the Vienna Initiative, banks operating in Serbia have confirmed their confidence in the domestic macroeconomic policy and stability by opting not to reduce their loan commitment. Stress tests conducted as part of the Vienna agreement confirmed that the public and businesses, particularly depositors, can have full confidence in these same banks and the arguments of the National Bank of Serbia (NBS), as the regulator, at the time of the emerging economic crisis, when the world began to seriously

**NBS stress tests have shown enhanced responsibility of the banks in terms of credit risk**



lose confidence in financial institutions. Banks in Serbia have high adequacy of capital at their disposal, well above the prescribed 12 per cent, which allows them to absorb any external or internal pressures occurring in the case of continuation of the crisis and specific macro or micro disturbances.

The first challenge, in October last year, which came in the form of a sudden temporary withdrawal of foreign savings, was successfully overcome by the banking sector. Now stress tests conducted in 12 large banks have shown that none of them need additional emergency capitalisation, which means they can successfully face all additional risks.

The NBS performed this assessment on the basis of direct field analysis and not merely on the basis of banks' statements. This increases the credibility of both the data obtained and the conclusion: that in the case of negative scenarios, however unlikely, the Serbian banking sector is ready for them.

NBS stress tests have shown enhanced responsibility of the banks in terms of credit risk, whereby the difference between the volume of banks' reserves and the level envisaged as necessary by the NBS is minimal. Additionally, if banks maintain a conservative approach and monitor potentially bad loans in the future, the NBS will have less need to conduct field analyses and will be able to rely on the reports of commercial banks.

Thanks to the banking sector itself, Serbia is a rare country, if not the only, where the state and taxpayer did not have to spend a single penny of bailout funds to maintain the stability of its banking sector. This confirms that the NBS was right to lead prudent monetary and supervisory policies, implementing significant restrictions during good times in order to be able to relax gradually during bad ones, which arrived with the global economic crisis.

The stress tests conducted by the NBS showed that foreign investors in Serbia can do business without fearing for the stability of the banking sector, and - bearing in mind that 75 per cent of the sector is 'in the hands of' banks from the EU - they can count on a quality of service that is the same in Serbia as in other European countries.

”

*Radovan Jelašić,  
Governor of the National Bank of Serbia*



Your success  
is our  
success also.

 **PIRAEUS  
BANK**  
*Open for you.*

**Marko Savić**  
Branch manager

 **PIRAEUS  
BANK**  
*Open for you.*

 CALL CENTER 00-24  
0800 000 800  
011/ 3024 077, 3024 078  
[www.piraeusbank.rs](http://www.piraeusbank.rs)

Piraeus Bank Group is one of the most dynamic and active financial organisations in Greece, with particular know-how in the areas of retail banking, small and medium-sized enterprises (SMEs), leasing, capital markets and investment banking. Combining business development and social responsibility, Piraeus Bank Group endorses systematically and places special emphasis on its relations with the social, cultural and natural environment. Piraeus Bank Group has an international presence, focused in South-Eastern Europe and Eastern Mediterranean, but also in the financial centers of London and New York. At the end of June, its total assets amounted to €54.0 billion with a network of 900 branches in Greece, Cyprus, Egypt, Albania, Bulgaria, Romania, Serbia, Ukraine, U.K. and U.S.A.



ALEKSANDAR RADOSAVLJEVIĆ, FIC PRESIDENT AND CEO OF CARLSBERG SRBIJA

# PREPARING FOR THE END OF THE CRISIS

“These are times when our moves need to be bolder and I think the crisis will really help us to implement much needed reforms”



By Tatjana OSTOJIĆ  
Photo Slobodan JOTIĆ

Seven years after its establishment, the Foreign Investors' Council (FIC) is half way there – says Aleksandar Radosavljević, FIC President and CEO of Carlsberg Srbija. Today, the FIC has over 120 members, most of them foreign investors, and the Council's mission is to advance the business environment in Serbia. As 2009 is a year marked by a great deal of activity among FIC members, we spoke to the FIC President about the current economic situation and the FIC's plans.

■ At the beginning of this year you said that foreign investments in Serbia had been put on hold. Has the situation improved in the meantime?

□ There were quite a few investments that were supposed to be made at the beginning of 2009; additional investments by existing investors in Serbia who planned to expand their production capacities here. However, it was very clear at the beginning of the year that many plans would have to be changed from the core. Most investors decided to wait, in order to get a good perspective of the economic climate in the following period. As it turns out, we were unfortunately right.

Bearing in mind the way in which the crisis has been developing since the beginning of 2009 and considering realistic recovery expectations, I don't think that substantial investments will be made this year. This pertains to existing investors in Serbia, of course, as well as new investments that were planned for Serbia.

Truth be told, we do need to acknowledge that the Serbian authorities concluded a contract with Gazprom, though that is practically the only large investment that materialised. After this, the level of executed investments was way



below average. We can now say that this year has been very demanding and our expectations that we would experience aggravated business conditions came true.

Everybody's talking about the recovery now, so 2010 has been dubbed the year of stabilisation; not the year of an enormous increase of investments in Serbia.

I have to say that the crisis was experienced differently by different industries. Some were hit harder, some less severely. Certain products were very much in demand. In the first quarter of this year, stocks with certain buyers were significantly depleted, hence the increased demand. I expect this demand to decrease, since nobody will have as much stock as they used to. Everybody is quite cautious when placing new orders and making new purchases – that goes for both producers and the general public, who suffered the most from the crisis and will exercise more caution than before. All of this is very noticeable in terms of the number of granted loans and low spending figures.

Nevertheless, economic stabilisation certainly awaits us and recovery will probably take place at the end of 2010, according to current estimates. This will lead to many companies reactivating their investment plans.

A good thing is that FIC members have been active in Serbia for some time now and have long-term plans for this country. They will be quick on their feet when it comes to deciding to invest again. Relevant analyses and estimates have already been carried out and I am confident that they will react swiftly. If things go as they are supposed to, the first investor activities will be noticeable in 2010.

This market is being very carefully monitored and analysed. It is viewed in a broader aspect, due to the CEFTA (regional free trade agreement) and the fact that Serbia is at the core of this agreement means that the country is considered as quite a good investment location. Many companies are currently feeling out the situation on the Serbian market. With the first signs of recovery, planned investments will start coming to Serbia again.

#### POLITICAL (IN)STABILITY

“We have never commented on politics in such a way as to link it to investments. Of course, each investor will consider the political environment before investing, but I do believe that the economic atmosphere is even more important, i.e. evaluating Serbia as an economic destination. Things have changed for the better with regard to politics; certain changes took place that had a positive effect on the economic environment. Still, I do believe that Serbia's economic potential is of crucial importance when it comes to deciding whether an investment should be made or further developed.”

■ Bearing in mind the complexity of the economic situation in Serbia, what is the main role played by the FIC today?

□ One of the greater roles – and by that I also mean the most important role – is the transfer of the know-how that these companies gained doing business on other global markets. Of course, the aim is to implement this know-how in Serbia to assist and expedite development of the business environment here, i.e. to facilitate



that we have been talking about a lot.

■ FIC members have been very active recently: meeting officials of government and relevant ministries, analysing the economic situation, giving suggestions with regard to the passing of new laws, etc. What prompted this burst of activity?

□ We came to an understanding that when crisis strikes we need to pull together. The crisis calls for reforms to be even tougher, faster and more rational. Implementing reforms is very difficult, particularly when things are not taking their normal course. These are times when our moves need to be bolder and I think the crisis will really help us to implement much needed reforms. The FIC has contributed in that respect by fully engaging our members in accordance with their interests and expertise in certain areas. On the other hand, I can see that certain ministries have picked up their pace too. A concrete example of this is the so-called regulatory guillotine. We've been talking about this for the past two years, without much progress being made. However, at the beginning of this year the Ministry of Economy became very involved in this matter and found a true partner in the FIC. We expect the first results to be visible by the end of 2009. This will lead to an improved business environment in the areas covered by the regulatory guillotine. It takes two to carry out reforms and I think that, at this moment, the other side has quite good understanding of the fact that comprehensive reforms are necessary in every single business aspect. A lot still needs to be done, but we are all aware that we need a lot of strength, patience and dialogue with all relevant players to make things better. Serbia ought to start thinking about what we are going to do when the crisis subsidies and development becomes the number one topic again, i.e. how prepared we will be to use the end of the crisis to our advantage. As you know, the crisis has engulfed other countries too and they all pulled together in order to come out of this crisis stronger than before, so we are in for tough competition when it comes to attracting new investments.

We were quite happy to respond to an invitation from the Serbian Ministry of Economy to take part in the Regulatory Guillotine

the arrival and setting up of the business operations of investors that are yet to come to Serbia, so that we can focus our efforts and energy on creating added value and not administrative factors. On the other hand, I am sure that foreign investors have enough knowledge and experience to help with the needed reform of Serbian

laws, all with the aim of helping Serbia to join the EU in the following period. I think that creating a better business environment should be viewed as an obligation and social responsibility for foreign investors. Of course, this environment can never be ideal, but there is plenty of room for improvement and this is something

■ The FIC released a statement following the recent meeting between the IMF and the Serbian government, in which you expressed your support for the government in conducting reforms to state adminis-

## The crisis calls for reforms to be even tougher, faster and more rational

tration. You also pointed out the potential negative effects of imposing new taxes and expressed hope that the tax on mobile telephony services would be abolished by the end of this year.

□ When it comes to the Serbian government and the IMF, we were very clear in voicing our objection to notions of raising existing taxes. We think that would only diminish already weakened consumer activities and aggravate the economic environment in the long-run. The FIC also positively assesses the Serbian

government's unyielding stance when it comes to conducting administration reforms. I think that this is where great potential lies for doing things differently and not overburdening taxpayers. There shouldn't be any exceptions when it comes to taxes, but that was not the case when it came to mobile telephone operators. Additional taxes were imposed in this sector, which made it inferior to other industries. Our opinion is that taxes should be applied equally, across the board.

■ It is highly likely that VAT will go up by a single per cent next year.

□ It's true that the budget deficit has become a major burden and that the quickest 'fix' is to raise VAT. However, we should first see just how effective that could be. It remains to be seen how the Serbian authorities will design their future measures and policies aimed at bringing all declared goals together.

■ How would a higher rate of VAT affect

the economy?

□ Raising VAT would lead to goods and services becoming more expensive at a time when the purchasing power of Serbian consumers is quite reduced. As such, it is only natural to assume that a hike in VAT would result in reduced consumption and the public buying even less. All of this would lead to even more constricted space for companies to manoeuvre, forcing them to revise their business operations again, including expenses, in order to secure funds to fulfil their financial obligations.

■ What were the most notable FIC activities in 2009?

□ The first thing I have to mention is the latest White Book, which is due to come out soon. Producing this book remains our number one activity, since it brings together all our activities and the efforts we exert aimed at advancing the business environment in Serbia. Secondly is our activity in terms of the Regulatory Guillotine. We were quite happy to respond to an invita-

**MESSER**   
Messer Tehnogas AD

**MESSER GROUP**

- 111 years of tradition
- Presence in 32 countries all over the world
- More than 4000 employees
- More than 150 application technologies
- Over 130 gases and gas mixtures
- In Serbia: 6 locations
- More than 70 sales centers

**'made for your success'**

Messer Group manufactures and supplies oxygen, nitrogen, argon, carbon dioxide, hydrogen, helium, inert welding gases, special gases, gases for medicinal use and a wide variety of gas mixtures.

As broad as the spectrum of gases available is the variety of industries that utilize them and benefit from the application-specific know-how of Messer's personnel. These include steel and metals industries, chemicals, food and pharmaceuticals, automobile and electronics industries, medicine, research and environmental technology.

The same applies to the various delivery methods we offer: cylinders, road or rail tankers, or even on-site facilities at your company. Together, we will find the solution that best fits your company's gas requirements.

Whether liquefied or gaseous, we supply the gas products you need in the exact volume and quality.

[www.messer.rs](http://www.messer.rs)

Part of the **Messer World** 

“With plenty of good will and commitment, many things will advance quite quickly.”

tion from the Serbian Ministry of Economy to take part in this project, as we had discussed it a lot beforehand. When the moment came for us to step in, we did so wholeheartedly. The FIC expects the first stage of the project to be completed by year's end and for the first results to be revealed. Thirdly, I would like to mention the visit to Serbia of a delegation from the European Roundtable of Industrialists. This gave us an opportunity to exchange opinions on the subject of investing in Serbia with the highest state officials. I think we made the link between Serbia and Brussels much stronger through this exceptionally constructive dialogue, which was full of understanding and expectations that more European investments will be made in Serbia. Brussels expects the investment environment in Serbia to improve, with more reforms to ensue.

■ **Are you satisfied with your level of communication with the Serbian government?**

□ You can never communicate enough; it is always good to talk. The most important thing is that we understand each other; that we hear and listen to each other and try to find joint solutions if possible. Of course, everybody, including the state, advocates their own interests, but it is vital that the FIC - as an organisation and a group of individuals - is given an opportunity to express opinions directly to state officials. This year our



communication was better, as the economic situation prompted us accordingly.

■ **How long do you think the FIC will continue to exist in Serbia?**

□ An organisation like the FIC will remain as long as its existence makes sense and as long as it fulfils a certain purpose. The Council will remain present in Serbia until the economic environment attains a certain, expected level. It will take quite a long time for that to happen and we still have a lot of work to do in Serbia. With plenty of good will and commitment, many elements will advance quite quickly. It will take more time to resolve the current problems, as they are too

complex, but we are also working on that.

■ **Could you give us some insight into the upcoming White Book?**

□ The 2009 White Book sees us draw comparisons between 2008 and 2009. I can tell you straight away that certain things have been repeating and will be repeated in the future, but also that quite a lot has already been done. At this moment the FIC is very busy: we have quite a few committees and taskforces, which we formed because FIC members expressed a desire to be more actively involved and better organised and this is one of our qualities. Of course, none of this happened overnight. Rather, it is the fruit of several years of labour, starting from the council's foundation under the leadership of Christoph Greussing, through to the time when Boško Kostić was chairman of the FIC, followed by Stein-Erik Vellan. I think the entire FIC strategy has been implemented well from the very beginning and we – the current members of the board – are continuing such successful practices. However, the end is nowhere in sight and a lot still needs to be done. ■

## FIC ROLE

“In terms of the stages that the FIC has gone through, we are currently half way there - so to speak. We have demonstrated our prospects as a channel linking foreign investors to both state authorities and the society they plan to take their businesses to. I think FIC members have clearly expressed just how interested they are in this country and how satisfied they are that they are members of the FIC, which all tells me that the FIC is on course when it comes to fulfilling its mission. There are still many issues that we have to deal with within the council itself, but I think we are on course to ensuring we can do that in an effective manner.”

# when we *sign,* we do not change

Contracts should be treated very seriously. Why signing one, if you have no intention of respecting it? Why making it valuable only for one party? The way we compose it, there are no unpleasant surprises. Once we make the contract and we sign it, we do not change it.

*Truly,*

BOŽIDAR ĐELIĆ, DEPUTY SERBIAN PRIME MINISTER AND MINISTER OF SCIENCE & TECHNOLOGY

# INVESTING IN SCIENTI



“We set an investment target of €300 million and have provided €200 million so far.”

By Tatjana **OSTOJIĆ**  
Photo Slobodan **JOTIĆ**

It is said that one of the main advantages of Serbia over other investment destinations in the region is the country’s skilled and affordable workforce that speaks foreign languages. However, according to Božidar Đelić,

Deputy Serbian PM and Minister of Science & Technology, the Ministry of Science and Technology will not stop there and has already planned significant investments in this sector for the coming year. In addition to the issue of investing in quality workers, our interview with Deputy PM Đelić included the topics of co-operation between the

Foreign Investors Council and the Serbian government, as well as planned government reform steps.

- How would you rate co-operation between the Foreign Investors Council (FIC) and the Serbian government?
- We can say that co-operation has been very

# FIC INFRASTRUCTURE

## The compliance of Serbian legislation with EU laws and regulations varies from sector to sector

good since the Council was founded seven years ago and that it improved considerably last year. It's good that we have a representative group of investors that are very important for Serbia – because of the jobs they create, as well as the technology and management skills they bring to the society. This relationship is open and transparent. I think the effect the Council has had on our society is such that it goes beyond their primary goal.

### ■ How much do you think the Serbian government appreciates the FIC's suggestions?

□ I think that the presence of top state officials at the presentations of the White Book, coupled with the fact that we have included representatives of the Council in the work of the National Competitiveness Council from the very beginning and, more importantly, the fact that we have acted according to their recommendations, shows a very positive attitude of the government.

It would be much better and more efficient if all parties involved in this process provided specific suggestions about the things that impede their work, like the FIC does, rather than merely offering comments like “the environment in Serbia is not good enough”.

Our common goal is to attract as many investors as possible, and there is a consensus over Serbia's need for a large inflow of foreign investment. Absolutely all investors are



welcome, regardless of their origins. That is the strategy Serbia has been following over the past few years.

Our relationship with the European Union, membership of which is our strategic goal, has been continuously strengthened. The CEFTA was formed to enable investors in Serbia to export to the region, with few exceptions. CEFTA is the fastest growing trade organisation in Europe now and those who invested in Serbia have had the most success, since the greatest surplus has been achieved there. Finally, the strengthening of our relations with the Russian Federation; the exten-

sion of the list of products that investors can export to Russia, as well as the signing of a free trade agreement with Belarus, the conclusion of free trade agreements with Turkey and - we hope soon - with Iran and Ukraine, are all part of the environment that should make Serbia a transit and investment country, suitable for export worldwide.

### ■ To what extent do our laws comply with EU legislation at this juncture?

□ Though, Serbia still has no EU consensus over the implementation of the signed Stabilisation and Association Agreement, due to

#### REGIONAL INVESTMENT RECORD

“This very difficult year has brought \$1.4 billion worth of foreign direct investment. We had only one large investment – that of Gazpromneft in the Serbian Oil Industry. The rest of the money came from new smaller investments and the additional investments of existing investors. Since 2003, Serbia has attracted more than a billion dollars worth of foreign investment every year and in certain years, when there was privatisation and increased economic activity, the figures were five to ten per cent of GDP. This is a record for the region and our goal is to maintain that rating.”



**Božidar Đelić talking to our Editor**

co-operation issues with The Hague tribunal, Serbia's decision to unilaterally implement the Agreement of 30th January this year is part of a strategic direction and desire to identify itself not only as a country that will become a full EU member in the foreseeable future, but as a country committed to the co-ordination of its own economic and financial system with EU standards, regardless of the immediate political difficulties.

As this should be a reality and not merely a slogan, we have ensured that, on the one hand, the Stabilisation Agreement includes a series of reforms and alterations to customs that have helped investors to lower their expenses in their business this year; and on the other we have a National Plan for EU integration. This document has only been adopted

by candidate countries so far, which they used to legalise their conditions in order to begin negotiations. However, Serbia has already been implementing this plan for a year. We are doing so in order to develop a coordinated system with the EU and be attractive to investors, but also because it has political weight with our European partners.

I have to say that legal compliance varies from sector to sector. A great task lies ahead of us until the end of 2009 - especially in the fields of environmental protection and agriculture. Entrepreneurs often express their indignation because goods certified for sale in the EU must pass a complete retest in our country, due to the non-compliance of our technical regulations and often somewhat different standards under expensive conditions. More-

## ...there is consensus over Serbia's need for a large inflow of foreign investment

over, whenever a given product has been only slightly changed it must go through the entire procedure again. The Economy Ministry started the so-called Regulatory Guillotine process last year. This is an 18-month project, running until June 2010, and we will consider how far this project has progressed at the European Integration Council in October this year. Of course, we will also see to what extent we must further engage the National Plan for EU integration so that our entrepreneurs have better conditions that should also protect both consumers and the state.

Obviously, we still have plenty of problems, such as the smuggling of some goods, and therefore the Tax Administration Customs is further activated. Then there is the issue of our insolvency system. It is vital that conditions be changed. That is part of the obligations we accepted in our negotiations with the IMF, aimed at protecting creditors from dishonest debtors. Specifically, we will introduce changes that will make blockade system not function by the principle that the first one who blocks is given priority. This has led to damaging phenomena, such as preventive blocking. Furthermore, workers cannot be paid without the payment of taxes. We are also obliged to activate the bankruptcy institute.

It is very important for foreign investors that the state they deal with is as cheap and efficient as possible. I have not heard of any foreign investors' collectively evaluating our administration as lacking quality. On the contrary, we have realised that it was lacking and taken specific steps in the adoption of the new Law on Construction on 31st August, which is in line with the new Constitution and allows private ownership of construction land. Furthermore, we envisage much clearer relations and the possibility of swifter action on the part of local governments and cities, such as Belgrade, in terms of the implementation of investment processes. It is possible for a company investing in infrastructure of pub-

### BRAVE REFORM MOVES

**“**At this moment we are in discussions with the IMF. There will be intensive discussions about the programme to ensure that it becomes a reality in the following two months. We are ready to make a number of brave moves concerning the reform of the pension system and we will take care to stop a wave of early retirement. We will work on reduction of the state administration's scope. The Serbian government has opted to move the burden of public finance onto the expenditure side, as opposed to revenue, to the greatest possible extent. We are seeking efficiency in the state work and its scope and are not looking for tax increases. In this way, Serbia is showing that it is very important to maintain the best possible economic environment.”



lic importance to be granted cost reductions in municipal taxes. The Serbian government is determined to put pressure on the largest public companies, such as Telekom, EPS and utility companies, in order to keep their services effective and acceptable to top investors.

■ **You have announced significant investments in science and technology?**

□ When I talk with investors, and I do try to have regular contacts with various investors they say that Serbia is interesting because of its geographical position, favourable tax system, trade relations and costs. Human capital is mentioned as a key factor for additional investment. My job is to improve that.

Only eight per cent of Serbia's citizens are university-educated; the country invests only 0.3% of GDP in science. Recognising that, in the last 12 months we worked on the draft strategy that is currently undergoing public debate. We will organise a meeting with the FIC to discuss elements of that strategy, which can be found at [www.nauka.gov.rs](http://www.nauka.gov.rs) in Serbian and English. This strategy was developed by domestic and foreign experts and its core objective is to enable Serbia to attract the best and most advanced technology investors, in order to be able to export more high-quality products with additional value and knowledge. We cannot be satisfied with the current situation, because we usually export stock exchange goods. Serbia still exports just 20 per cent of its GDP, which is way below our goal of 50 per cent to start with. Sectors such as electronics, information technology and automotive industries should represent a much greater percentage of export.

In accordance with the proposed strategy, Serbia should increase budget allocations for science and technology from 0.3 to one per cent of GDP in the next five years. We set an investment target of €300 million in scientific infrastructure and have provided €200 million so far. Our negotiations with the EIB (European Investment Bank) will have been completed by the end of September and, to this end, we have set aside €25 million from the IPA funds for 2010. We are negotiating with the World Bank on €50 million and the Development Bank of the Council of Europe on about €35 million.

We have set seven priorities. In the future funding cycle that opens next year, we will direct all additional resources towards these



---

## Priorities: Agriculture and food, energy and energy efficiency, information technology, material sciences, nano-science and bio medicine

---

priorities. Agriculture and food, energy and energy efficiency, information technology, material sciences, nano-science and bio medicine are among them.

We agreed with the Ministry of Finance to propose tax incentives for investments in science and technology. We will suggest the fur-

ther encouragement of companies to employ experts who are more expensive because of their advanced knowledge. The attraction of technology companies and the establishing of development centres will follow. The plan is to form incubators of technological companies in all four of the leading cities. ■

# DIN "Fabrika duvana" a.d. Niš, a Philip Morris International affiliate

In September 2003, after the largest acquisition undertaken in Serbia at that time, the oldest Serbian tobacco factory, DIN "Fabrika duvana" Niš, became an affiliate of the world's leading tobacco company, Philip Morris International.

To this day, the company has made substantial investments in technology, products, employee development and training. By strengthening its product portfolio, the company reinforced its leading position on the Serbian market. The Niš factory is one of the most advanced within the Philip Morris International network and, in addition to the local brands *Classic*, *Best*, and *Drina*, it also manufactures international cigarette brands such as *Marlboro*, *Parliament*, *L&M*, *Next* and others. As a responsible corporate citizen of Niš, the company has enhanced the donation tradition of DIN and made a significant contribution to the development of the Niš community in the past five years. This article gives an overview of the business operations of DIN "Fabrika duvana" a.d. Niš, an affiliate of Philip Morris International (DIN Philip Morris), the country's leading tobacco company and one of the most successful private enterprises in Serbia.<sup>1</sup>

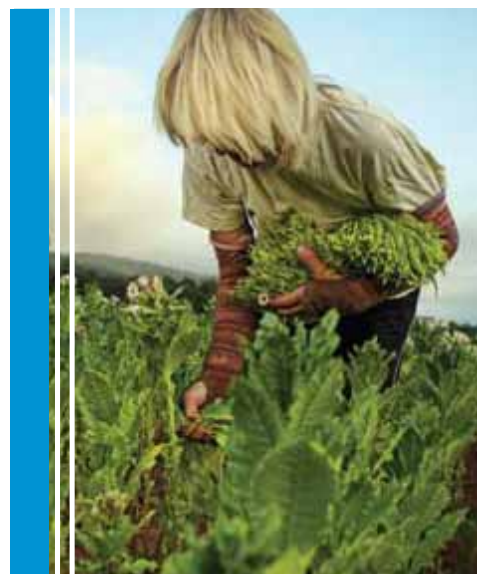
## Philip Morris in Serbia

Philip Morris International presently operates in Serbia through two legal entities - DIN "Fabrika duvana" a.d. Niš, a cigarette manufacturer and importer and Philip Morris d.o.o. Beograd, provider of marketing, sales and distribution services to the manufacturer. Today, the affiliates of Philip Morris International in Serbia employ around 1,150 people at the factory in Niš and throughout Serbia in sales and distribution.

DIN Philip Morris holds the leading position in the Serbian market with its 14 brands and 58 brand variants. It is by far the largest manufacturer of cigarettes in Serbia with products that cover all market segments generating a market share of almost 50%.

This position comes as a result of local DIN brands joining forces with the leading international brands in the Philip Morris product portfolio. Over the past five years, brand development has played a strategic role in the business growth of DIN Philip Morris. Through market research, understanding the needs of consumers and constantly adjusting to their desires and expectations, DIN Philip Morris has secured the leading position in the Serbia market.

<sup>1</sup>According to the data of the Republic Development Bureau for 2006 and 2007



## Investments in business growth and development

From October 2003 to September 2008, DIN Philip Morris has invested approximately EUR 630.2 million in Serbia.

Philip Morris Holland Holdings B.V. has directly invested approx. EUR 527.2 million into Serbia and has caused DIN to invest approx. EUR 103 million.

Furthermore, in the course of 2007 and 2008, DIN Philip Morris has invested an additional EUR 13.2 million in equipment and infrastructure for the purpose of business promotion.

With investments amounting to EUR 630 million, today DIN Philip Morris is one of the top three investors in Serbia since the commencement of the privatization process.<sup>2</sup>



## Market leadership through brand development

Over the past five years, 46 new brand variants were launched by DIN Philip Morris into the Serbian market. With more than 50 products in its portfolio, DIN Philip Morris has almost 50% share of the Serbian cigarette market. The portfolio of DIN Philip Morris today incorporates 14 brands, 9 of which are Philip Morris International and 5 DIN brands, which provides the company with the strongest product portfolio on the market of Serbia.

In 2004, a good combination of global technology and qualified and trained personnel made possible the successful start of the production of the world-famous cigarette brand *Marlboro* in the factory in Niš. Today, in addition to *Marlboro*, the Niš-based cigarette factory manufactures international brands such as *Bond Street*, *L&M*, *Philip Morris*, *Next*, *Partner*, *Parliament* and *Eve*.

Owing to DIN Philip Morris business strategy and significant investments in continued upgrade of operations, today the 4 best selling brands in Serbia are manufactured in Niš: *Marlboro*, *Bond Street*, *Best* and *Classic*.<sup>3</sup>

Further, since 2006, DIN Philip Morris has been regularly paying dividends to its shareholders amounting to RSD 10.5 billion to date.



## Support to domestic tobacco growing

As the leading cigarette manufacturer in the country, DIN Philip Morris strongly supports the development of agricultural tobacco production in Serbia. From October 2003 to September 2009, DIN Philip Morris has bought approximately 23,000 tons of locally-grown processed tobacco.

Comprehensive measures aimed at improving domestic tobacco quality and production have been applied, with the implementation of "Good Agricultural Practices" (GAP), investments into equipment, warehouse space, curing barns, as well as short-term investments into seed and planting material. More than 1,000 growers benefited from this EUR 4 million worth investment program.

## Support to the development of Niš community

Besides continued business improvement, DIN Philip Morris' donations additionally encourage the development and progress of the community. DIN Philip Morris believes that investing in the local community is an illustration of established corporate social responsibility, equal to investment in the future of the business since the community in which the company operates is an important element of sustainable business growth. In the period from October 2003 to September 2009, DIN Philip Morris has invested over EUR 8,6 million in donations. The donations of DIN Philip Morris were aimed at four key areas – education, culture, art and social contributions. By supporting education, helping creativity of culture and art and providing assistance when it is needed the most, DIN Philip Morris openly, responsibly and efficiently contributes to the development of Niš.

<sup>2</sup>Serbia Investment and Export Promotion Agency (SIEPA), [www.siepa.gov.rs](http://www.siepa.gov.rs)

<sup>3</sup>AC Nielsen, July 2009

**Dimitris Frangetis, Chairman of the Executive Board of Piraeus Bank AD Beograd**

## **PIRAEUS BANK GROUP REMAINS STRONG DURING DIFFICULT PERIOD**



The global economy seems to have left the period of severe liquidity and credit crisis behind. Only months ago some major financial institutions faced serious problems and relied on government support to continue operating. Business confidence dropped sharply, while the perception and pricing of risk changed dramatically

More recently, conditions developed gradually from those of crisis into recession, which most countries are now facing in stronger or milder forms. This has an impact on both companies and individuals and, ultimately, affects banks again. Despite certain indicators of recovery, there is still substantial uncertainty as to how long and how deep this recession will be. As we know, the positive element of an unpleasant situation is the opportunity to learn. Given the seriousness of the crisis and the degree of extreme behaviour noticed before, an interesting question is whether market participants will in fact learn from past mis-

takes and use such knowledge in the future. During this difficult period, Piraeus Group remains strongly capitalised and continues a wide range of successful and profitable activities. Similarly, Piraeus Bank Belgrade continues developing its operations and has actively contributed to every practical expression of its long term commitment to Serbia: from participation in the IMF agreement to lending to the Public Sector.

**Andreas Binder, CEO of Mercedes-Benz Serbia and Montenegro**

## **POSITIVE SIGNALS**



The automotive industry has been hit extremely hard by the financial crisis throughout the world and this has also severely affected the Serbian market. However, recently there have been some positive signals from the market and for that reason I am very optimistic when it comes to the local market. I have to say that our new E-Class has achieved great success – not only in Serbia, but on other markets too. However, we have to restore the confidence of our customers in other models, especially commercial vehicles. We also have to gain the support of financial institutions supported by the government

to re-establish a solid financial environment in Serbia. After this I see a bright future for the automotive business in Serbia. General conclusions about what is going to happen in the future are yet to be drawn, but we have to differentiate among individual regions in the world. In some parts of the world we have very positive signals, while in others the impact of the financial crisis on our business is still huge. I hope that in this part of the world we will be able to overcome the difficulties in a faster way. And I am convinced of that possibility, because I do not see that Serbia is very dependent of other markets. As such, I believe that we can move faster through this painful experience and continue with the development. But in such difficult times one of the most important things is the way we treat our clients. We do not sell only cars, but also a special experience. Mercedes-Benz is an exclusive brand and all our customers are exclusive too.

**Branko Radujko, CEO of Telekom Srbija**

## **VISIBLE EFFECTS OF THE CRISIS**



“The effects of the global economic crisis are quite

evident in our industry. We have witnessed a substantial fall in consumption and, consequently, a drop in sales and services in the ICT sector. This, in turn, has led to stunted development and, in certain cases, declining revenue figures. This is why many of the biggest global companies are facing pronounced problems in terms of maintaining their profitability. Aside from reduced consumption, a fairly major problem arose from the fact that the ICT industry is known for its high level of investing, i.e. for the frequent interconnecting and underwriting of capital, which requires funds. All of this goes hand in hand with relatively high borrowing levels; hence the problems experienced by the two biggest investment banks were inevitably reflected on the industry as a whole. Still, in a certain way the crisis assisted companies to a certain extent, in terms of prompting their management to start making much more rational business decisions in comparison to the past, as well as to optimise operational costs.

When it comes to the mobile telephone tax, we should not expect mobile telephone operators to applaud the idea of introducing this tax and we, as a group, presented a whole series of arguments against the application of this tax. However, it should be said that the first effects of this taxation are not as dramatic as we anticipated, particularly bearing in mind the fact that we changed the prices and most of the burden was transferred to the end-users. We do hope that the need for this tax will not last long and that it will bring the anticipated revenue.”



KOMERCIJALNA BANKA



## *It is the time for Visa Platinum!*

Spending money you lose just a bit of it.

Spending time you lose a part of your life.

Komerčijalna Banka Visa Platinum card saves your precious time.

Privileges that you enjoy make your life richer.

Komerčijalna banka is the first bank in the region that issues Visa Platinum card!

Visa platinum card enables its users to use exclusive privileges and special programs that are composed by assorted hotels, restaurants, shops, wellness centers, air companies, medical dispensaries, touristic agencies, health insurance etc. Visa Platinum is giving you privileges as well as help and attention while deciding about particular product or service.

**Visa Platinum – is the only card without limits.**



Kontakt centar: 0700 800 900; 011 20 18 600

[www.kombank.com](http://www.kombank.com)

KJELL-MORTEN JOHNSEN, FIC VICE PRESIDENT, CEO OF TELENOR

# SEEKING CONSISTENCY

“You could look at some of the neighbouring countries and argue that Serbia is at least as prepared for the EU as some of them were upon entry. From that point of view, we would hope that the agenda will move on.”



By Mark R. PULLEN

**D**iscussing steps that the Serbian government could make to improve the business climate yet further in the country, Kjell-Morten Johnsen, FIC Vice President and CEO of Telenor, says: “it’s not always a question of having to do something new and shiny and glossy; it’s just about being predictable and staying on course.”

■ **How much do you think the relevant Serbian authorities listen to the foreign investor community and how much do they take on board the suggestions of the Foreign Investors Council?**

I think they definitely listen: people show up to the presentations of the White Book, attend our meetings and listen. When it comes to government action in response to suggestions, execution varies. This spring we saw people reacting extremely quickly in response to a deteriorating situation. On that point we would have liked to have been listened to more, but I think the circumstances dictated the approach much more than what people would have wanted to do in a more normal setting.

In short, people are ready and willing to listen and participate in discussions, but in an extreme case like that of this spring, the ability to take our recommendations on board and implement them as a matter of policy is much harder.

■ **Prior to the IMF visit, we saw in the Serbian press that the FIC was encouraging the government to avoid raising**



taxes. Does the association generally operate proactively or is there more of a tendency to react?

□ If you have the opportunity, I think it's much better to come forward with your point of view before a decision has to be taken. If you reduce yourself to the situation where you're only responding once a decision's already been made, then you're not relevant. As such, the extent to which we can participate at an earlier stage and give our opinions and advice – in the interests of all investors – is an important factor. That's why we seek a dialogue with, for instance, the IMF, which is playing an important part.

We share the same objectives; we don't want to do things that would harm any private companies in Serbia – regardless of whether they're Serbian, German, Norwegian, British... Generally, the idea is that

---

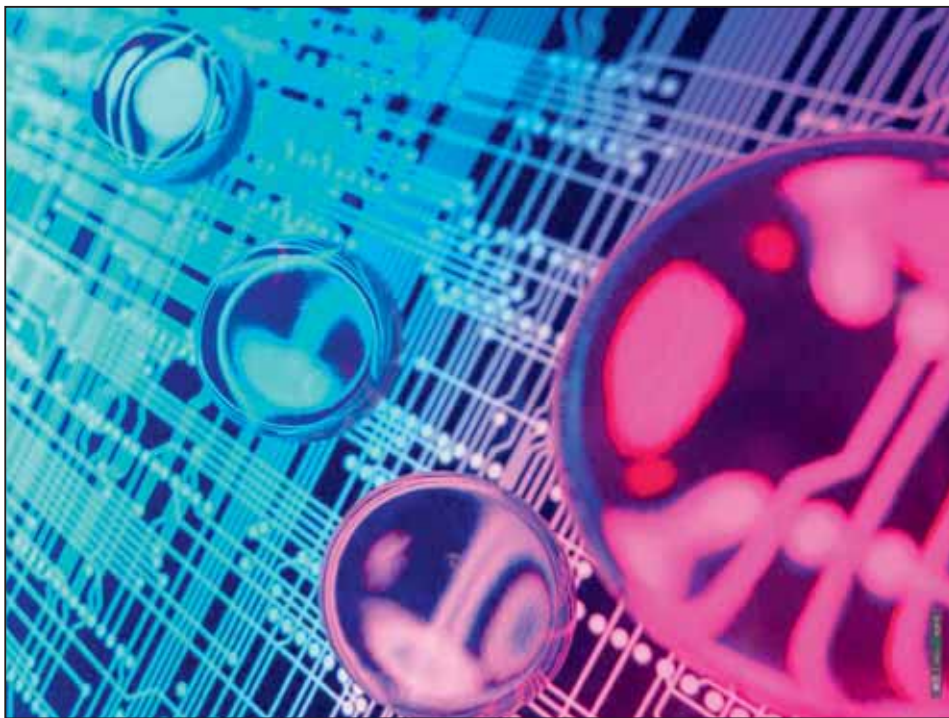
The idea is that what's good for a wide group of investors will be good for the economy as a whole

---

what's good for a wide group of investors will be good for the economy as a whole. The approach we take is to be heard in that debate. Now, with the budget planning for 2010 coming up, we think it's important for us to participate in that dialogue at an early stage.

■ Have you had firsthand experience of similar business associations elsewhere in your career?

□ I was a member of the board of the Association of European Businesses in Russia. We were particularly active, with a large number of events in the business community and also in dialogue with the government – often on practical issues affecting small and medium-sized companies, where we tried to help them navigate their way through what was a tricky landscape in Russia. In addition, I also participated in the Foreign Investors Council during the terms of three prime ministers there: starting with Fradkov, going through Zubkov and on to Putin, when he became prime minister. We had meetings with the prime minister every October and then working groups going throughout the year, which we used to try to shape some of the agen-



das there. In comparison, I would say that I think the Serbian Government is a bit more open to dialogue than the Russian government was. In Moscow that attitude is a little bit more “we know best.”

■ **Perhaps it’s more a case that the Serbian government can’t afford to marginalise the FIC, considering the value of your members’ investments?**

□ It’s true, I would guess, that foreign investors have proved more important to the Serbian economy than they have to the Russian, but going forward I’m not sure that there is such a big difference, as foreign investors are likely to become increasingly important for Russia over the next few years. It all depends on the situation. That said, I’m pretty sure that if you go to the U.S. and try to talk to the government about what they should do for foreign investors you won’t be heard much there either.

■ **To what extent do you think the global downturn will affect the Serbian economy in the long term?**

□ If you want to be optimistic, then you will believe that we will have a streamlined public sector going forward and that the government will be careful to avoid the temptation of raising taxes too much (we all know it’s tempting to raise taxes in order to get cash for the budget, but in reality this could push greater parts of the economy into the grey and black economy, which is never good). If we get that kind of an approach, then when growth picks up again we could actually see some positive results from the processes going on now.

If, on the other hand, you have this kind of ‘lockdown’ situation where people try to keep expenditures going and people argue that we cannot cut spending because demand will fall further and more and

For investors, it’s key that they see that there is a path towards membership that they can rely on or believe in

more is borrowed and debt begins to pile up, then we end up with not a very nice scenario a few years down the road. From what I hear and see in discussions, it looks like the government is taking it all very seriously. They didn’t take it quite seriously when it came to taxes on mobile telephony, but other than that it doesn’t look like huge tax hikes are being made on individual industries.

■ **So, you’d say that the Serbian government is heeding advice to build necessary infrastructure and carry out reform in order to be ready to compete once the crisis subsides?**

□ I don’t think the Serbian government, or any other government for that matter, can know in minute detail how they should prepare for what’s coming after the crisis. Moreover, Serbia’s not an export-driven economy, so here it’s completely different to the case in Germany or Sweden, for example. Here, investors are more important and only then maybe export proceeds.

I think it’s in the nature of someone who runs a business that relies on people in the street – for instance, we (Telenor) have almost three million customers in Serbia – to consider that they have to do well in order for us to do well. As such, the tendency is to want to be optimistic that things will go well, people will be responsible and we will come out of this in good shape.

■ **Though the crisis situation prevails, we also see Serbia progressing towards the EU – with the country set to be added to the White Schengen list at the end of the year and the EU having already increased the size of its delegation here. As such, do you see a wave**

**IMPORTANT - MACROECONOMIC STABILITY**

**F**or us, it’s also extremely important that we have macroeconomic stability. That’s one of the key things to do now and that’s why we accepted that we had to pay this extra tax for 2009, as it’s like our extra contribution to making sure that macroeconomic stability is maintained. However, we insist that the tax on mobile telephony is viewed as a temporary measure that should end with this year. Without the means to make this economy move forward in a normal way, it doesn’t matter how much you try to attract investors.



of fresh investment coming to Serbia once the crisis subsides – both as a result of the upturn and Serbia's progress towards EU candidate status?

□ I would hope more investment will come. For investors, it's key that they see that there is a path towards membership that they can rely on or believe in.

I think we should look at how the EU has expanded over the years and conclude that it would be natural for Serbia to join. Indeed, you could look at some of the neighbouring countries and argue that Serbia is at least as prepared for the EU as some of them were upon entry. From that point of view, we would hope that the agenda will move on.

Whether or not that will trigger a huge wave of investment depends on a couple of factors: first of all, how investors are treated here now (for that it will be important that current foreign investors act as 'ambassadors' and speak positively about investing in Serbia); secondly, the opportunities that you see here: some of the country's most interesting companies have been sold (we bought one and there could be another privatisation coming up in our sector too at some point). There probably aren't many other large-scale assets out there in Serbia, so the country should seek to attract people looking to set up small and medium-sized enterprises. I happen to think that SMEs are more important for the economy than big flagship firms... In the long run, allowing SMEs to develop and prosper is key. I also think that to some extent you need that to relate to new concepts, ideas and competencies that do come with a foreign investor. If just money comes in and not competent players, then nothing much is going to happen. You need a competent investor able to steer a business, which can lead to other companies developing and simply thinking differently.

■ **In your opinion, what do the state authorities need to do in order to make Serbia more attractive to foreign investors?**

□ At the end of the day, it's not always a question of having to do something new and shiny and glossy; it's just about being predictable and staying on course. You can't run after prospective investors selling yourself all the time; I'm not sure that having huge adverts in The Economist is going to entice a huge number of investors to come in. That said, there are many places where big companies and relatively big medium-sized companies get together and exchange views and if people have positive opinions about Serbia in those settings then that can be worth much more than any ads in illustrious newspapers.

So, I think it's enough to be predictable and show that the government wants to give investors protection. This doesn't mean protection against the markets go down, because we should suffer when the market goes down just like anybody else, but having protection for your investment in the framework within which we operate. ■

## GENERATING POSITIVE OUTCOMES FOR CLIENTS FROM INVESTMENT AND EXPENDITURE IN BUILT ASSETS

- Construction Management
- Cost Management
- Statutory Site Supervision
- Project Management
- Programme Management
- Risk Management
- Technical Audit
- Lender Supervision.

For more information, please contact:

Sasa Trajkovic  
EC Harris d.o.o  
Bulevar Zorana Djindjica 144v  
11070 Novi Beograd  
Serbia

t +381 (0)11 3535 400  
f +381 (0)11 3535 401  
e [sasa.trajkovic@echarris.com](mailto:sasa.trajkovic@echarris.com)

[echarris.com/serbia](http://echarris.com/serbia)

**EC HARRIS**  
**BUILT ASSET**  
**CONSULTANCY**

NEBOJŠA ČIRIĆ, STATE SECRETARY IN THE SERBIAN ECONOMY AND REGIONAL DEVELOPMENT MINISTRY

# YEAR OF CRISIS & REFORM

“It is expected that the business administrative costs of all companies in Serbia will be reduced through the Regulatory Guillotine by at least 25 per cent by 2011.”



By Tatjana OSTOJIC  
Photo Slobodan JOTIĆ

Serbia's Economy and Regional Development Ministry is tasked with leading the comprehensive reform of legislation that is popularly referred to as the Regulatory Guillotine. This reform should free the Serbian business system of all unnecessary legal acts and bylaws, as well as amending certain regulations and making the country attractive to foreign investors. The progress of this process was just one of the issues discussed with Nebojša Čirić, State Secretary

The IMF has accepted – as was expected – to increase the budget deficit from 3.5 to four per cent

in the Ministry of Economy and Regional Development.

■ The FIC has been actively involved in the working bodies tasked with carrying out the Regulatory Guillotine. How is this process advancing?

The purpose of this reform in our ministry, and other ministries, is to create an attractive environment for investment and business in Serbia; an environment easier and simpler for foreign and domestic investors. In addition to highlighting business problems, foreign investors also provide recommendations for overcoming these problems. With this in mind, the government devised a Comprehensive Regulatory Reform (CRR), the so-called “Guillotine”. A unit with a number of people was formed within the Ministry of Economy. This unit is tasked with implementing this reform on behalf of the government. They cooperate with all institutions that have a lot of regulations, such as the Ministry of Finance, Directorate of Metrology and the ministries of the economy, agriculture, etc. Meanwhile, they are obliged to liaise with foreign and domestic investors to see which laws, decrees and regulations should be amended, reduced or eliminated. This is called the Regulatory Guillotine because it is planned that a government undertaking it is committed to eliminating unnecessary laws. A parliamentary session will also be dedicated to the elimination of unnecessary laws, while certain legal provisions within existing legislation should be adapted. The idea is to simplify the whole business system to the maximum extent possible.

■ Initial results of the Regulatory Guillotine are expected by year's end.

□ CRR is divided into five phases. The first is the preparatory phase: forming units and de-

fining guidelines. The second phase involves an inventory to determine which regulatory bodies have the most regulations and which have the fewest. For example, the Ministry of Finance has the most regulations – with 649, while the Ministry for Diaspora, the National Investment Plan (NIP), the Agency for Environmental Protection and the National Employment Service have the fewest. Thirdly is an analysis phase, where laws, decrees, regulations, instructions, decisions, orders and some other documents are analysed. The unit for Comprehensive Reform will analyse some 2,163 regulations in fields from the financial and fiscal system, economics, agriculture, environment and planning, labour and employment, Pension and Disability Insurance (PDI), medical care, justice, education, culture and information, health, sports and public administration. Companies and private individuals can make recommendations to amend regulations on the CRR website. About 500 referrals have been received so far. The CRR unit has prepared the ordinance for the cancellation of 200 unnecessary regulations, which is currently in the procedure. Most objections have been made to tax procedures, building permits, employment procedures and inspections of new products. The CRR unit is working on recommendations that will be submitted to regulators, the EU Integration Office and the Secretariat for Legislation by 30th October 2009. The government is expected to adopt the recommendations no later than 15th December 2009. There are three groups of recommendations: one applies to regulations to be repealed, the second relates to regulations that should be amended and the third group includes regulations that should be kept. Recommendations are also practically divided in a three pack. One package applies to ministries and government, where government may revoke certain regulations or modify decrees. The second package is for the assembly and



refers to laws, while the third applies to legislation under the jurisdiction of independent bodies, whereby members internally, or with the recommendation of the government or just the CRR, take decisions on regulations. We expect this process to be completed by the end of the year and implemented early next year.

■ **To what extent will the Regulatory Guillotine make Serbia more attractive for foreign investment?**

□ These measures should increase competi-

tiveness and, therefore, the attractiveness of Serbia to foreign investment. All companies in Serbia are expected to reduce their business administrative costs through the Regulatory Guillotine by at least 25 per cent by 2011. We also expect the speeding up and cheapening of administrative procedures, as well as the introduction of a one-stop shop.

■ **Is CRR covering all regulations or is this just the start of a universal action?**

□ In general, the economy and the political environment are living things. As such, certain outdated regulations should be completely eliminated, some should be changed, some existing regulations should be amended and some should be kept. For example, the new Law on Bankruptcy is fully in accordance with EU regulations. However, there are a bunch of laws, regulations or specific acts or regulations that should be amended. In any case, as the process of EU accession progresses, a certain section of regulations will surely have to be modified or amended with legal acts.

#### LACK OF LARGE INVESTORS

An interesting trend of the year of economic crisis has seen numerous car parts manufacturers come to Serbia. They have come because of the presence of Fiat, but also because of the desire to outsource production capacities from the Czech Republic, Romania or Germany to Serbia. For example, Leoni bought a bankrupt factory in Prokuplje where it plans to employ about 2,000 people and create a regional centre. In terms of greenfield investments, we had a break in January, February and March, but it was the same everywhere in the world. After that an increased interest of foreign investors reappeared.

## I think it is realistic to start considering the privatisation or transformation of large systems once we see the economic crisis is at, or reaching, an end

■ **To what extent have foreign and domestic investors been affected by the economic crisis and has the Serbian government prepared the right package of measures to overcome its affects?**

□ We had a stroke in October last year, when the withdrawal of foreign savings started. However, this crisis has shown that the banking and financial system, as well as the entire monetary system generally – including the NBS, are very stable and one of the main pillars of the Serbian economy. For example, we have a great situation when it comes to foreign exchange reserves and foreign currency savings in the first six months, marked by a positive trend. Before the formulation of the government's measures, we had had many meetings with large exporters, medium-sized companies and small enterprises.

At the end of January the programme of the government measures for overcoming the crisis was developed, targeting at a few things. A crucial problem was the insolvency of the Serbian economy, because banks stopped lending abruptly as a result of the global economic crisis. Then we tried to reactivate the banking sector in Serbia and succeeded through subsidised loans. One group are liquidity loans, which are already providing great results. Over €900 million was placed in the economy and there are requirements to approve more than a billion euros. This measure is a complete success, as proven by the fact that pressure on liquidity has been quite reduced in the last few months. The second group of measures are investment

loans, which have only gained in importance. An important part of the government programme was to stimulate demand, particularly for domestic products. With the stabilisation of the macroeconomic scene, we started to help individual sectors. We introduced a pro-



gramme offering discounts of €2,000 for the purchase of a new tractor. Then there is a programme adopted in July that supports the production of rail vehicles and saw the Economy Ministry provide RSD2.1 billion to support this industry.

### SUBSIDISED LOANS

**T**he IMF has made recommendations and an increase of value added tax was recommended. Meanwhile, we thought the budget deficit problem should be resolved through comprehensive public sector reform. The IMF came up with a suggestion relating to subsidised loans and we believe that this programme should be continued in 2009. We will see whether there will be some changes later on, but there won't be any changes until the end of the year.

■ The FIC has provided strong support to the government for a thorough reform of public administration. However, some think that increasing the tax burden would have a negative affect on comprehensive economic development.

□ The IMF has accepted – as was expected – to increase the budget deficit from 3.5 to four per cent. National budget deficits are between six and ten per cent in countries of Western Europe and our wider region. However, this is about the credibility of the government and, perhaps even more importantly, it is about economic stability. We really took a firm stance that there should not, and must not, be an increase of VAT, because that would represent an additional burden on the economy. Some firms would see this as a signal that they should go into the grey zone and begin avoiding payment of VAT, which is absolutely unacceptable. We felt that savings should be made on the state side, i.e. the public sector, through cost reductions, restructuring in terms of reducing employee numbers and optimising costs – both at the republic level and that of local governments.

■ **When do you expect the privatisation of large public companies to resume?**

□ The general consensus was that we should start with the partial or total privatisation of some state enterprises. A case in point is the privatisation of Galenika, which is a process that's in progress. The government should adopt a privatisation strategy that will then go out to tender. We had the will and started the process. We selected a consultant for the implementation of the initial public offer for Telekom, which was supposed to be the launch pad privatisation that would set a good example. We should have seen citizens given the opportunity to receive free shares and also buy Telekom shares on the Belgrade Stock Exchange (BSE), while institutional investors should have got the opportunity to buy Telekom Srbija shares on the London Stock Exchange. However, this process was halted because of the global economic crisis that saw all exchanges head into freefall. We devised a similar process for the Belgrade Airport. I think it is realistic to start considering the privatisation or transformation of large systems once we see the economic crisis is at, or reaching, an end.

**VOJVOĐANSKA BANKA**  
MEMBER OF NATIONAL BANK OF GREECE GROUP  
**BRANCH NETWORK IN SERBIA**



**Vojvođanska Banka**

NBG Group

# SWITZERLAND ON TOP

Serbia dropped eight places in the Global Competitiveness Report, from 85<sup>th</sup> place last year to 93<sup>rd</sup> this year



Switzerland tops the overall ranking in The Global Competitiveness Report 2009-2010, released by the World Economic Forum ahead of its Annual Meeting. The United States falls one place to second position, with weakening in its financial markets and macroeconomic stability. Singapore, Sweden and Denmark round out the top five. European economies continue to prevail in the top 10 with Finland, Germany and the Netherlands following suit. The United Kingdom, while remaining very competitive, has continued its fall from last year, moving down one more place this year to 13th, mainly attributable to continuing weakening of its financial markets. The People's Republic of China continues to lead the way among large developing economies, improving by one place this year, solidifying its position among the top 30. Among the three other large BRIC economies, Brazil and India also improve, while Russia falls by 12 places. Several Asian economies perform strongly with Japan, Hong Kong SAR, Republic of Korea and Taiwan, China also in the top 20. In Latin America, Chile is the highest ranked country, followed by Costa Rica and Brazil. Serbia dropped eight places, from 85th place last year to 93rd this year.

“The strong interdependence among the world’s economies makes this a truly global economic crisis in every sense. Policy-makers are presently struggling with ways of managing these new economic challenges, while preparing their economies to perform well in a future economic landscape characterized by growing uncertainty. In a difficult global economic environment, it is more important than ever for countries to put into place strong fundamentals underpinning economic growth and development,” said Klaus Schwab, Founder and Executive Chairman of the World Economic Forum.

Xavier Sala-i-Martin, Professor of Economics, Columbia University, USA, and co-author of the Report added, “Amid the present crisis, it is critical that policy-makers not lose sight of long-term competitiveness fundamentals amid short-term urgencies. Competitive economies are those that have in place factors driving the productivity enhancements on which their present and future prosperity is built. A competitiveness-supporting economic environment can help national economies to weather business cycle downturns and ensure that the mechanisms enabling solid economic performance going into the future are in place.”

---

The strong interdependence among the world’s economies makes this a truly global economic crisis in every sense

---

The rankings are calculated from both publicly available data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of Partner Institutes (leading research institutes and business organizations) in the countries covered by the Report. This year, over 13,000 business leaders were polled in 133 economies. The survey is designed to capture a broad range of factors affecting an economy’s business climate. The Report also includes comprehensive listings of the main strengths and weaknesses of countries, making it possible to identify key priorities for policy reform. The Global Competitiveness Report’s competitiveness ranking is based on the Global Competitiveness Index (GCI), developed for the World Economic Forum by Sala-i-Martin and introduced in 2004. The GCI is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in countries around the world at all stages of development. The pillars include Institutions, Infrastructure, Macroeconomic Stability, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Financial Market Sophistication, Technological Readiness, Market Size, Business Sophistication, and Innovation. ■



- Delta Sport is a lifestyle retail of choice in the region
- The exclusive distributor of Nike for Serbia, Montenegro, Bosnia and Herzegovina, Macedonia and Albania
- The only company proclaimed to be the best Nike distributor of a year two times in a row
- The only franchise partner for all Inditex brands in Europe
- The franchise partner of Costa Coffee for the West Balkans
- The proud sponsor of the Football Association of Serbia, the National Water polo Association and Red Star football club
- The biggest promoter of values of sport in Serbia

JASNA MATIĆ, SERBIAN MINISTER FOR TELECOMMUNICATIONS AND INFORMATION SOCIETY

# NEW FIXED-LINE OPER

“Predictability is the first and most fundamental requirement for foreign investments to come to a country”



**Žarko Obradović, Serbian Minister for Education, Jasna Matić, Serbian Minister for Telecommunications & information Society and Branko Rradujko, CEO of Telekom Srbija**

By Tatjana **OSTOJIĆ**  
Photo Slobodan **JOTIĆ**

**T**he Foreign Investors Council has given full support to the Serbian government’s implementation of announced reforms of state administration. However, the FIC has also expressed hope that the new tax introduced on mobile telephone services will be abolished by the

end of the year. In order to discuss this issue, as well as the current situation in the telecommunications’ sector, the topic of Telekom Srbija’s privatisation and the tender for new operators in fixed telephony, we spoke to Jasna Matić, Serbian Minister for Telecommunications and Information Society.

■ **The FIC has expressed hope that the**

tax introduced on mobile telephone services will be abolished by the end of the year. **To what extent is the abolition of this tax realistic?**

□ The joint position of our ministry and companies in the field of telecommunications and mobile telephony, to which this tax relates, is that this can only be a temporary tax that will only last during the worst period of the crisis; when the first signs of



# RATORS

---

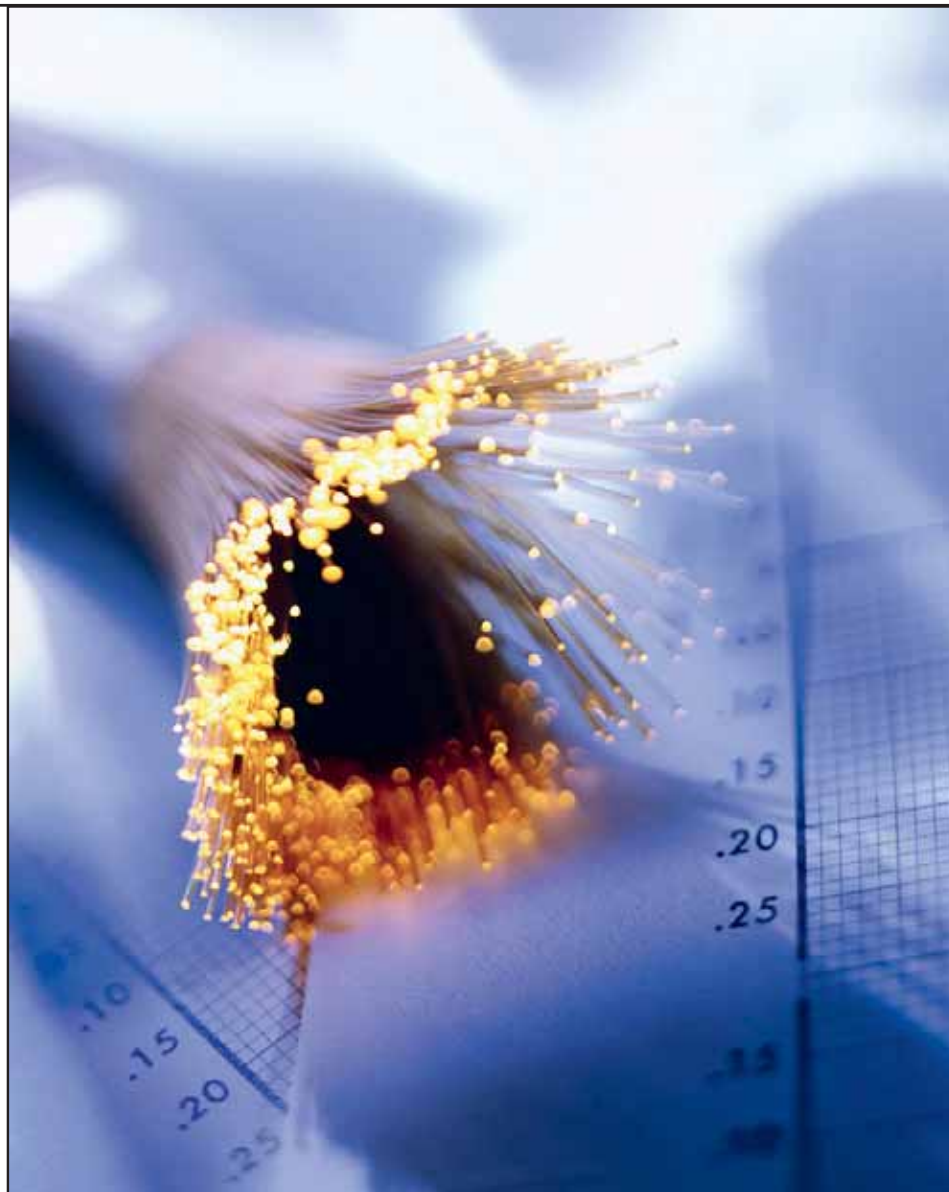
“We will argue for the abolition of the mobile services tax in next year’s budget.”

---

fiscal revenue and budget stabilisation appear, this tax should disappear. By its nature it is a discriminatory tax that affects only one industry - the very industry that serves and helps the entire economy to be competitive and people to live better throughout the world. At the time of crisis, most countries are promoting telecommunications in the package of anti-recessionary measures, thus it is certainly not a good idea to retain this tax. I think the chances of withdrawing it are relatively good and we will argue for the abolition of this tax in next year’s budget.

■ **Was the introduction of this tax necessary?**

□ It is hard to say. That is a question for Finance Minister Diana Dragutinović, rather than for me. I presume it was a necessary step at a time when fiscal revenues had decreased very much and the stabilisation of the budget and macroeconomic situation in the country was required. If there had been macroeconomic destabilisation it would have been bad for this and other industries. Perhaps the fact that we are not the only country to introduce such a tax is comforting. Something similar happened in Croatia as well. However, our position is that the tax should not remain as a measure next year. There is no doubt that two things happened: the climate aggravated the mobile operators



## CRISIS AND INVESTMENTS

**T**he crisis has greatly slowed the arrival of foreign investment and there has been a fall of investment worldwide. Generally, there have been no new investments in Serbia and even existing investors cancelled plans that were started. It seems that there is a slow recovery at the world level of investment, with investors once again beginning to show interest in expanding their operations or reducing costs and finding better locations for their operations. Existing investors that are additionally affected by the tax on mobile services and falling incomes have also invested less, which can be seen quite clearly in Serbia.

themselves and operating conditions were impeded, then there was the introduction of an unexpected tax, which is never good. Predictability is the first and most fundamental requirement for foreign investment to come to a country.

It should also be noted that telecommuni-

cations is indeed a major industry in Serbia; this industry is where we have the largest investors; where the country’s largest privatisation was recorded through Telenor; where the largest greenfield investment was made by VIP. These companies adhere to their investment commitments, have outstanding



corporate social responsibility policies and indeed represent a great example of foreign investors in our country.

■ **To what extent do you think the economic crisis has affected the telecommunications sector?**

□ The crisis has affected all sectors, including telecommunications. Investors have had fewer resources to invest and, of course, citizens have been saving. It might have been felt to a lesser extent in telecommunication traffic and more on the Internet usage side, especially mobile Internet. Many have felt that citizens are not buying better packages or the latest devices. It is true that the crisis did not affect telecommunications as much as it affected some export-oriented sectors that have actually been damaged, but telecommunication players were certainly affected as well.

■ **To what extent did the crisis affect the privatisation of Telekom, as well as the arrival of new fixed-line operators?**

□ I think the crisis substantially influenced the privatisation of Telekom. The debate whether Telekom should be sold began this spring, but it was the worst possible time to sell. There is no clear determination regarding the privatisation of Telekom. Moreover, the fact that Telekom is profitable means we

are not in the situation that we are with some other state enterprises, where there are real losses and considerable changes need to be made. So, it is not a burning issue and we will see how it will be resolved.

When it comes to new operators in fixed telephony, our plan was for it to happen now, this autumn. We still stick to that plan and work on it, so hopefully a tender for three new fixed-line operators will come soon. We expect some existing operators in the telecommunications sector to also be interested in fixed telephony; some leading European telecommunications operators that are not in Serbia are interested. People can hardly go without a telephone and telecommunications has suffered less than any other sector, so we think the crisis will not affect the tender. This is a large market with significant potential. Besides, Serbia is one of the last countries to maintain a monopoly on fixed telephony; no other country in the region has a landline monopoly.

■ **How would you rate co-operation between the FIC and government ministries?**

□ From the perspective of the ministry that I now head and the Ministry of Economy, where I worked before, I really think that the FIC plays an excellent role as a consultative body and corrective factor. Our ministry re-

“No other country in the region has a landline monopoly”

lies on this relationship a lot: the exchange of information and consultation with operators and appropriate FIC committees. I also know that my fellow ministers consider it very important and truly believe that the FIC has a very useful role for us.

■ **Administration inefficiency, layers of bureaucracy and the slowness of procedures are among the negative factors that foreign investors in Serbia usually indicate. Will these problems be resolved through the announced Regulatory Guillotine and the announced reduction of public administration?**

□ Administration must be improved, i.e., the efficiency of the system must be raised, though I am afraid that this is a lengthy and painstaking task. When it comes to our sector, we have really tried to improve elements that apply to the business of telecoms operators.

In conjunction with the Ministry of the Environment and Spatial Planning, we have prepared a section of the new Law on Planning and Construction that relates to telecommunications. This will really facilitate the setting up of essential telecommunications infrastructure.

We are also working alongside the Ministry of Science on the Copyright Law, in order to improve conditions for IT as well. I think it is time to fine tune laws in collaboration with industry, in order to provide optimum conditions for work. What we should not forget is that after 2000 we found a system that was legally and institutionally wrong. Considerable changes were made and laws were radically amended. Now it is time to slow these processes. Major amendments to law are no longer necessary, but it is really necessary to adopt good laws following extensive consultations with businessmen and citizens. ■

BO ANDERSSON, CEO OF ERICSSON IN SERBIA

# EMBRACING TECHNOLOGY

“Mobile broadband is here and available in Serbia, but now it’s a case of getting people to use it on the same level that people talk over the phone.”



By Mark R. PULLEN  
Photo Slobodan JOTIĆ

We can’t complain, said Bo Andersson, CEO of Ericsson in Serbia. “All of our customers have reduced their investments and, of course, this also has an impact on us. But, we are still doing a lot of business as the major supplier of mobile communication in Serbia and the sole supplier in Montenegro”, explained Bo Andersson.

■ **How would you assess Serbia’s telecommunications market today, compared to other markets in the region?**

□ We can look at two parts of the market. When it comes to technology, Serbia is on a par with Western Europe – that is, the most developed area in the world. When it comes to the development of revenue on the market, though, there are perhaps some challenges. Most of these challenges are based on the low purchasing power of end-users’.

■ **What do you think the Serbian government should do to ease business conditions?**

□ Let me first say that we have very good co-operation with the Serbian government, particularly Ministry of Telecommunications and Information Society. The ministry has become very transparent in their processes and very interested in having contact with us. Being the prime leader in the world’s mobile business with a market share of over 40 per cent Ericsson has vast experience to share and the Ministry has definitely shown that it wants to share and wants to listen. Accordingly, we have quite an active dialogue.

speakers at such events. We exert a lot of effort when it comes to environmental issues and, indeed, the word ‘environment’ covers a very broad area. We’re talking about power saving and have a programme that plans to reduce power consumption every year on all our equipment by 50 per cent, and we are ahead of schedule on that programme! We have a standing agreement with all our users that contains a clause by which we take back, free of charge, all equipment that they want to dispose of and then we trash it in an

The transmission of data is bigger than the transmission of voice and, indeed, data actually overtook voice many years ago. This is a global trend that is extremely strong

■ **Are you finding it quicker to do business now that regulatory reform to expedite business procedures has begun?**

□ I’m not sure that I find it so. I think there are a lot of improvements that could be done, bearing in mind that this is a country that wants to move closer to the EU. However, in some areas we don’t see moves towards the EU. I think that the regulatory bodies and government in general have a little more to do and could also do it quicker, because some issues are so easy that they require just a decision.

■ **You’ve been very active on environmental issues to date. Are the funds available to continue in that direction?**

□ Ericsson has taken an extremely important position in the world as a driver of environmental issues. We participate in huge conferences that the United Nations, the EU or other organisations hold covering this issue and our CEO is also one of the keynote

environmentally-friendly way.

■ **What are the main business objectives that you hope to achieve by year’s end 2010?**

□ We have a lot of objectives and never go for only one thing. That said, our biggest objective is to get our local partners to use mobile broadband, because this is the next step in the development of the mobile industry. Mobile broadband is here and available in Serbia, but now it’s a case of getting people to use it on the same level that people talk over the phone. Another big issue on the agenda is helping users and operators in the country to lower their operational expenses dramatically by taking over the handling of their operations.

We do this in many parts of the world and Ericsson has over 200 contracts to run networks. The big issue here is that we can do it cheaper on the basis of our efficiency and experience. ■

SLOBODAN MILOSAVLJEVIĆ, SERBIAN MINISTER OF TRADE AND SERVICES

# UNPARALLELED GEO.

I think that administrative efficiency is Serbia's missing link for it to become one of the most attractive countries for foreign investment in Europe

By Tatjana OSTOJIĆ  
Photo Marko RUPENA

Significant foreign trade chains' investments were initially announced for 2009, but as our interlocutor Slobodan Milosavljević, Serbian Trade and Services Minister, says, all of these investments were postponed. Nevertheless, according to Milosavljević, Serbia has genuine advantages over other countries in the region, including the CEFTA region and free trade agreements with Russia and Belarus, which will attract new investors in the future.

■ To what extent does the Serbian government appreciate the comments and suggestions of the Foreign Investors Council aimed at improving the investment climate in Serbia at this juncture?

□ Since the democratic changes of 2000,

the year 2009 was definitely the hardest. We cannot emerge from the crisis we are in soon if we do not respect the voice of entrepreneurs and fail to understand and meet their appeals in a legitimate manner. In this context, the Foreign Investors Council is a real and positive factor that the government needs very much in this situation. Not only because of their contribution to globalisation and the strengthening of the competitiveness of Serbia's economy, or their large number of employees, but primarily because of their positive evaluation of the Serbian business environment and economy.

■ How is the Regulatory Guillotine progressing and to what extent can Comprehensive Regulatory Reform (CRR) lead to an increase of foreign investment in Serbia?

□ It is an extremely important action of the Ministry of Economy, which coordi-



nates the whole affair. We are one of the most active and accurate ministries on the Regulatory Guillotine process. First of all through the adoption of laws which have begun to be implemented, such as the Law on Electronic Commerce, the Law on General Product Safety and the Law on the Protection of Competition. Now we are in the procedure's completion phase and I hope to see the adoption of two laws by the end of this year: the Law on Consumer Protection and the Law on Trade. Earlier this year we adopted the Trade development strategy of Serbia. In addition, we adopted dozens of regulations within the sectors of market inspection, trade and the Directorate

## NO INCREASE IN VAT

"I am emphatically opposed to an increase in VAT. Increase in VAT certainly lead to a balancing of deficits and their predictability. It is a measure that gives fast results, accepted by the IMF, and it provides Serbia not only the planned \$500 million, but the entire arrangement up to three billion euros, as agreed with the IMF. However, the measure carries a great risk of making Serbia unappealing to new investments and a macroeconomic risk that it will initiate additional instability in prices and costs of living. On the other hand, the Serbian government has decided on a measure which gives results in the long term; a measure that is risky, especially politically, because it is unpopular to shed jobs even if they are unproductive and unprofitable posts. But it is a measure that Serbia simply must take."

# STRATEGIC POSITION



for Commodity Reserves. I have to say that the biggest problem is the inefficiency of administration in servicing the economy. It is not merely in bad regulations, but also inadequate and incomplete laws and regulations' implementation, which I really do not find to be lagging greatly behind European standards. I think that administrative efficiency is Serbia's missing link for it to become one of the most attractive countries for foreign investments in Europe. Serbia meets all other prerequisites without a doubt. Serbia is a "corridor country" situated at the crossroads of two powerful economic and political spheres of influence; two strong and perhaps future leading econ-

---

I am convinced that this part of Europe cannot remain uncovered by the leading European retail chains for more than three to five years

---

omies of Central and Southeast Europe, in the Turkish and German spheres of influence. It is in our advantage as a point of contact between the two major economies in this region that we should seek our opportunity and our chance to attract some

new investment, as well as utilising the various advantages that Serbia offers investors.

In addition to the country's geo-strategic position, we should promote and take advantage of free trade. It is not well known that Serbia is offering access to 30 million consum-

ers in the CEFTA region; that it borders all CEFTA countries except Moldova and that there is a virtually completely passable free market. Then the Free Trade Agreement with Russia functions and is almost fully completed, while this year we reached a free trade regime with Belarus and we are preparing such an agreement with Turkey as well. In addition, Serbia has preferential trade treatment with the European Union, which means free trade with 500 million EU consumers.

■ **You mentioned the inefficiency of Serbia's administration. How do you think it could be resolved?**

□ CRR is precisely how it should be resolved. All the work should have been done faster and more efficiently. I think that a kind of omnibus laws could have been adopted and the laws could have been amended in a parliamentary session. This would indisputably demonstrate commitment to minimise and reduce administration, corruption, bureaucracy and all those plagues that Serbia and the Serbian economy are facing; and to create acceptable European frames. I must admit that I feel very bad about the inability to quickly and effectively help an extremely correct and strategic company - and one among the first investors in Serbia - Veropoulos, to resolve their problem with the site in Belgrade's Vojvode Stepe Street.

■ **To what extent has the economic crisis affected investors and have government measures been timely and adequate?**

□ I don't know if a government member can be objective, but the government acted promptly and specifically this year in order to alleviate the crisis. We had a strong attack last year that led to the withdrawal of



## Serbia is situated at the crossroads of two powerful economic and political spheres of influence: Germany and Turkey

substantial assets of citizens and the economy from bank accounts, a perhaps insufficient but swift reaction followed and partly solved this situation. Today, banks are increasingly deciding to invest available funds in bills and securities and, to a lesser extent, in the economy. In my opinion, this is very negative. The last two, three months were defined by a halt in the fall of economic activity and by small, but - it seems to me

- quite certain beginning of recovery of the Serbian economy. Although I do not agree with some of my colleagues in government on this issue, the next two years will be difficult, challenging and will bring a lot of turbulence and disruption to the economy of Serbia, without any doubt. They will bring the closing of some companies and job losses, but I think crisis tremors will be milder. What will happen in some companies will be primarily a consequence of the problems they faced in 2008 and 2009. That is why it is really encouraging to hear the news that US Steel (Serbia) has relit both blast furnaces.

■ **You announced the arrival of a few investments in the area of trade last year. How many of them have frozen or delayed their arrival in the meantime?**

□ Virtually all of them have frozen and delayed investment. This year we have a new French chain in Niš, MR. Bricolage, with one object. Difficult negotiations with IKEA have been going on, but in spite of that we all agree that IKEA should come. I know that all traders in Serbia are not coming up roses, but I also know that they have been achieving higher profits than in other countries. This means that Metro, Veropoulos, Mercator, etc., will continue to re-invest profits generated in Serbia

into the expansion of its retail network. I am convinced that this part of Europe cannot remain uncovered for more than three to five years by the leading European retail chains, such as France's Carrefour, Dutch chain Ahold, Germany's Bill, UK retailer Tesco or Turkish merchant chains, but everything has been shifted to next year or 2011. ■

# SIX YEARS OF BUSINESS IN SERBIA

British American Tobacco – the biggest British investment in Serbia



**B**ritish American Tobacco, the world's most international tobacco group, whose quality brands are sold in more than 180 markets, has been present in Serbia since 1996, and after the privatisation of Duvanska industrija Vranje in September 2003 became one of the leading foreign investors in the country. On the 6<sup>th</sup> anniversary of the acquisition, the company in Serbia can be proud of the commercial results achieved over the past period, but also of its contribution to the sustainable development of the local communities. Alongside Growth, Productivity and Winning Organisation, Responsibility is one of the pillars of the global British American Tobacco business strategy. Today, perhaps more than ever before, society expects companies to use their economic strength for broader social goals and to demonstrate environmental responsibility, support for communities, high standards of ethical behaviour and greater transparency. With this in mind, the Company's belief is that Corporate Social Responsibility is fundamental in helping to build sustainable shareholder value. In Serbia, British American Tobacco's Corporate Social Responsibility programmes have had a wide reach and have focused on a whole range of issues, including Social Reporting, Underage

Smoking Prevention, Corporate Social Investment and Environment Protection.

"Since its arrival in Serbia, British American Tobacco has continuously supported the local community through various Corporate Social Investment programmes", says Luiz Heeren, General Manager of British American Tobacco East Balkans. "One of our largest programmes was the investment of more than €150.000 into the Technical College in Vranje, with the aim of improving and modernizing the educational standards and bringing this institution clos-

---

**British American Tobacco's approach to corporate social responsibility also involves actively addressing the impacts of its business on the natural environment.**

---

er to the Bologna Declaration. We have also been actively supporting the development of the SME sector, in line with our belief that this

is the best route to the advancement of a community. For the past five years British American Tobacco has been awarding the BAT Award for the Best Small Entrepreneur in the Vranje Region, aimed at supporting entrepreneurial and innovative spirit in the community through formal recognition of excellent achievement. Additionally, we also initiated a Programme for the Development of Entrepreneurship in partnership with the Serbian Agency for the Development of Small and Medium-sized Enterprises and Entrepreneurship and the National Employment Agency", adds Heeren.

British American Tobacco approach to corporate social responsibility also involves actively addressing the impacts of its business on the natural environment. Therefore, over the past three years, the Company has successfully been conducting an Energy saving project aimed at reducing the consumption of energy and water in the Vranje factory, and achieving the most rational use and conservation of natural resources. The project included comprehensive consideration of possible ways to save energy, definition of saving methods, monitoring, as well as increasing employee awareness of the importance of rational use of energy. The most recent project directed towards environment protection focused on addressing the issue of irresponsible cigarette butt disposal, as a recognized environmental problem in the country. In cooperation with the organizers of Belgrade Beer Fest, the largest event in the country, British American Tobacco wished to contribute to solving the problem by building awareness of the personal and environmental impact of butt littering, and encourage smokers to make sure they understand that a change in their behaviour can bring significant benefits to the environment.

"We believe that businesses have a key role to play in helping societies achieve the necessary sustainable balance of economic growth, environmental protection and social progress. We will continue to work hard to do business in ways that balance the economic, social and environmental dimensions of sustainable development of Serbia", concludes Luiz Heeren. ■

ALEKSANDAR KOZLICA, COUNTRY MANAGER OF G4S

# ANTICIPATING THE NEW LAW

“It is very important that foreign investments are safe”

By Ana **STOJANOVIĆ**  
Photo Slobodan **JOTIĆ**

**A**leksandar Kozlica, Country Manager of G4S, is of the opinion that Serbia desperately needs foreign investments. “This is a small, developing country with serious needs and plans of association with Europe. Investments from Europe, America or any other side are good,” says Kozlica.

■ **Do you think the economic crisis is the main reason we are seeing fewer foreign investments?**

□ Unfortunately it does not depend only on us. The fall is mainly caused by the global economic crisis. However, Serbia has to become more attractive than its competitors (the surrounding countries), which are exerting serious efforts to attract investments. Serbia has its advantages, such as geographical location, but economic and security preconditions are also necessary. It is very important that foreign investments are safe – from a tax

## PLANNING AHEAD

**W**e plan to enter cash processing service and offer our banking sector and retail clients the possibility of entrusting money processing to us, thus helping them to reduce their costs. Next year we are entering the cash centre project and also plan to develop our offer in electronic systems. In addition, my personal mission is to have a group of young managers in Serbia who will work in one of the 110 countries where G4S operates.



“The crisis is an opportunity for new ideas. Administration must be more efficient, cheaper and faster.”

perspective, to advanced knowledge of economic conditions and general security, which people expect in a country. I would also point out the need for better marketing.

■ **What does the Serbian government still need to do?**

□ Develop incentives, accelerate bureaucratic formalities, fight corruption and work on promotion. The crisis is an opportunity for new ideas. Administration must be more efficient, cheaper and faster. Our co-operation with state authorities is correct and necessary. It is essential to adopt laws that will allow the security industry to function. There were several draft laws introduced on a few occasions, but they were withdrawn from the procedure. All the surrounding countries have such laws and our activity is part of the infrastructure related to foreign investment.

■ **How do you rate the physical security market in Serbia?**

□ We currently have quite a chaotic situation. There is a vast number of companies, three of which are serious market players. There are two multinational companies: one is G4S, of which we are a member, and the other is Securitas. Others are local companies. However, there are no standards or conditions required by the state for engagement in the security industry. The police in Serbia have moved out of all essentially commercial busi-

nesses, which is good. What remains is to develop clear legalisation covering commercial activity. About 40,000 people are currently employed in this industry and in Serbia there are no proper schools for the education of these personnel. Rather, there is the school of Governing Affairs. G4S has its own academy and we are educating our staff for different needs. Our average security officer has at least secondary education and we have employed more than 4,000 people.

■ **To what extent did the economic crisis affect your business?**

□ A fall in living standards comes with crisis and, therefore, so does an increase in criminal activities. The number of serious thefts and burglaries increases and the age structure of all criminals lowers. On the other hand, our potential customers experience problems with budgeting and so we try to offer them “Security Solutions” that provide them with an appropriate scope of protection that’s within their budget. The number of clients we have broken contracts with because they became insolvent is very small, principally because our portfolio of customers is very good. These are mostly foreign companies and banks, which have gauged their security needs precisely. However, the crisis halted their further investments in Serbia and that has affected our business this year. As such, we are focusing our development on the diversification of our services. ■



# Revitalising real estate

*“The main aim of the Real Estate Committee is to improve real estate market conditions through the establishing of dynamic communication and co-operation with all relevant state and city institutions”*

“**T**he FIC continuously co-operates with the state and its institutions, with the goal of improving Serbia’s business conditions and climate in the best possible manner. Accordingly, the FIC Real Estate Committee was re-established in August 2009 after a dormant period of time, due to the aspirations of FIC members to actively facilitate the improvement of conditions for doing business on the real estate market. The main aim of the Real Estate Committee is to improve real estate market conditions through the establishing of dynamic

The idea is to transfer the suggestions and remarks of all committee members to all relevant institutions



communication and co-operation with all relevant state and city institutions, particularly the ministries of environment & spatial planning and infrastructure, in order to share common issues and problems that all real estate market players face in their daily operations. Members of this FIC committee are operating in various segments of the real estate market. We have investors, developers, various financial institutions - like banks, insurance and leasing companies, real-estate brokers and property management companies. All of them are operating in this market with different goals. The idea is to transfer the suggestions and remarks of all committee members to all relevant institutions – starting with

state authorities, city municipalities and other institutions that are able to influence the improvement of market functioning in the best way and in the best interests of all.

We have already identified several issues that this committee should try to improve through co-operation with all market players. They are summarised here:

1. Overall regulatory framework, especially the adopted Construction Law. Here the committee will seek its chance to provide feedback regarding the law’s implementation, as well as the future Law on Managing and Maintaining Properties, the drafting of which we strongly encourage and support;
2. Permit issuance, Land Development fee, Land Status Law and Leasing – where we would like to see the simplification of the permits process in the near future, as well a decrease of existing construction start-up costs and later operational costs, with the goal of further expanding the market and bringing more investments to this market;
3. Building discourse, communication and long term co-operation with the state, relevant ministries, city authorities and all other important institutions, with regard to strategic issues with the goal of improving the real estate market in the best interests of all;
4. Developing relations with other organisations dealing with real estate.

To summarise, the Real Estate Committee is a newly re-established committee of the Foreign Investors Council that will be very active in following period, in order to compensate for the gap of activity we had in the past without an organised approach and influence on the real estate market, which is extremely necessary in Serbia.

*Dorđe Pavković Bugarski (Hauzmajstor)  
Head of the FIC Real Estate Committee*



## INTERVIEW

LUIZ HEEREN, MEMBER OF THE FIC BOARD OF DIRECTORS,  
GENERAL MANAGER OF BRITISH AMERICAN TOBACCO EAST BALKANS

# HERE TO STAY

“Only a complete disruption of the internal environment ... could cause BAT to deviate from its long term goals and strategy, i.e. to be in Serbia for good.”



By Mark R. PULLEN

Speaking for the Guide to the FIC, BAT's Luiz Heeren says that, among other things, major foreign investors in Serbia should “use international conferences and forums to act as true ambassadors of Serbia

as a perspective investment destination”.

■ Which economic events would you say marked this past year, aside from the general financial crisis?

□ It is difficult to generally disassociate any event of the past year from the financial

crisis. The crisis has affected all major business variables and for FMCG companies it is clear that a drop in demand and the shrinkage of liquidity were probably the most relevant factors.

For the Tobacco Industry specifically, the most important event is related to the new

excise law that has brought further excise pressure, thus significantly affecting the industry's performance.

In order to compensate for the financial crisis and additional tax pressures, the tobacco industry was forced to introduce measures that included, amongst others, making internal cost adjustments in the past year.

■ **To what extent do you think the Serbian government adheres to agreements reached with foreign investors?**

□ I believe that the Serbian Government tries very hard to stick to previous agreements. This year we had two examples of that, which came despite parallel attempts to deviate from original agreements.

On the minority shares issue, we witnessed some verbal attempts to deviate from prior agreements and force companies into a situation where market driven prices would not be respected. It seems that this direction has now been abandoned by the Government and there are fair attempts to try to put laws able to properly handle the problem in place. That said, I believe there are solutions in this area that can yield positive results for both the government and foreign investors; we are ready to share our views on this with the Serbian Government.

Furthermore, there was initially an attempt in the Serbian Parliament to completely change excise duty on the tobacco industry from what was agreed with 90% of the industry's players towards the end of 2008. It took almost five months to change that, but at least an agreed excise structure was finally achieved.

■ **The last White Book made several references to certain laws that could improve the business of your industry in Serbia, noting that the problem was that they weren't implemented and relevant bylaws had not been adopted. What is the situation like today in that respect?**

□ As an example, a lack of clarity in some provisions of the Advertising Law has created problems for the tobacco industry in the past. The situation in this area has been improved over the past year and we expect that announced amendments to the Advertising Law will define clear rules able to create a level playing field and avoid any confusion in this area in the future.



---

“It is difficult to generally disassociate any event of the past year from the financial crisis. The crisis has affected all major business variables”

---

■ **How can foreign investors, as a collective, influence the government when it comes to passing relevant laws, regulations and other acts aimed at improving the business environment in Serbia?**

□ I believe that some of the ways foreign investors can help and influence change in Serbia, thus contributing to a better business environment, are as follows:

- Use the FIC and, therefore, the White Book as a list of genuine proposals that can improve the business environment in all areas of the Economy;
- share positive experiences and examples from other markets that have recently passed through transition and where newly introduced laws and changes worked for the benefit of the country;
- offer expertise in several business and economy areas;

- use international conferences and forums to act as true ambassadors of Serbia as a perspective investment destination.

■ **What kind of overall scenario would be needed for BAT to consider revising its plans?**

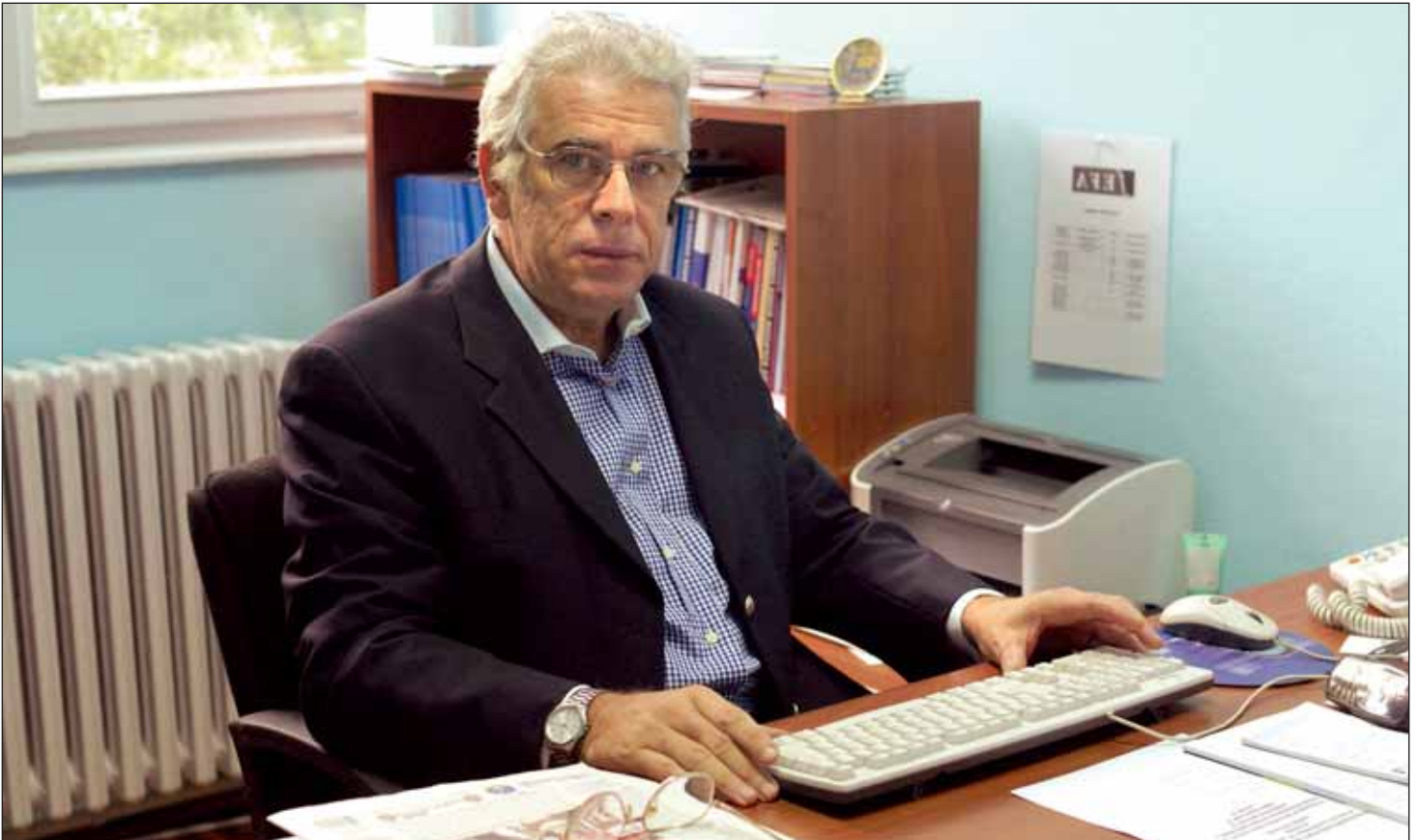
□ BAT does business in more than 180 countries worldwide and is in Serbia for the long term. Plans and investments are revised constantly – in light of market potential, competition, business environment, political risk, etc., just like in any other market. It is a constant exercise of adjusting business operations to economic, political and social variables.

Only a complete disruption of the internal environment i.e. disrespect to laws, conflicts, etc., could cause BAT to deviate from its long term goals and strategy, i.e. to be in Serbia for good. ■

MIHAILO CRNOBRNJA, EDITOR OF THE FIC WHITE BOOK AND DIRECTOR OF THE FEFA INSTITUTE

# ADOPTED LAWS MUST

“We need to muster all political, economic and other strength to expedite the transition process”



By Ana **STOJANOVIĆ**  
Photo Stanislav **MILOJKOVIĆ**

**T**he unique nature of the FIC White Book lies in the fact that it is written by the very companies that make up the council. “The FIC has a unique and established procedure when it comes to writing the White Book, which has been coming out for seven consecutive years,” explains Mihailo Crnobrnja, editor of the White Book and director of the FEFA Institute.

■ **Aside from commenting on the current**

**business climate in Serbia, the White Book also offers recommendations on how to overcome certain problems.**

□ At the meeting of the FIC Managing Board we agreed that this year’s White Book would focus on the recommendation to concentrate more on implementing laws and not merely adopting them. Personally, I think that both the government and parliament have boasted about how many laws have been adopted too much, while their implementation takes a back seat. This is precisely what the European Commission is objecting to in its annual reports, when it notes: ‘you have adopted certain laws, but they

are not being implemented in practice’. In its latest White Book, the FIC agrees with the European Commission. It is vital to adopt laws, but it is equally important to implement these laws in practice.

■ **The objection that some laws were not being implemented was also mentioned in last year’s White Book.**

□ That’s right. This objection was noted in last year’s White Book, but the difference is that in this year’s edition it has been given priority. The second overall suggestion is to expedite the reform process, which is something the

# ST BE IMPLEMENTED

government keeps talking about but doesn't do enough. The FIC has been actively participating in Comprehensive Regulation Reform (CRR), i.e. the so-called Regulatory Guillotine. We expect the CRR will actually 'cut' something by the end of this year. The third suggestion pertains to increasing the flexibility of the business system and bringing it more in tune with the quality of investments and the economy. This is where the Ministry for Environmental Protection and Spatial Planning has actually done something. Nonetheless, it is not enough to take just one step forward; we need to advance the business climate as a whole. We cannot expect investments to be made in Serbia if an investor needs 340 days to obtain various permits. The whole process of obtaining an operating permit in Serbia is much longer than in neighbouring countries. The FIC is trying to encourage and assist in the creation of a proper investment environment - and not only in the interests of foreign investors, if I may add. Furthermore, we are always keen to offer our know-how and experience. The Council is trying to help the economy become more adaptable and competitive for foreign investors. The Global Economic Forum recently issued its annual global competitiveness list and Serbia was 93<sup>rd</sup> this year, despite taking 85<sup>th</sup> place last year; we dropped six places despite the efforts exerted by the government. Unlike Montenegro, which climbed from 65<sup>th</sup> to 62<sup>nd</sup> place. There is an obvious lack of political will to push forwards at the desired pace.

■ **FIC members often note that doing business in Serbia needs to be more predictable.**

□ My opinion as an economist is that there are many governments in the world that are doing quite unpredictable things. What we are talking about here is only the level of predictability. When, for example, Singapore is changing a policy it doesn't always consult businessmen in advance. And let me remind you that Singapore tops the competitiveness list. Nonetheless,



---

The overall suggestion of the White Book is to expedite the reform process, which is something the government keeps talking about but doesn't do enough of

---

there is always sufficient period of adjustment left and adequate information provided for the companies to conform to the new regulation. The issue is when these two conditions are not met. The example of applying this so-called mobile telephone tax is indicative, in a sense, that our government is also making decisions without prior consultations, but without giving enough space to the companies to adapt. On the other hand, the government has its own problems that need sorting out.

The government cannot solve everybody's problems by using a 'source' or taking out a loan. What the government can do is to start saving. This process has already begun and we will see how it will end. For example, I find the explanation that Serbia actually needs 26 ministries quite implausible. France has a third less ministries than Serbia, despite having a far bigger population. Ministries are not the problem though - it is rather the way in which the administration is

organised. The government can and must cut costs and the FIC will support and encourage it in doing so. When it comes to budget revenue, the government needs to choose between several different instruments, so to speak. One criterion is economic efficiency, while another one is political accountability. The FIC supports tax reforms that will bring more predictability on the one hand, and more social justice in allocating budget revenue on the other.

■ **What recommendations will the FIC offer the government this time around when it comes to advancing Serbia's investment climate?**

□ In simple terms, to continue with the transition and transformation of the economy – a process that is running out of breath. The latest White Book offers over a hundred suggestions at different levels of concreteness. I have already mentioned the overall recommen-

dition to implement existing laws. The second recommendation is that laws be accompanied by relevant bylaws, because we are currently seeing that many laws cannot be implemented because they are missing such bylaws. Aside from the aforementioned recommendations, there are many other suggestions that are divided by sectors and chapters. I would like to mention just a few: we have six recommendations regarding the Law on Enterprises. The first relates to harmonising the Law on Securities with the Law on Enterprises, while the second one pertains to explaining and simplifying the way in which managing boards operate. When it comes to money laundering, we recommend that the state form required administrative capacities in order to implement laws in a more efficient manner and adopt relevant bylaws without which the law itself is inefficient. In terms of the workforce, we recommend a detailed revision of the existing Law on Labour in order to eliminate the current defects and bring more stability to the labour market. We also appeal for more attention to be paid to the education system, with consideration given to the economy's needs. The FIC has also given 14 recommendations on environmental protection. I would like to mention just two: to provide economic incentives for companies that are environmentally conscious, i.e. firms that properly store their waste and dispose of their packaging; to include local administrations in the ascertaining of environmental impacts. When it comes to energy issues, the FIC is appealing for a more market-oriented approach, as opposed to a social one, and for



## The flexibility of the business system needs to be improved and brought more in tune with the quality of investments and the economy

energy prices to be formed on an economic basis. In the telecommunications domain we offer 10 recommendations, most of which pertain to harmonising domestic regulations with those of the EU.

### ■ How much has the economic crisis made Serbia's problems more pronounced?

□ Quite a lot. However, these problems were not only brought on by the economic crisis, which was felt by almost every country in the world. Even China had to revise its growth rate prediction, reducing it from 12 per cent to 'just' seven per cent. Serbia has recorded growth, but now we are facing a decline without actually knowing how steep this descent will be: 5%, 3%, 1% or 0%. What affects Serbia the most is the fact that the transition process is still not complete. We still haven't completed the transformation from a self-governed state economy to a liberal-capitalist social economy, which is

what Serbia aspires to become. Our transition is still ongoing and some segments, like privatisation, are nearing their end. However, there are still certain segments that are seemingly permanent problems, like the issue of stabilisation, while there are other segments that haven't even been tapped into, like insurance, health, schools, universities, etc. The 'wave' that originated from the global downturn can easily sweep our structures aside, simply because they are not solid enough.

### ■ What is your view of the government's anti-crisis measures?

□ If I comment on the government's measures from an economist's point of view, I would say that the government could have done more and better. However, if you asked my opinion as an ex-politician then I would say that this is the maximum that could have been done in the current constellation of powers. The coalition government is not an overly strong government and its members sometimes fight like cat and dog. One minister says one thing about a certain topic, then another says completely the opposite. How can the prime minister implement a firm, brave and uncompromising policy in such a situation!? The coalition government is built on compromises and won't stand for an uncompromising policy.

In addition to the government's set of anti-crisis measures, it has had to lay out its plan of what to do after the crisis subsidies. A crisis creates a kind of positive destruction: what should be gone tends to go and brand new possibilities are for what should come. When it comes to social aspects, a crisis is a negative occurrence. At the same time, it can bring long-term positive outcomes to the economy, pending that the government encourages projects that have a clear future. However, the government is primarily concerned with patching up holes, because of the negative political and social consequences. Serbia invests indefensibly little money in science, research and overall education; very little is invested in discovering the country's real comparative advantages and their development. Why should we be ashamed of the fact that agriculture is our comparative advantage?! We need to muster all political, economic and other strengths to expedite the transition process and, thus, create a system that the FIC expects and recommends; a system where the state will support the economy and not vice versa. ■

### POST-CRISIS

I do believe that the crisis will subside in Serbia in the second quarter of next year. However, it is extremely difficult to predict when the recovery will begin at present. This largely depends on the measures the government takes, the economy's capacities, the strength to implement these measures and the speed at which Western economies recover. Export is an important ingredient of our recovery, despite both export and FDIs currently being reduced. Moreover, these two components depend on how fast the EU will recover, since the Union is our biggest trade and investment partner.

# SERBIA'S RANKING UP

Serbia's Doing Business ranking has improved thanks to the introduction of the One-Stop-Shop Registration System

The World Bank's 2010 Doing Business Report records Serbia as having achieved unprecedented progress in the business start-up field over the last year, with the exception of the segment covering loan approvals. The result sees Serbia climb the rankings by 35 places, from last year's position of 108<sup>th</sup> to 73<sup>rd</sup> out of 183 economies rated. This result was accomplished thanks to the introduction of the one-stop-shop system for company registration, which was launched by the Serbian Business Registers Agency (SBRA) on 6th May this year. Setting up a single desk for business registration both downsized the number of administrative procedures and lowered the time required to register a company and set up a business in Serbia. As of late, a single application filed with the Agency for registration in the

company and tax registers will set in motion the registration procedure. The Agency will electronically transmit application data to the Tax Administration and the latter will send the tax identification number required for completing registration to the Agency within 24 hours.

Within a maximum of five days, the company owner will receive a certificate of registration at the Agency's desk, together with a tax identification number (PIB), as well as registration with the Pension and Disability Fund (PIO) and Health Insurance Fund (RZZO).

Despite considerable improvements over the last four years, company registration was still taking 23 days, requiring a whole set of procedures – including the filling out of various forms, applying for a tax identification number, registering with various funds, opening a company bank account and depositing the minimum

capital required in the amount of €500 (for limited liability companies). Nowadays, by setting up an online communication network between state agencies and establishing a one-stop-shop business registration desk at SBRA, the state has upgraded its client services and removed administrative hurdles for setting up a business.

Following the successful integration of several procedures into one, the number of institutions that citizens must deal with has now been cut and the number of procedures they are required to complete in order to start their own business has been cut from 11 to seven. Downsizing the administration has resulted in considerable time savings, shortening the procedure by ten days, and today companies planning to invest in Serbia will spend an average of just 13 days on paper work required to launch operations. ■

ASCO VIDAK was established as a Limited Liability Company under the 100% ownership of ASCO from Kavala, Greece. ASCO VIDAK was founded in 2006, by taking over the assets of company Milan Vidak, and since then it has seen constant investment activity aimed at achieving the following:

- Reorganisation of all production facilities and re-releasing into process
- modernisation of existing, and purchase of new, equipment targeting the introduction of new technologies, having as a consequence the expansion of standard production programmes and the launching of new products on the market.
- Production and processing of industrial gratings for horizontal and vertical applications, which is also the main product of parent company ASCO S.A.

The main products of Asco Vidak are drawn wire and a wide range of wire products that can find applications in civil engineering, agriculture, the paper industry, etc.

The Company owns 36 hectares of land, of which factory facilities cover 16 hectares. It also has its own industrial railway, directly connected to the Novi Sad – Bogojevo railway. The Company also owns an iron foundry in Novi Sad and Sports Centre Metalac Asco Vidak in Futog.

Capital invested so far has exceeded €15 million. Our main goal is to offer the best possible quality of products on the market and fulfill the needs of our customers through a flexible sales policy.

Železnička 5, 21410 Futog, Srebija  
Tel: +381 21 895 090; +381 21 895 768  
[www.ascovidak.com](http://www.ascovidak.com)

## asco vidak

MEMBER OF **asco** GROUP



WERNER HERICS, MEMBER OF THE FIC BOARD OF DIRECTORS, DEPUTY MANAGING DIRECTOR OF POLITIKA NEWSPAPERS AND MAGAZINES

# OPEN & CONSTRUCTIVE

“I think the implementation of comprehensive reforms is a crucial step towards approaching the European Union.”



By Ana **STOJANOVIĆ**

According to Werner Herics, Member of the FIC Board of Directors and Deputy Managing Director of Politika Newspapers and Magazines, the Serbian government is the number one point of contact for the Foreign Investors Council and its members. How well co-operation with the government is developed and what is needed to make Serbia more attractive for foreign investors, were some of the questions for our interlocutor.

■ How would you assess the relationship between the FIC and the Serbian government?

□ I think the dialogue between the government of Serbia and the FIC is very open and constructive. I see the FIC as a partner of the government of Serbia; as an institution that does not teach the government, but rather indicates possible barriers and difficulties faced by foreign investors. We offer experience and starting points for solutions from our mother countries, while we strive to find the best option for the Serbian market. In this course of action the government is the number one point of contact.

■ What is still needed to make Serbia a better business environment?

## INVESTMENT IN SERBIA

“In general, we are not dissatisfied with our investment! Like all publishers, not only in Serbia, this year is proving very difficult for us. However, we see the Serbian market as having potential and we want to build our position here.”



# ACTIVE DIALOGUE

□ I think the implementation of comprehensive reforms is a crucial step towards approaching the European Union. The process of approaching European standards should contribute to the strengthening of state institutions that are essential for smooth operations. Simultaneously, important factors like legal predictability or transparency of economic frameworks will improve for investors.

■ Compared to other countries in the region, how attractive is Serbia for foreign investors?

□ I am afraid that there is barely any country that's attractive for investments at the moment, because a large number of companies are trying just to ensure their existence, let alone ex-

"I am afraid that there is barely any country that's attractive for investments at the moment..."

pand further. Serbia had been on the way to catching up with its neighbours, but the crisis halted that. That said, Serbia is generally very attractive for investors because it has a large market with considerable potential. However, it is important to increase the country's attrac-

tiveness for investments to prevent it from being in a disadvantaged position compared to its neighbours.

■ To what extent can the positive experiences of foreign investors attract other investors and, similarly, to what extent can a negative experience prompt investors to abandon investments?

□ The best way of advertising is by word of mouth! Of course, our home market accurately observes the successes and failures of potential investors in Serbia. Of course, people talk with each other. It can produce pro and contra effects. However, the arrival of any serious enterprise to Serbia will be conditioned by feasibility studies, i.e. due diligence, market analysis, etc. ■

## Complete solution for safe business!

### Insurance of a new generation.



You know that successful business operations include also security against risks that may endanger your property and financial interest.

UNIQA offers complete solutions for property insurance of large companies, small and medium-sized enterprises so that you may devote yourself completely to your business without worrying about risk. In our company you may insure a building, machines, plants and equipment - but also provide insurance of employees.

In order to save your time we have done everything to simplify the insurance process to the maximum. The Contact Centre of UNIQA is at your disposal 24 hours during the whole year for all necessary information or ordering of the insurance policy that we shall deliver to your address.

UNIQA is a confident partner for companies all over Europe. The business tradition lasting for more than 150 years is a proof that we are an experienced reliable partner.

We are ready to persuade you of that, too.

**UNIQA is your  
trusted insurance!**  
☎ 24h 011/ 20 24 100

**UNIQA**

# PHARMACEU RECESSI



**VLADIMÍRA URBÁNKOVÁ,**  
PHARMACEUTICAL SECTOR ANALYST AT ERSTE GROUP:

“WHILE THE INCREASING RISK APPETITE WILL TURN THE ATTENTION OF INVESTORS TOWARDS CYCLICAL STOCKS, PHARMACEUTICAL COMPANIES RETAIN THEIR APPEAL AS SAFE HAVEN INVESTMENTS AND SHOULD KEEP THEIR FIRM POSITIONS IN INVESTMENT PORTFOLIOS”

CEE pharmaceuticals are set to post positive growth in 2009 and remain a safe haven for investments

According to Erste Group, the upcoming reporting season is expected to confirm that the pharmaceuticals industry of central-eastern Europe (CEE pharma) has had a solid performance and retained its high resilience to recession. Due to their prudent approach, CEE pharmaceutical companies are expected to retain their investment appeal. The CEE equity markets experienced a revival in the 2<sup>nd</sup> quarter of 2009, but economic fundamentals will take more time to recover and the optimism of market participants is likely to remain fragile in the coming period. However, Erste Group says, continuing volatility creates interesting trading opportunities. The region's top pharmaceutical companies posted solid results for the 1<sup>st</sup> quarter

# TICALS PROVE ON RESISTANT

of 2009, which demonstrated both that the pharma markets of CEE still offer room for growth and that the impact of the economic slowdown on the sector is rather limited. The good performance, coupled with investors' uplifted sentiments, prompted a nice recovery in the 2<sup>nd</sup> quarter of '09 for the share prices of CEE pharma stocks.

The prudent nature of the pharmaceuticals industry ensures that it's one of the few

While equity markets remain volatile, sentiment is gradually improving and the bottom has been reached already

that's poised to post a positive growth rate and face only limited risks of downward forecast revisions. This should provide CEE pharma stocks with a solid shield from the still volatile conditions of the CEE equity market – as has already been proven by the 2009 interim results. Additionally, specific factors – such as the aging population and broadening availability of more modern therapies – will keep CEE pharma business performances on track and largely

24/07/2009 Company	Rep. Curr.	Mcap (EURmn)	Price Current (LC)	Target	Recommendation	Performance (EUR terms)			
						1M	3M	6M	12M
A&D Pharma	EUR	69.3	2.1	2.9	Hold	5.1%	40.5%	-7.6%	-9.6%
Bioton	PLN	1,455.6	0.31	0.31	Hold	14.8%	3.3%	55.0%	-27.9%
Egis	HUF	143,724	18,460	21,785	Accumulate	6.1%	53.8%	51.7%	26.3%
Intercell	EUR	1,160.5	25.5	39.5	Buy	4.1%	15.5%	0.8%	-14.6%
Krka	EUR	2,477.0	69.9	106.5	Buy	2.8%	34.8%	29.9%	-25.1%
Richter Gedeon	HUF	687,723	36,900	41,900	Accumulate	12.5%	30.2%	24.7%	13.2%
Sanochemia	EUR	21.2	2.1	1.8	Reduce	17.4%	1.0%	-15.7%	-67.3%
Teva Pharmaceutical	LS -	31,408	-	-	-	5.0%	7.0%	10.8%	20.4%
Mylan Inc.	USD	2,975	-	-	-	2.3%	-9.5%	13.0%	15.3%
Watson Pharmaceuticals	USD	2,563	-	-	-	2.4%	1.0%	21.8%	28.2%
Stada Arzneimittel AG	EUR	1,001	-	-	-	-2.4%	15.9%	-9.1%	-63.6%
Ranbaxy Laboratories	INR	1,716	-	-	-	8.3%	53.3%	40.9%	-43.8%
Recordati	EUR	955	-	-	-	6.1%	5.8%	20.0%	-0.8%
Dr Reddy Laboratories	INR	2,007	-	-	-	4.5%	42.2%	78.1%	24.2%

Erste Group Research, Factset. Based on closing prices as of 24<sup>th</sup> July, 2009



### ERSTE RECOMMENDS

- New target prices (HUF 21,785 per share for Egis and HUF 41,900 per share for Richter) point to interesting upside potential. Nevertheless, with respect to their hefty recent gains, both stocks have approached previous target prices. Erste Group analysts, thus, have cut their recommendations from 'Buy' to 'Accumulate' for both Egis and Richter. Given the steeper stock rally of Egis, as well as Richter's long-term strategic edge, analysts stick to their stronger preference for the latter stock.
- Although Krka cannot expect to get backup from the currency side (rather the opposite), Erste Group analysts believe that the company's profitability margins and top line growth will remain superior, beating its regional rivals in 2009. With the newly updated target price arriving at €106.5 per share (only slightly revised from the earlier target of €105.0), analysts stick to their 'Buy' recommendation on the stock.
- Factoring in the worse than anticipated 1Q09 results, along with the dilutive effect from the recent additional capital injection, though improving long-term prospects in the core insulin business, the new 12-month target price for Bioton is PLN 0.31 per share. Accordingly, Erste Group analysts raise their recommendation from Reduce to Hold. Should the future outlook become rosier, with the company delivering the first tangible results of its rebound, a change of recommendation could be considered.

compensate for the dire economic conditions that are expected to continue in the coming period. According to Vladimíra Urbánková, pharmaceutical sector analyst at Erste Group: "We continue to believe that, despite the slowing economic growth, the CEE pharmaceutical markets should see a rise, while the catch-up effect in narrowing the gap in healthcare (and drug) spending between the CEE region and the EU-15 average is still in place in the long run." Erste Group analysts believe that, while equity markets remain volatile, senti-

ment is gradually improving and the bottom has been reached already. "While the increasing risk appetite will turn the attention of investors towards cyclical stocks, pharmaceutical companies retain their appeal as safe haven investments and should keep their firm positions in investment portfolios," Urbánková also points out. The upcoming 2<sup>nd</sup> quarter reporting season will confirm that top CEE pharmaceutical players are well placed to weather the financial crisis, with generics remaining in high demand and sound balance sheets boding well for the

investments plans of CEE pharma companies. Moreover, the external indebtedness of CEE pharma companies is minimal and they are able to finance their investment plans without tapping financial markets. Consequently, they are not negatively hit by the still tight availability of credit resources. According to Erste Group analysts, the top CEE pharmas represent a sound long-term value-based investment and remain a healthy option for those wanting to play it safe and keep a longer term horizon in mind. ■

# BUSINESS NEWS

## TELEKOM SRBIJA PROFITS RISE

Telekom Srbija generated  $\text{RSD}$  10.2 billion dinars of net profit in the first six months of this year, marking growth of 26.2% over the same period last year. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to  $\text{RSD}$  19.1 billion at the end of June, representing 11.6% growth. Moreover, the company's total revenue grew by 5.1% in relation to the same period last year, amounting to  $\text{RSD}$  42.6 billion dinars at the end of June. The first half of 2009 saw mts further solidified its leadership position on the mobile telephony market, in terms of subscriber numbers and financial indicators. The total number of mts subscribers stood at 5,041,000, of which 1,240,000 are post-paid subscribers. This represents 14% growth compared to indicators from the first half of last year. Mobile Internet (broadband 3G Internet) has also been growing in popularity and at the end of June a total of 20,500 subscribers had bought mts Surf sets. In the first six months of this year, mts generated net revenue of  $\text{RSD}$  9.2 billion, which is 34.5% higher than in the same period last year. Operative revenue also grew by 2.5%, to  $\text{RSD}$  21.7 billion. The same period also saw Telekom Srbija settle financial obligations on the extensive €225 million loan taken by the company from a group of banks, led by Citibank, in order to acquire Telekom Srpska. Telekom Srbija needs to pay a further €35 million by the end of this year, in line with the November maturity date. This August the company reimbursed its shareholders with 50% of dividends, while the reimbursement of the remaining 50% is planned for October. Public enterprise PTT Communications will get  $\text{RSD}$  3.11 billion dinars, while Athens-based Greek telecommunications company OTE stands to receive  $\text{RSD}$  779.4 million.



**10 years of mts - Vladimir Lučić and Branko Radujko on celebration last year**

## NEW LOGISTICS DIRECTOR AT CARLSBERG

As of 3<sup>rd</sup> September this year, Carlsberg Serbia has been joined by Aleksandar Đukanović, who has assumed the position as the company's new logistics director. Aleksandar worked for London-based Intresco Ltd. in 2008 and 2009, where he held the position of operations and logistics manager. Aleksandar began his professional career in 1992 at company MSC (ABB and Minel Jugoslavija) in Belgrade, where he worked as an assistant/associate in the company's Sales and Export Department. He continued his career with stints as operations and logistics manager at companies from Greece, Switzerland, the U.S. and the U.K. Aleksandar was born in Osijek, Croatia, in 1971.



**BEL MEDIC**  
+381 11 309 1000 [www.belmedic.com](http://www.belmedic.com)

**DOCTORS AND DENTISTS FOR ALL, 24/7**

- Examinations from every specialist field performed by eminent Belgrade doctors
- Complete dentistry and prosthetics
- Breast and skin surgery
- Complete abdominal surgery and urology
- Laparoscopic surgery, both general and gynaecological
- ENT surgery for children and adults
- X - ray diagnostics
- Mammography
- Ultrasound and Doppler diagnostics
- Stress test, ECG and AMP halter
- Endoscopic examination of stomach and large intestines (under local & general anaesthesia)
- Laboratory analysis
- Treatment of fractures and other injuries
- Possibility of treatment and accommodation in luxurious apartments
- Physical therapy and relax massage

**TRANSPORTING PATIENTS** via ambulance both within the country and abroad

**HOUSE CALLS** by specialists for both children and adults



GENERAL HOSPITAL  
**BEL MEDIC**  
Koste Jovanovića 87, Belgrade  
Tel. +381 11 309 1000, +381 65 309 1000  
[www.belmedic.com](http://www.belmedic.com)

MICHAEL KEFALOPOULOS, GENERAL DIRECTOR OF MELLON D.O.O.

# ADVANTAGES IN CRISIS

“Serbia was late developing its economy compared to its neighbours, but this is an advantage today since the country has potential for the future.”



By Ana **STOJANOVIĆ**

**A**ccording to Michael Kefalopoulos, General Director of Mellon this period presents many opportunities for those with ready funds to invest and he believe we will soon see a recovery in the country’s foreign direct investments.

■ **How much do you think the economic crisis has affected the volume of FDI in Serbia?**

□ In times of financial crisis, with such a global impact as the one we’ve been experiencing over the past year, it is only logical that investments will be held back to a considerable extend. Although Serbia has been one of the countries least affected, one cannot overlook the fact that foreign investors may be experiencing liquidity issues in both their own countries

and other countries where they operate, forcing them to reprioritise or postpone investment plans. This is evident in the figures published by the Ministry of Trade, according to which Serbia attracted \$2.7 billion of foreign direct investment and privatisation revenue in 2008, while estimates for 2009 linger around the \$1 billion mark. Nevertheless, this period also presents many opportunities for those with ready funds to invest and so I believe we will soon see a recovery in the country’s foreign direct investments, provided Serbia manages to maintain its economic stability and provide a facilitating framework to foreign investors.

---

Most of the issues we are facing today are a direct result of the global financial crisis

---

■ **What were the biggest obstacles Mellon encountered when it first came to Serbia and what problems are you dealing with today?**

□ The launch of Mellon in Serbia came soon after the radical changes of the country’s political regime that was limiting economic reform during the 1990s. The country has made great progress since then: transforming the business environment, liberalising prices and foreign trade, undertaking wide-ranging privatisation aimed at making the private sector dominant within the economy, pushing through comprehensive fiscal reforms, pursuing a tight monetary policy and reforming the banking and financial system. This rapidly evolving environment enabled Mellon to successfully establish and grow its business, inaugurating Mellon Transaction Technologies (MTT), a company that offers advanced front-end and back-end transaction solutions and services to organisations with strong consumer business, as well as Mellon Transaction Solutions (MTS), a leading provider of world-class, integrated card issuing and acquiring processing services. Most of the issues we are facing today are a direct result of the global financial crisis, which makes us cautious even though it has not yet had an impact on our bottom line. What we have seen with respect to our target market – the banking sector, is a shift in our customers’ priorities from accelerated credit expansion to increased focus on asset quality, which directly affects their spending. This was especially evident in MTT’s mix of product and services that was requested most by our customers. For example, our customers are increasingly procuring our debt management and collections call centre services, as opposed to the telemarketing services that were quite popular in 2008.

■ As an FIC member, do you think the Serbian government is responsive enough to the recommendations of investors; what needs to be done to improve the investment climate in Serbia?

□ The Serbian government took a number of measures in late 2008 to address the impact of the global economic crisis, among which were reducing public administration expenses, decreasing the cost of financing, increasing government investments and securing funds from international financing organisations. In my opinion, such measures may be effective in the short-term, but more structural and long-term planning is needed to truly advance the investment climate in Serbia. Such planning should address issues like the country's overall economic policy, public spending, fiscal policy, competition and monopoly policy, public procurement, etc.

■ Will implementation of the Regulatory Guillotine improve the investment

climate in Serbia?

□ The regulatory guillotine is a measure taken by several Balkan countries that was announced by the Serbian government in late 2008, as part of a series of incentives intended to boost economic activity. In my opinion, although the regulatory guillotine is an effective measure in principle, in such a climate a would-be investor will assess a number of other factors before carrying out an investment – with macroeconomic and political stability at the top of the list.

■ What questions do interested investors usually ask when it comes to investing in Serbia and how competitive is Serbia in FDI terms when compared to other countries in the region?

□ Serbia was late developing its economy compared to its neighbours, but this is an advantage today since the country has potential for the future. Another advantage is the loca-

## POLITICAL STABILITY

In terms of political stability, the political climate in the country improved considerably following last year's turbulent elections, yet there is still much to be done to enact the government's new legislation and initiatives. Macroeconomic stability is a much tougher bet to win, as foreign investors are likely to be discouraged by decreasing foreign capital inflow (being experienced as a result of the crisis) and an increasing deficit in the balance of payments.

tion of Serbia connecting north and south, as well as the high level of highly skilled personnel. Of course, it is also important to mention the low level of tax on profits and new laws regulating foreign investments in a very effective way. After all, I would say that Serbia's a great place to invest!

Your Local Partner

for World-Class

Transaction Facilitation

Products & Services







Mellon Transaction Technologies  
 Milentija Popovica 9, Sava Centar, Delegatska 29  
 11070 Novi Beograd, Serbia  
 Tel: +381 11 35 39 000, Fax: +381 11 35 39 003  
 email: office@mellon.rs



Mellon Transaction Solutions  
 Milentija Popovica 9, Sava Centar, Delegatska 29  
 11070 Novi Beograd, Serbia  
 Tel: +381 11 35 39 000, Fax: +381 11 35 39 003  
 email: office@mellon.rs

- Convenient
- Fast
- Personalized
- Secure









www.mellongroup.com



NENAD VUKOVIĆ, MEMBER OF THE FIC BOARD

# FASTER

“Current global problems certainly aren’t contributing to the solving of domestic ones. However, I am deeply convinced that business and the desire for investment will not stop.”

By Ana **STOJANOVIĆ**

**N**enad Vuković, Member of the FIC Board of Directors and President of Henkel Serbia, believes that certain measures taken, such as providing funds to maintain economic liquidity, had positive effects that at least allowed part of the economy to overcome the initial effects of the crisis. Here we discuss, among other things, whether another wave of negative affects of the economic crisis can be expected this autumn and how the investment climate in Serbia can be improved in this situation.

■ **To what extent do you think the Serbian government’s measures caused a reduction in the negative affects of the economic crisis?**

□ The effects of the global economic crisis have added to the difficulty of solving Serbia’s own economic crisis, which has itself already lasted for twenty years and been a major challenge for the government.

The additional negative affects of the global economic crisis significantly reduced interest in investing in Serbia, among other things, and led to domestic companies facing financing problems that simply forced the government



# REFORMS REQUIRED

to take steps that would have been difficult to predict a few months earlier. Finding space to manoeuvre and creating possibilities for the adoption of measures are also conditioned by financial capabilities, which Serbia clearly isn't the best at. I think that certain measures, such as providing funds to maintain economic liquidity, had positive effects that allowed a part of the economy to overcome the initial effects of the crisis. However, systemic problems that remained unresolved from the previous period are now even greater obstacles than before and I think they should be resolved quickly and bravely in order to create an environment that will attract more investments to Serbia than is the case today.

The three most important processes that should be coordinated are abolishing excessive and obsolete laws, adopting appropriate bylaws and modernising administration once modern laws are adopted

■ Some experts predict a new wave of negative affects of the crisis this autumn. What do you expect?

□ We expect the difficult market conditions prevailing over the economy and financial markets will continue throughout 2009. The general economic climate and its further de-

velopment are difficult to predict. Nevertheless, we believe we will achieve better results than the market within organic sales growth. As for consumer goods, we are fortunate to operate in an industry that is still not as affected by the global economic crisis. Take Henkel as an example and you will see that

The International Law Firm for the Balkans

**HS HARRISONS**  
S O L I C I T O R S

Registered and Regulated by the English Law Society  
Professional Indemnity Insurance from Lloyds of London

[www.harrison-solicitors.com](http://www.harrison-solicitors.com)

Serbia  
Terazije 34  
11000 Belgrade  
Tel: +381 11 3615 918  
Fax: +381 11 3615 030

England  
15 Old Bailey  
London EC4M 7EF  
Tel: +44 203 0088 245  
Fax: +44 203 0088 246

Montenegro  
Bulevar Sv. Petra Cetinjskog 143  
81000 Podgorica  
Tel: +382 20 235 440  
Fax: +382 20 235 441



*Standing out from the crowd*



our business covers the basic needs of citizens: washing powder, soap, toiletries, etc. However, our third division, construction adhesives, is feeling the consequences much more. After the operations report for the first half of the year, there are no indications of impending fall which shows that we had good estimates and a realistic plan for the year of crisis. Our investments in adhesives were great, we gained a good market position in the minds of users of these products, which allows us to continue to have good results. We are very well aware that the situation in our country is not all rosy and many of our consumers are facing problems and challenges, but that hasn't all happened just this year. The transition process in Serbia has been going on for many years and the country regularly faces high levels of unemployment or insolvency. Lots of things still need to be improved and the current global problems certainly aren't contributing to the solving of domestic ones. However, I am deeply convinced that business and the desire for investment will not stop.

■ **What issues do you think the FIC should insist the government address in the future?**

□ The FIC's role should not be changed in the future, simply because the FIC has been a partner that's open for communication with all relevant institutions with the aim of ensuring the creation of a business climate that would provide for additional investments by companies that have already invested in Serbia, as well as attracting new investors. I believe the FIC and its members – companies that operate worldwide – present a huge base of knowledge and experience that can be useful to Serbia as it strives to create a modern and efficient economic system.

■ **Besides contributing to the annual FIC White Book, what else can foreign investors do to influence the improvement of Serbia's business climate?**

□ The FIC asserted itself as an active partner in the creation of a better economic and business environment in Serbia. The concrete

**The transition process in Serbia has been going on for many years and the country regularly faces high levels of unemployment or insolvency**

proposals presented in the White Book serve to define the current situation, make note of relevant processes taken on a particular issue and propose possible solutions that are the sum of the experiences and knowledge that come from practice. To our great satisfaction, the representatives of government institutions do take note of the White Book. As such, I think a formula that works should not be changed, but merely improved. Foreign investors can best effect the improvement of the business climate in a country by leading through their own business example. FIC member companies are guided by ideas of corporate social responsibility and they take care of their employees, as well as of the community in which they operate.

■ **To what extent do you expect the Regulatory Guillotine to make Serbia more attractive to foreign investors?**

□ The Regulatory Guillotine, which is the process of the eliminating outdated regulations and simplifying complex procedures, was greeted with a sense of relief by foreign investors. This is because the simplification of legislation makes working processes more efficient. Although useful, the adoption of modern legislation is not enough to create a favourable business environment if activities are not synchronised. The three most important processes that should be coordinated are abolishing excessive and obsolete laws, adopting appropriate bylaws and modernising administration once modern laws are adopted. We have been working intensively in that direction, but there is still a lot of work to be done. This method has been successfully implemented in neighbouring countries, which are in a similar situation to Serbia, and there is no reason that it won't happen in our case. ■

**LEADING BY EXAMPLE**

**F**oreign investors can best effect the improvement of the business climate in a country by leading through their own business example. FIC member companies are guided by ideas of corporate social responsibility and they take care of their employees, as well as of the community in which they operate.

## PIRAEUS NET PROFIT AT €128 MN



The second quarter of 2009 saw Piraeus Bank Group continue adjusting its policies to a macroeconomic frame that remains difficult, in order to strengthen its balance sheet and improve its results. The group's liquidity almost reached historically high levels during the quarter. Non-performing loans increased to 4.5%, albeit at a decelerated rate, while the level and quality of capital adequacy improved with total Capital Adequacy ratio at 11.2%, Equity Tier I ratio at 7.9% and operating cost further contained at one per cent. Meanwhile, deposits and retail bonds reached the level of €31.8 billion at the end of June 2009, marking an increase of eight per cent y-o-y and contributing to an improved loan-deposit ratio of 107%, compared to 115% a year ago. Equity capital amounted to €3,631 million, loans reached €38,272 million and total assets amounted to €54 billion - an increase of five per cent compared to the previous year. Net profit attributable to shareholders was €128 million and, on a quarterly basis, second quarter net profit increased by 48% compared to the previous quarter. Moreover,

Piraeus Group's net interest income of €528 million improved by seven per cent in first half of 2009 q-o-q. According to Michalis Sallas, Chairman of the Piraeus Bank Group Board of Directors, "These developments allow for an environment of conservative optimism and provide the underlined conditions that - along with efficient management and better asset quality - will enable us to exploit the opportunities from a stronger position in the future." Piraeus Group has reached an overall number of 3.3 million customers, both in Greece and the region. At the end of June 2009, the Group employed 13,800 people and its network reached 877 branches in nine countries.

## UNIQA - THE INSURANCE OF A NEW GENERATION

UNIQA Group Austria is one of Central Europe's leading insurance groups, striving to consciously unite Austria's identity with the European format. UNIQA is the leading insurance group in Austria, with a market share of approximately 22%. With approximately 19,500 employees, 7.1 million customers serviced group-wide and nearly 14.1 million policies in 20 regional markets, UNIQA is among the region's most dynamic corporate groups. UNIQA group, rated "A" by S&P's, entered the Serbian market at the end of 2006. So far it has invested around €50 million in Serbia, while the recent additional capitalisation is another sign that the group has belief in its long-term plans on the Serbian market. With premium growth of over 50% in both 2007 and 2008 respectively, UNIQA in Serbia achieved the highest growth rate among all companies in the insurance industries. UNIQA's goal is not

to be the largest on the Serbian market, but definitely the best. There is a lot to be proud of. Besides enviable growth rates, we have developed a highly professional and customer focused team, as well as earning the image and reputation of a reliable partner to both our private and corporate clients. We have positioned ourselves in Serbia as our marketing logo says: as the insurance of a new generation.

## HARRISONS MOVES FORWARD WITH PORTO MONTENEGRO

The development of Porto Montenegro in Tivat continues apace and this summer saw the formal opening of Pier I, with Peter Munk, the lead Investor and mastermind behind the concept, presiding over the ceremony. Harrison's Solicitors are proud to have been involved as exclusive lawyers to the project from the very start. Mark Harrison pointed out "This will become the largest mega-yacht marina in the Mediterranean and will transform both the Montenegro Tourism sector and the yachting world as a whole. This blue-chip project, and the full breadth of legal services we have provided therefore, has attracted many other like-minded international real estate investors to our law firm and, I objectively believe, has placed us at the forefront of the development of the Montenegrin coastline from Ada Bojana to Herceg Novi". Work is additionally underway on Phase I of the on-shore development of Porto Montenegro with the first group of luxury apartments planned for completion in June 2010.

**dekonta**

**WATER • SOIL • AIR • WASTE**  
**OCCUPATIONAL HEALTH & SAFETY**

[www.dekonta.rs](http://www.dekonta.rs)

**Integrated EHS Solutions**

# EU-STANDARD LAWS

“In the new White Book we outlined, above all, the necessity to create the institutional infrastructure which, coupled with the adoption of bylaws, would allow the implementation of new laws.”



By Jelena Pejčinović (FIC) Executive Secretary of the ADCPI Committee (Association of Detergent and Cosmetics Producers and Importers):

“THE ADCPI IS CURRENTLY ENGAGED IN THE JOINT EFFORT ON HARMONISING THE RELEVANT REGULATIONS WITH THOSE OF THE EU.”

The FIC’s ADCPI committee was founded in 2005 with the aim of implementing the first Laundry Sustainability Project (LSP), which had already been conducted in almost all European countries at the initiative of the European Association of Detergent Producers (A.I.S.E.). The LSP-L is a sector initiative geared towards promoting usage of liquid detergents. The initiative is currently forging ahead in Europe, while the first stage of the project entailed completely replacing common laundry detergents with compact ones. Our aim is for the LSP1 to be realised through both the consumers and the industry joining forces, with the state institutions rendering their support. However, due to various reasons this hasn’t happened as yet. In the meantime, the Association was joined by cosmetic companies and ADCPI became an affiliate member of the European Cosmetics Association (COLIPA).

The main aim of the Association is to endorse principles and standards related to the production and distribution of detergents and cosmetic products; providing assistance to the harmonisation of domestic regulations with those of the European Union, while opposing any form of unfair competition.

It is this joint effort in harmonising relevant regulations that the Association is currently very engaged in and I would like to outline that we have established close cooperation with certain departments at the Ministry of Environmental Protection and Spatial Planning, with the goal of modifying the domestic legislative framework to suit the EU’s. Bearing in mind that the industry has been invited to become an active participant, ADCPI members have been involved in drafting bylaws to facilitate the Law on Chemicals. We are confident that co-operation with the Ministry will continue when it

comes to other laws too, given the extensive number of laws in this area that were adopted by the Serbian Parliament this May.

In the new White Book we outlined, above all, the necessity to create the institutional infrastructure which, coupled with the adoption of bylaws, would allow the implementation of new laws. As I mentioned earlier, a set of new laws that regulate the area of environmental protection and the managing of chemicals in accordance with European standards, was adopted in May. However, the mere adoption of new laws does not mean their immediate implementation; it is vital to establish institutions for the implementation of the adopted laws, which primarily pertain to the Chemical Agency.

Here I would like to mention the Law on Packaging and Packaging Waste, as well as the Law on Chemicals, which stipulate that any legal or physical person who produces waste must dispose of it properly. It is of crucial importance to pass relevant bylaws that should clearly define the role of certain actors in waste management. We also support the establishment of new companies and the development of existing companies that manufacture and/or provide a service in the environmental sector, especially those that are engaged in the recycling of secondary raw materials.

Moreover, we have reminded the government of the aggravating circumstances we face when importing cosmetic products, particularly when it comes to repeating the inspection of goods that have already been issued with a sanitary permit by a relevant institution in the exporter’s country. The common practice in EU member states, as well as in a number of other countries, entails that the sanitary inspection of goods is not duplicated if it has been performed by a competent institution in the country of export. ■

# BUSINESS NEWS

## 'FIRST CHANCE' AT KOMERCIJALNA



Komercijalna bank's 'First Chance' programme entails the hiring of young people who have no previous experience of working in the banking sector. The programme will see fifty interns that have graduated banking (10 university and 40 junior college graduates) given employment in 13 branch offices of Komercijalna banka in Belgrade, Šabac, Jagodina, Požarevac, Smederevo, Valjevo, Kraljevo, Zaječar, Novi Pazar, Užice, Vranje, Loznica and Priboju. The new programme follows the bank's recent signing of a contract with Serbia's National Employment Service (NSZ). These young people are given

a chance to supplement their knowledge and gain professional experience, which represent a 'must' for their further specialisation. The interns are also given the opportunity to find permanent employment at Komercijalna banka, which operates all over Serbia, once their internship expires.

"Even in this time of crisis, when many companies are becoming lethargic and downsizing, we see our chance in new businesses with this fresh young workforce that we are going to support by giving them their first big break and chance to prove themselves, as well as allowing them to use their knowledge and skills to contribute to Komercijalna banka's activities and progress," says Slavica Đorđević, member of Komercijalna banka's Executive Board.

## WHAT ARE CLIENTS LOOKING FOR?

Clients are looking for organisations that help improve their business performance. For EC Harris, this means generating more value from their built assets whether that be in planning, construction or operations. Clients are seeking fewer suppliers that can deliver a wider

range of professional services and solutions to meet their specific business needs. Some clients will be looking to buy specific professional services and we will meet their needs. However, we have proved that we can add considerably more value through the innovative application of professional disciplines and sector know-how. Business solutions generate value for the clients and for us.



Our vision is to position ourselves as the client's trusted advisor with the ability to meet their needs in each challenging area and integrate services around creative solutions when required: We are accessible to our clients wherever and whenever they need us with the right resources; We are able to work internationally as one company from wholly-owned offices; We have relevant knowledge, innovation, experience and professional excellence; We have the right attitude and approach to delivering solutions to our clients. ■



Reservoir Capital Corporation is a Canadian public company, listed on the TSX Venture Exchange under the symbol „REO“, and Frankfurt and Berlin Exchanges under the symbol „ROC“, whose operations are focused in Serbia with a mandate to acquire undeveloped natural resource opportunities in Serbia and Southeast Europe.

Renewable Energy Ventures d.o.o. and Southern European Exploration d.o.o. are Serbian registered companies that are 100 per cent owned by Reservoir Capital Corporation.

Renewable Energy Ventures (REV) is dedicated to developing clean, renewable sources of energy in Serbia and Southeastern Europe. In early 2009 REV was granted the Brodarevo 1 and 2 energy licenses, to develop 48MW of run-of-river hydroelectric capacity on the River Lim in Southwest Serbia. REV has already begun financing the development of the projects, estimated to cost over €100 million. REV has also continued to provide funding to identify and develop other potential renewable energy projects in the region.

Southern European Exploration (SEE), the mineral exploration arm of Reservoir Capital, holds a portfolio of nine precious and base metal exploration licenses in Serbia, most notably Brestovac and Parlozi, where it has made significant gold and silver intercepts. SEE has invested over \$5 million in exploration in Serbia since its creation in 2002.

Reservoir Capital Corporation has an experienced international management team in place, with extensive knowledge of the renewable energy industry and mineral exploration.

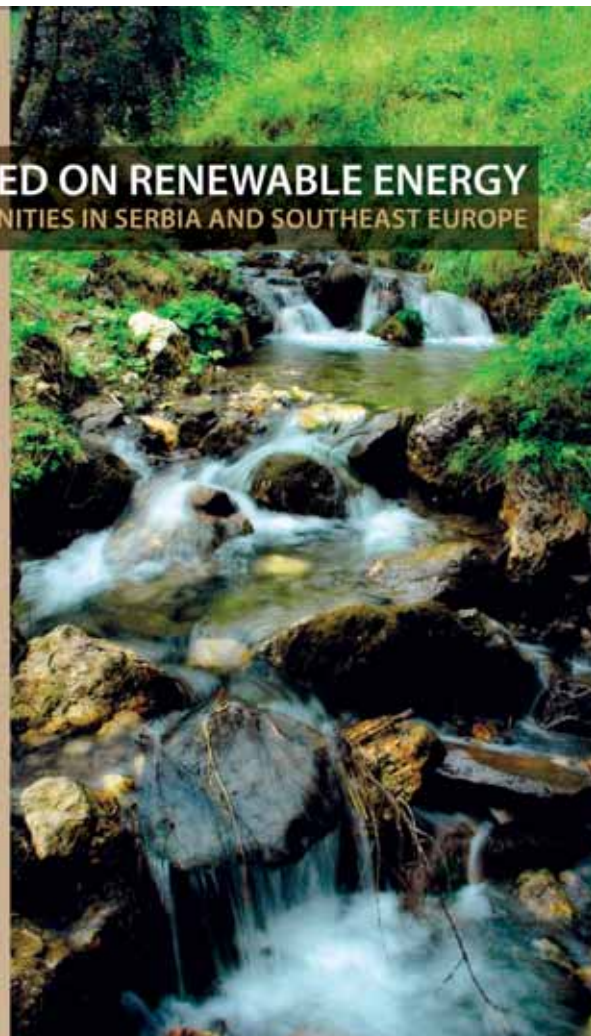
### Head Office: Serbian Office:

Suite 300, 570 Granville Street  
Vancouver, British Columbia  
Canada V6C 3P1  
Phone: +1.604.662.8448  
Fax: +1.604.688.1157

Požeška 83a  
11000 Belgrade, Serbia  
Phone: +381 11 2544 686  
Phone: +381 11 3546 962  
Fax: +381 11 3542 503

## FOCUSED ON RENEWABLE ENERGY

NATURAL RESOURCE OPPORTUNITIES IN SERBIA AND SOUTHEAST EUROPE



VERA NIKOLIĆ DIMIĆ (VIP MOBILE), HEAD OF THE FIC TELECOMMUNICATIONS COMMITTEE AND COORDINATOR OF THE TELECO

# REGULATING A CHA

“Our networks are developing fast and our market is exceptionally dynamic, thus making it necessary for regulations to provide an appropriate framework”



By Ana **STOJANOVIC**

**S**peaking about the proposed new law to govern electronic communication, Vip Mobile’s Vera Nikolić Dimić, Head of the FIC’s Telecommunications Committee, says: “all these regulations will basically compose a new and, we hope, improved regulatory framework for the telecom business that will more transparently decide on the rights and responsibilities of the relevant institutions, operators and end-users.”

■ **According to your experience within the Working Group, what are the most common recommendations made by citizens and companies?**

□ The Telecommunications Committee was established within the FIC at the beginning of 2009, following the initiative of telecommunications operators and with the main objective of facilitating discussion on regulatory issues among representatives of FIC member companies and providing recommendations on how to improve the regulatory framework for the telecommunications industry. The majority of Telecommunications Committee members expressed their interest in being part of Serbia’s Comprehensive Regulatory Reform process, known as the Regulatory Guillotine, with the main aim of promoting the abolition of redundant regulations and the changing of inefficient regulations in telecommunications. The Group has met regularly over the summer and finalised the proposal to tackle some of the issues hindering the telecommunications industry. We addressed several bylaws dealing with certification, the technical control of networks and general procedures that we think could be realised more swiftly

# REGULATING INDUSTRY

- in accordance with the best EU practices and in order to give responsible institutions time to deal with the market aspects of the economy. These procedures are also very time consuming and costly for operators. Our networks are developing fast and our market is exceptionally dynamic, thus making it necessary for regulations to provide an appropriate framework. I would also like to mention that we did not address some of the issues we would possibly address as we have been expecting the new draft of the Electronic Communications Law to be presented in public soon and we thought it would be better to concentrate our efforts on giving some useful suggestions regarding the new draft law at this stage. According to the information we have received to date, as expected the citizens are mainly concerned with customer protection issues in the telecommunications field, which are regulated not only by the Telecommunications Law, but also by a number of other laws, such as the Customer Protection Law, Advertising Law and some other laws.

■ **In your opinion, to what extent can a Regulatory Guillotine effect the inflow of foreign investments to Serbia?**

□ Foreign investors fully support the Guillotine and the FIC's bodies are actively involved in the process. If the Guillotine is successfully completed it could decrease the red tape that still exists in Serbia. Moreover, it could deliver existing and potential investors a strong message that they can make reliable business plans and implement them in a timely manner. More generally, the regulatory framework should support the market, provide the guidelines for it and enable its smooth functioning, not slowing the investments down. This is a long term, continuous process that will not be completed with the implementation of the Guillotine process alone. The state must be continuously en-



We want to offer appropriate quality to customers and believe that the new Construction Law will make this part more clear

gaged in reducing administrative barriers to doing business and speeding up the harmonisation of existing laws with those of the EU. Naturally, all local laws and regulations have to be harmonised internally, as does the work of institutions and local authorities.

■ **A new added tax on mobile telephone operators was recently introduced. To what extent does that tax influence the operations of telecom players in Serbia?**

□ Mobile operators were unpleasantly surprised with the 10 per cent tax introduced to all mobile services, voice, SMS and GPRS. Telecom operators and foreign investors support the Serbian government's efforts to overcome the consequences of the crisis, but they opt for legal predictability and the termination of this measure as soon as possible. The affects are already present. The fact that we are measuring customer behaviour and are more careful about our investments show that it is clearly a discouraging measure that will mostly hit low income families and those who do not have an alternative to mobile phones.

■ **Which new or improved laws or bylaws do the industry's players expect to be adopted by the government in the near future?**

□ First of all, the Draft Law on Electronic communication should be up for public discussion this autumn, as the Government Action plan envisages its adoption in the first quarter of 2010. This law is sector specific and contains all major provisions relevant to the operations of telecom companies – starting from the composition of RATEL and its powers, to withdrawal, the competencies of the Ministry and RATEL, radio frequencies' usage, market analyses, user protection, etc. In addition, I would mention the new Construction Law, which is also very relevant for the telecom operators since it contains the part related to construction of networks. Of course, we should not forget that in addition to good laws it is also very important to have fast and uniform implementation of the same. All these regulations will basically compose a new and, we hope, improved regulatory framework for the telecom business. ■

MILOŠ MIRIĆ (HOLCIM) - HEAD OF THE FIC HR COMMITTEE

# PREDICTABILITY IN THE H

“The basic rights of workers must be better protected through legal solutions and their application in the field.”



By Ana **STOJANOVIC**

The FIC's Human Resources Committee is among the council's more active bodies. Tasked with highlighting anything they consider to be in need of attention in the HR sector through the annual FIC White Book, the HR Committee also offers suggestions on how to improve certain legal solutions in this area. This year they also actively participated in the Regulatory Guillotine process of the Serbian government, which added extra impetus to our interview with Miloš Mirić, Head of the HR Committee.

■ **Your FIC committee participates within the working group tasked with analysing regulations related to the labour law as part of the Regulatory Guillotine. How far have you progressed with this project?**

□ The Regulatory Guillotine project has been long awaited. The problem of normalising regulations of the entire society, or in this case the business environment of Serbia, is specific for several reasons. Firstly, the normative framework in Serbia is very complex, built over decades and mostly in a different period of social and economic organisation during socialism. We still have a lot of legal norms that mention concepts such as social self defence, the organisation of joint work, self-management bodies and the like. Secondly, Serbia is an administratively young country that was a republic in the state union with Montenegro until just recently. The country's legal norms, for the most part, are still based on limited national jurisdictions, some even dating back to the time of Yugoslavia. The business community welcomes this project and we were happy to accept the invitation to actively participate in it. The Human Resources Committee participates in the working group for analysis of regulations in the area of labour legislation, alongside members of the American Chamber of Commerce in Serbia, NALED and the Employers Union. The inclusion of various stakeholders in the working group's operations is certainly an advantage, since they offer different views of the problems associated with labour law applications – principally because the companies we all represent are completely different in terms of size, business segment and corporate values. All of this



# R SECTOR

guarantees that the interests of a large number of enterprises in Serbia will be represented in the final recommendations.

## ■ What were the main areas of focus within this project?

□ The FIC Human Resources Committee performed a very detailed and constructive analysis of the labour law in Serbia – the domain in which most of our suggestions and objections lie. The Labor Law was adopted in 2005 and has not been changed since, with the exception of a regulation in an article that was changed several months ago. Therefore, the law is almost identical. We have already commented on it on several occasions, but this year's approach had to be different. We are proud to say that this year we went a step further in our proposals by trying to take a balanced position that would take into account not only the needs of our companies, but also the unenviable position of workers in Serbia during times of economic crisis. We focused on issues requiring different treatment in order to improve the efficiency of everyday business, most of which were included in the Labour Law. We offered suggestions about determining salaries, salary compensation, employment, etc.

## ■ Which objections to the labour related regulations will be found in this year's FIC White Book?

□ First of all I would like to say that it is easy to criticise others and this is not the purpose of the White Book. The fact is that the Serbian government is in a very difficult position that sees all the problems and their possible solutions locked in a vicious circle; it is very difficult to find precisely where to cut and where to start to solve problems in the first place, then it's difficult to



“We would like to offer concrete solutions to overcome the problems we have.”

drum up the needed determination and political consensus. However, issuing of ambivalent signals to the public only contributes to the general unpredictability of the business environment in Serbia. The Serbian government adopted a package of measures to overcome the crisis and the very complex environment that our society and our economy are currently in. Some of these measures have bore the first results. As the government has been positively proactive, we would like, in turn, to offer concrete solutions aimed at overcoming the problems we have. In terms of our formal objections, we have achieved absolute consensus within the FIC on criticism of one thing: the decision of the Minister of Labour and Social Affairs to extend the effect of the General Collective Agreement (GCA) to all employers in Serbia. Before I continue, I would like to point out the fact that most FIC-member companies, especially those participating in the work of the Human Resources Committee, are guided by the highest corporate ethical norms and take care of their employees as their top priority. Paradoxically, our employees have all those very benefits that

are frozen in the decision to extend the GCA. In addition to the GCA, we also reiterated our remarks discussed in previous years, mostly in the field of labour legislation and again guided by the interests of companies and employees. The essence of our proposal is that the basic rights of workers must be better protected through legal solutions and their implementation in the field, i.e., through enhanced inspection control. Failure to do this discourages those companies that regularly and completely pay their obligations to the state.

## ■ What are the basic characteristics of the General Collective Agreement?

□ The actual text of the GCA is very outdated and, frankly, I have to admit that the essential purpose of negotiating and adopting such a document is very difficult to see. Many of the regulations and institutes listed are completely out of date. For example, the GCA means a company is obliged to consult trade union representatives before making any important decisions. Also, the value system that is promoted through the GCA is partly obsolete and does not represent a step towards the adoption of values that could help the progress of the Serbian economy. The problem with the decision to extend the effectiveness of the GCA is related to the fact that the GCA text itself goes into many parts of the Labour Law, changing legal norms beyond the regular procedure. As such, the predictability of doing business in Serbia is reduced and it does not help when it comes to attracting new foreign investments, which have certainly been the engine of development since 2000. ■

## COMPANY AND EMPLOYEES UNITE

“Nowadays it is difficult to say if it is the employers or the employees that suffer more, because we suffer together. In such a challenging economic environment companies must demonstrate initiative and resourcefulness more than ever. The answer to the question of who can most help a company achieve excellent results is its employees. Those companies which accept that as a fundamental value in their business and apply it and communicate successfully with their employees, inevitably acquire a comparative advantage over others. So, in times of crisis there is no choice of companies or employees, but companies and employees choosing together towards a shared goal!”

## INTERVIEW

IVAN RAKIĆ (ERNST&YOUNG) – HEAD OF THE FIC TAXATION COMMITTEE AND COORDINATOR OF THE TAX WORKING GROUP WITHIN THE REGULATORY GUILLOTINE PROJECT

# SEEKING CLARITY



“We have once again highlighted the need for clarity and consistency in the application of existing legislation by the tax authorities”

By Mark **R.PULLEN**

**S**peaking in his capacity as coordinator of the FIC tax group for the Regulatory Guillotine Project, Ernst&Young’s Ivan Rakić says that the true challenge of this reform from his standpoint

lies not in the recommendations themselves, but “in the arguments cited to support our recommendations” in the next phase.

■ **Do you see an end to your work on the Guillotine project in sight?**

□ The tax workgroup of the FIC exerted substantial effort during the summer season to formulate proposals regarding necessary amendments to the Serbian tax legislation. These proposals were subsequently submitted to the main Guillotine coordinating team within the Serbian

government for their evaluation and potential action. However, one should bear in mind that the submission of recommendations on how to improve the fiscal environment in Serbia constitutes merely the initial step in a long range of actions required at both ends before clarity on issues of basic taxation can be established; clarity on the rules themselves, but also on the processes and, ultimately, the payment of taxes. In my view, the true challenge will lie in the arguments cited to support our recommendations before the Guillotine Team, the Ministry of Finance and the tax authorities alike, which will happen in the next step. Only once we have succeeded in this task would I be able to regard the scope of the tax workgroup as exhausted and the mission completed. Besides, one should know better that the adjustment of tax legislation is a continuous and never ending exercise that is closely linked to a country's fiscal policy.

■ To what extent do taxes influence

---

The process of preparing the 2009 edition of the White Book overlapped with the Guillotine process and we have tried to summarise our proposals for the Guillotine in this year's edition.

---

**decisions of foreign investors to invest in Serbia?**

□ Investment decisions are based on a number of factors. This is primarily political stability, the rule of law, logistics, the tax climate, etc. To this end, tax considerations are of importance when making investment decisions, though they are not the decisive element in the equation. Even though I firmly believe that investment decisions are never taken purely on the basis of the tax environment of the host country, a great deal of comfort is

usually provided by the simple fact that said country has at least a solid understanding of basic international taxation concepts, regardless of the manner in which these are locally applied. On top of that, an attractive CPT rate is always considered a plus and if access to a wide network of DTTs is available then I think there is very little left to wish for. Another very important aspect weighing heavily on the decision of an investor is the legal and taxation regime applied to employment.

## A technology company unlike any other



Hewlett-Packard is the world's leading IT company with over 320,000 employees doing business in 170 countries around the world and one billion customers. Hewlett Packard d.o.o. office in Serbia has been operating since 2002, and has over 70 employees, today.

HP's strategy is to invent technologies and services that drive business value, create social benefit and improve the lives of customers. For 70 years, HP has helped people, businesses and communities worldwide to apply technology in meaningful ways to their businesses and lives. HP's three business groups drive industry leadership in core technology areas: PSG - Personal Systems Group, IPG - Imaging and Printing Group and TSG - Technology Solutions Group: business products including storage and servers, EDS, managed services and software. Every solution is based on intuitive technology that hides

complexity inside, where it belongs, so customers' lives are enriched and their IT experiences are simpler, smarter, and more manageable.

HP is a socially and environmentally responsible company and focuses its efforts on: ethics and compliance, human rights and labor practices, environmental sustainability, privacy and social investment. In accordance with environmental policy, HP's commitment is to reduce impact on environment, energy consumption and associated greenhouse gas emissions.

HP's number one goal is to improve customers' lives by providing simple, valuable and trusted technology and to be innovative. In accordance with that policy, HP is investing \$3.5 billion in research programs, including HP Labs, in the 2008 fiscal year and plans to continue with investments.

More information on [www.hp.rs](http://www.hp.rs)



In the current period of economic downturn, when investments are limited and to a certain extent even rare, Serbia literally needs to “fight” for every single FDI opportunity with the countries of the region, such as Bulgaria, Macedonia and Montenegro, which are Serbia’s direct competitors in the race for FDI. To this end, a transparent, effective, simple and attractive tax system becomes more and more important.

■ **Considering your joint roles as coordinator of the tax workgroup for the Guillotine Project and Head of the FIC Taxation Committee, which particular tax rules would you say should be amended immediately?**

□ Many foreigners already doing business in Serbia have observed that the amount of new legislation in many fields, or the number and frequency of amendments to existing legislation, is overwhelming and very difficult to monitor. Even though it is imperative that we upgrade our legislation, another dimension that I believe is equally, if not more, important has to do with implementation. Here inconsistencies and inappropriate interpretations have caused more harm than good to the system. It is highly significant for lawmakers to understand that the value of good legislation lies in its uninterrupted, consistent and non-discriminatory application. Serbian tax legislators need to become aware of the importance of the practical dimension of lawmaking, especially if you do not want to end up having your legislation only on paper and never applied in reality. A striking example of many that come to mind in this

The adjustment of tax legislation is a continuous and never ending exercise that is closely linked to a country’s fiscal policy



context are tax incentives, which are a very important tool in attracting foreign investment and a great teaser to promote your marketplace. However, it has been largely observed that there is no consistent approach to this matter, as tax authorities tend to interpret rules freely and in an often arbitrary manner. This is the area where Serbia still lags far behind mainstream European countries and this is where foreign investors place most of their objections against the Serbian tax system. The FIC White book is a fine example of suggestions made by foreign investors regarding ways to improve the overall investment climate in Serbia, including the tax system.

■ **Which particular tax rules have been covered in the 2009 White Book and singled out as requiring adjustment?**

□ The process of preparing the 2009 edition of the White Book overlapped with the Guillotine process and we have tried to summarise our proposals for the Guillotine in this year’s edition. In this regard, we have once again highlighted difficulties that non-residents face regarding the payment of taxes in Serbia, in situations where they have no legal registration locally. Taking into account the budget deficit, which is being publicly commented on by government officials, I strongly believe that Serbia should promptly adjust its legislation to allow for more state revenue. In addition, as in previous years, we have once again highlighted the need for clarity and consistency in the application of existing legislation by the tax authorities, especially in the area of capital tax incentives, such as the 10-year tax holiday. ■

## REGIONAL INVESTMENT RECORD

Many foreigners already doing business in Serbia have observed that the amount of new legislation in many fields, or the number and frequency of amendments to existing legislation, is overwhelming and very difficult to monitor. Even though it is imperative that we upgrade our legislation, another dimension that I believe is equally, if not

more, important has to do with implementation. Here inconsistencies and inappropriate interpretations have caused more harm than good to the system. It is highly significant for lawmakers to understand that the value of good legislation lies in its uninterrupted, consistent and non-discriminatory application..

## SIXT SMARTS ON THE STREETS OF BELGRADE



Mercedes-Benz Serbia and Montenegro delivered 10 smart vehicles to AAA-1 rental company, which is the representative of SIXT rent a car for Serbia and Montenegro, on Friday, 4<sup>th</sup> September 2009. The delivery of these 10 smart vehicles is particularly significant to SIXT company, given the fact that SIXT is reputed as the most prestigious car rental company in Europe to have recognised the trend towards ecological vehicles with low consumption and excellent inner-city mobility.

## GENERAL SPONSORS OF THE NATIONAL FOOTBALL TEAM



A four-year sponsorship contract was signed between Carlsberg Serbia and the Serbian national football team two years ago at the brewer's recently renovated premises. The Čelarevo Brewery again played host to special guests, including the biggest professionals of Serbian football. Led by national team boss Radomir Antić, the squad toured the brewery's facilities and the first authentic beer museum, while getting acquainted with the complex production process of brands considered some of the best quality beers on our market. Carlsberg Serbia and brand L'AV have remained general sponsors of the Serbian national football team for the fifth consecutive year, thus

continuing an already established tradition of supporting sports in the country. Through the provision of a significant award fund of €250,000 per season of the national LAV Championship, Carlsberg Serbia plays an important role in advancing the sport, while encouraging boldness and fair play.

## NEW C-CLASS: SUPERIOR SAFETY, COMFORT AND AGILITY



Safety, comfort and agility are the outstanding attributes of the C-Class. The Saloon excels with a multifaceted product concept that meets the expectations of various customers. With the Avant-garde, Elegance and Classic lines, Mercedes-Benz offers three individual models with an emphasis that's either on comfort or agility. All model variants share the latest state-of-the-art technology, including the newly developed Agility Control package with situation-responsive shock absorber control, the Intelligent Light

System with five different lighting functions and the Pre-Safe® preventive occupant protection system. There is a choice of four and six-cylinder engines with up to 13 per cent more output than the preceding model, accompanied by fuel consumption that's up to six per cent lower. The design of the C-Class is based on the modern Mercedes idiom, which reflects the technical superiority of automobiles bearing the star; with taut lines and large, tranquil surfaces. The pronounced wedge-shape of the front end serves to emphasise attributes such as agility and performance. Together with the sporty, high-quality appointments, this feature emphasises the youthful, agile appearance of this C-Class. This sporty presence can be enhanced even further with the AMG sports package, which includes striking front and rear aprons plus side skirts.

## GUINNESS BEER CELEBRATES ITS 250<sup>TH</sup> ANNIVERSARY

The tale of Guinness's adventures in space, underwater and live in a studio with global celebrities unfolds as the old Irish stout celebrates its 250<sup>th</sup> birthday. Guinness, the quintessential black Irish stout beer - officially distributed in Serbia by Carlsberg Serbia - is this year also celebrating the life of Arthur Guinness, visionary, philanthropist and creator of one of the most recognisable beers in the world. Guinness has been present in Serbia since 2007, when Carlsberg took over the beer's distribution. ■



**AGS, you deserve the best**

**International Removals & Storage**

35 years of experience  
119 branches worldwide





**AGS BELGRADE**  
Niski Autoput 17, 11050 Belgrade  
Tel: +381 11 347 23 21  
Fax: +381 11 347 23 32  
Email: [belgrade@agsmovers.com](mailto:belgrade@agsmovers.com)  
[www.agsmovers.com](http://www.agsmovers.com)



MILICA SUBOTIĆ (JPM) - HEAD OF THE FIC LEGAL COMMITTEE

# LAWS TO SUIT THE EC

“The FIC Legal Committee plans to directly address certain ministries soon and propose amendments to existing regulations, as well as the adoption of new and better regulations.”



By Ana **STOJANOVIC**

**T**he Legal Committee of the Foreign Investors Council is among the committees that have been working intensively on preparing the new White Book, according to Milica Subotić, Head of the Legal Committee, this year’s edition will feature new topics, as well. However, our interlocutor thinks that the FIC can, and should, take a more active role in passing new laws that will ensure future legislation will suit

the interests of the economy.

■ **To what extent do you think the Regulatory Guillotine will improve business policies in Serbia?**

□ Just the fact that Serbia joined the countries implementing, or having already implemented, the Regulatory Guillotine process is a clear signal indicating an improvement of the business climate and the operations of foreign investors – particularly considering that one of the goals of the Regulatory

Guillotine is to reduce operational costs by removing administrative barriers, reducing potential sources of corruption and increasing efficiency. I also think that implementation of the Regulatory Guillotine is actually a prerequisite for the creation of a clear and predictable legal framework in Serbia, which is certainly missing. The FIC is intensively involved in this process – through its boards, such as the committees covering tax, telecommunications and human resources, as well as through the work of specially formed work-

# ONOMY

ing groups. We have sent our recommendations for the revoking and amending of existing regulations to the Comprehensive Regulatory Reform (CRR) Unit. Now it remains to be seen whether these recommendations will be accepted, to what degree they will be implemented and what results they will yield.

■ Editions of the annual FIC White Book have often addressed the adoption and implementation of laws. What legislative problems can we expect to find in the latest upcoming edition of the White Book?

□ The 2009 edition of the White Book deals with basic provisions of recently adopted laws, particularly those of greatest importance to foreign investors, such as the Law on Foreign Trade, Law on Competition Protection, Law on Personality Data Protection and the laws on prevention of money laundering and financing terrorism, as well as solutions contained in certain laws related to environmental protection. We certainly hope that the Serbian government and other competent authorities will create the relevant bylaws needed to allow implementation of the mentioned laws as soon as possible. The 2009 White Book will include a brief analysis of proposed changes to certain laws relating to intellectual property and we believe those proposals will certainly contribute to the protection of intellectual property in the Republic of Serbia. The legal framework for PPP will be presented in Serbia for the first time and the 2009 edition will also certainly see us deal with important issues that affect the operations of companies, such as the impossibility of implementing an Initial

## ONE-STOP SHOP

“In the process of establishing companies, the introduction of a one-stop-shop proved a very efficient solution in practice and is to be complimented. This idea was supported very strongly in the early stages by the FIC.”



“It is necessary to have a direct approach towards communication with official lawmakers in Serbia.”

Public Offer (IPO) due to current regulations of the Law on the Economy and laws regulating the securities market, or rather the inconsistency of these regulations. Then we will deal with latest analysis on the practices of the Securities Commission in the implementation of bids to takeover stock companies, as well as addressing certain problems relating to foreign operations in terms of the profuse documentation required by Serbia’s central bank (NBS) for the opening and maintaining of accounts and the like.

■ To what extent do you think the FIC’s members are able to influence the adoption of certain legislative regulations?

□ I believe it is necessary to have a direct approach towards communication with official lawmakers in Serbia, as well as holding discussions with experts from all ministries who usually work on drafting new laws – in order to be able to contribute to the creation of better solutions before a specific legal solution has been adopted by parliament. Here I’m not

only thinking about laws, but also bylaws that usually aren’t adopted as a responsibility of the bodies that actually enforce them, which has proved to be a poor solution in some cases. Representatives of certain ministries have expressed a very positive approach in this regard recently. This include the Ministry of Trade and Services, in particular when it comes to the Law on Competition Protection, and the Ministry of Economy and Regional Development – on the drafting of the Law on Bankruptcy. FIC members were involved in the debate on the drafts presented in both cases, which we believe is a good sign. Regardless of these good examples, I believe that our cooperation with lawmakers could be formalised further and increased to a certain extent, in order to ensure that acts are not adopted that do not contribute to economic interests. Accordingly, the FIC Legal Committee plans to directly address certain ministries soon and propose amendments to existing regulations, as well as the adoption of new and better regulations. I am convinced of our success. ■

# CE'S TOP 500

Six Serbian companies make the region's elite list



EPS FACILITY

By Mark R. PULLEN

A list of the top 500 companies from 18 Central European countries has been compiled by Deloitte on the basis of 2008 sales revenues. Besides the overall Top 500 list, Deloitte has also compiled lists of the top 50 banks and top 50 insurance companies in the region. This is the third consecutive year that Deloitte has utilised its expertise and international network of offices to publish the CE Top 500 list, which has now grown to become a relevant indicator of economic forces in the region.

#### COUNTRY ANALYSIS

Despite the high level of interdependence between countries in the region and institutions in Western Europe, there is certainly not a 'one size fits all' approach to recovery in the region. Assistance from the IMF, World Bank and EU has helped to stabilise the region's economies and it is fortunate that those countries owing the largest proportion of total debt, such as Poland and the Czech Republic, are some of the stronger markets in Central Europe, thus offsetting the exposure to risk of weaker markets in the region to some extent. However, with all of

the economies of Central Europe experiencing significant GDP contraction in 2009 and with only tentative growth of no more than two per cent projected for the majority in 2010, the region remains in a delicate balance and country-specific recovery plans are important for its overall recovery.

As well as these strategies, Central Europe's position as a significant part of the global economy hinges on an improvement in the performance of global financial markets and on increased co-operation between all countries, regardless of their geography, history and political differences. Of



Serbia's best positioned company on the list is petroleum industry player NIS, found in 28<sup>th</sup> place with sales revenues worth €3,725m

this year's top 500 companies, the majority hail from Poland (188), which is more than last year. The number of companies coming from Romania also increased compared to last year's list, while the number coming from Ukraine fell as a result of the country's economic downturn that resulted in big manufacturing companies' decreasing revenues during this year. The Top 500 list contains six Serbian companies. Of those, the best positioned company is petroleum industry player NIS, found in 28<sup>th</sup> place with sales revenues worth €3,725m, followed by EPS (96), Delta M (101), PTT Srbija (125), US Steel Srbija (183) and Srbijagas (287).

Deloitte also ranked the region's banks and insurance companies by total assets and gross written premiums, respectively. Serbia's two largest insurance companies found their place among the 50 most successful: Dunav osiguranje (46) and DDOR Novi Sad (50). Unfortunately, there are no Serbian banks among Central Europe's Top 50.

#### MAIN INDUSTRY ANALYSIS

This year's list confirmed the dominance of energy and resources companies. First place on the list is yet again taken by Polish oil giant PKN Orlen, followed by Hungary's Mol and Ukrainian Metinvest, which is also the best placed representative of the manufacturing sector. The largest number of companies are from the energy and resources sector (151 companies), while the list of top companies by revenue in the Adria region also continues to be dominated by oil companies and electrical utilities more than by any other sector. In this respect, the region closely follows EU and, indeed, global trends. There are significant economies of scale in



the energy and resources sector, which make the large size of companies desirable.

Further regional consolidation in the medium term is likely in this sector, especially in the oil business, which is the least regulated and least used as an instrument of social policy. Gas and electricity (both widely used for winter heating in the region) are still often under heavy government influence and, as a result of their inability to set market prices, these companies tend to be starved of capital to invest in new capacities, which is sorely needed in the region. The consumer business and transportation industry is represented with 149 companies on the list. Here increased interest rates and inflation, coupled with sharp rises in oil and energy prices, caused diminishing profit in the consumer business sector, including the retailing industry. In 2008 retailers absorbed part of higher energy, food and commodity prices, but apart from relatively high inflation rates, the revenue growth was mainly driven by an increase in the number of stores.

As the centre of the real sector, the en-

tire manufacturing industry has been strongly hit by the recent downturn in the region. Of course, the region's top companies belong to the construction and automotive industries, which are experiencing a decline in the range of around 20 per cent over previous year(s).

In the long run, one of the issues that needs to be addressed is low productivity, which is much lower in the region than is the case in developed countries. Following a period of continuous, mostly double digit, growth over the last several years, companies are now likely to revise their strategies (their so-called value creation concept) and ready themselves for the post-downturn era.

Most of the top companies in the manufacturing industry are already privately owned and boast foreign-invested capital. Others will follow suit in an attempt to become competitive not only across the region, but also on the broader, global level. We could expect further consolidation in the form of clustering within markets and more regional co-operation and partnerships on initiatives that support continuous improvement of industrial production, such as lean manufacturing. ■



ANA FIRTEL VLAJIĆ, EXECUTIVE DIRECTOR OF THE FOREIGN INVESTORS COUNCIL

# AIMING FOR A BETTER BUSINESS FRAMEWORK

“Our goal is to ensure the adoption of the kind of solutions that will stimulate the economy and enable an adequate and improved economic performance.”

By Tatjana **OSTOJIĆ**  
Photo Slobodan **JOTIĆ**

In her role as executive director of the Foreign Investors Council, Ana Firtel Vlajić is perfectly placed to provide us with the inside view of this business association and its development since its formation back in 2002. Here we discuss, among other things, the conditions a company must fulfill in order to become a member of the FIC and what companies gain by becoming members.

#### ■ How does a company become a member of the FIC?

□ A company contacts us directly or the initial contact is made at different events that the FIC organizes and supports. Also, present members refer their suppliers and clients to our association. Since we are extremely interested in having an open dialogue with everyone, including potential members, our practice is to regularly arrange meetings with such companies. At these meetings we present the association, learn more about the company itself, and give more information on the opportunities arising from membership.

Our goal is to bring together companies that will really use the platform offered by the FIC. We define points of potential co-operation between the company and the FIC in advance, look at ways of incorporating the experience and knowledge of the company into our existing initiatives. After meeting potential members, and if the formal preconditions are met, an application form detailing company information is completed. Within this form, the foreign company provides three references, preferably from existing FIC member companies. On its regular sessions, the Board of Directors, the body taking the decision to admit a new member, considers the application. The FIC is committed to very transparent, clear and predictable rules of the game on the market and it strives to have such rules within the Council. The Board rarely denies a company, simply because we first hold



## The FIC is a platform for companies seeking to influence the legislative framework

these meetings with companies to see whether all the required prerequisites are met.

#### ■ Last year saw domestic companies start to become members of the FIC as well. How come?

□ At last December's FIC General Assembly an amendment to the statute was endorsed so that domestic companies that provide consulting or legal services to foreign companies operating in Serbia can become members. These changes were brought up by realization that an important factor in the process of promoting and introduction of contemporary business practices, which these companies are, is not adequately perceived within our association. They are an important link in the chain and have knowledge not only of the business climate in general, but also of specific sectoral problems. By providing active support to foreign investors, these companies have identified bottlenecks in Serbian regulatory framework and gained insight to

comparative practices on other markets.

However, the conditions for the joining of these companies are quite strict. It is required that over 50 per cent of these companies' clients are foreign companies and they provide seven references from FIC member companies, unlike the foreign companies that require only three. Thus, we open the FIC membership only to those domestic companies that promote international business practice.

#### ■ What do companies gain as a result of FIC membership?

□ The answer to this question is something we try to convey to companies that want to become members early on. The FIC is a platform for companies seeking to influence the legislative framework by promoting industry positions and views of larger foreign business community. There is a different kind of leverage when a certain legislative proposal is provided by a company compared to when a legislative bottleneck is identified by an industry or 120 companies. Specifically, what a company primarily gets by becoming a member is the ability to use our platform to highlight business problems it is facing with relation to the legislative framework. Companies can do that in a great number of ways. We have taken efforts to introduce various models and activities in order to

### ACTIVITIES

**W**e have organised a number of meetings on various issues between representatives of FIC member companies and representatives of various institutions. Some of these meetings saw us comment on drafts of various laws, in order to improve legislative decisions. We then organised a number of meetings at which member companies could gain information about the implementation of certain regulations.

## Presentation of White Book 2008



## The FIC has highlighted the necessity of simplifying procedures and modernising the legal framework for many years

enable our member companies to present their problems, views and suggestions to the state in a satisfactory way. Firstly, FIC members receive timely information on planned or ongoing regulatory changes. The FIC is actively involved in commenting on various draft laws and our member companies can analyse them and give suggestions how to improve them during that early phase of formulating legislation. Secondly, the FIC member companies have the opportunity to jointly point out to obstacles or loopholes in implementation of different legislation, and share experiences gained on other markets. They can set up direct contact with the persons responsible for implementation of the different regulation, hear interpretations of specific regulation, and indicate the problems they face by executing these regulation in their daily operations. I must confess that as Serbia moves ahead in reforms, the issues put forward by the private

sector relate more to problems in execution of the laws than to law provisions themselves. This is an added value given to the companies and the state, which is precisely why the FIC exists: to harmonise Serbia's market conditions with the market conditions of the rest of the world, primarily Europe.

### ■ How can legislative framework problems and possible solutions be indicated?

□ In addition to the activities which are usually used by associations, such as seminars and roundtables, we have a very distinctive model of communication in the form of the annual White Book. The White Book analyses the legislative framework in Serbia as it is today; we view the changes that have occurred in the previous period, point out problems that exist and give recommendations on how to solve these problems. Once published, the White Book is

used as platform for continuous communication with state authorities, as the FIC promotes incorporation of its positions and proposals into the regulatory framework. The White Book is our trademark, but we do not limit our activities solely to this project. We organize meetings with legislators to hear about reform agenda and comment new regulations, but also meet with implementers – Government agencies to review the administrative procedures and evaluate the process of implementation of specific laws.

### ■ What is the role of the individual member company?

□ The main role of the individual company is to assist in identifying obstacles to doing business by analysing bottlenecks in its daily operations. This role comes through its active involvement in the bodies of the FIC, so called specialised working committees, which gather individual companies into a group in order to jointly analyse specific regulatory field. The committees have a crucial role in compiling of the White Book itself. What differentiates the White Book from similar publications is that its content is written by company representatives and not hired experts. As such, the results

of that work are slightly different because they relate to proposals that are concrete - simply because they stem from the daily operations of those companies.

#### ■ How is the FIC organised?

□ As in most associations, the highest ranking body is the General Assembly, which gathers together all FIC member companies. The Assembly meets annually and takes decisions on strategic issues. It determines long-term plans, adopts financial reports, work reports and plans for the year ahead. This year we will hold an electoral Assembly. The Board of Directors, meanwhile, is elected every two years. Its election process is specific, with teams of five to nine members submitting their candidature, with a prominent candidate for president and vice president. On the electoral meeting competing teams present the policies they would implement and objectives they plan to achieve. The Assembly votes for the team and not individuals, entrusting the Board mandate to them for two years. The President of the Board of Directors provides general leadership of the Council and organizes the activities of the Council. The work of other members of the Board depends on an agreement within the Board. The Board makes decisions on medium-term plans, as well as issues like the launch of various activities or initiatives, co-operation with state bodies and other stakeholders, participation in various events, etc. Decisions are made at the Board meetings, which take place once a month. The FIC Executive Director manages the small executive team and organises the day to day work of the Council. The key bodies of the FIC are committees that companies participate in. These are forums for discussion on specific topics. Unlike fixed bodies, committees are formed and disbanded in accordance with the interests of members. If a certain topic is of interest to the FIC membership, a committee for that particular topic is formed. When interest ceases, the committee ceases to exist, as the committees should embody the interests of member-companies.

At the same time, the FIC Legal Committee and the FIC Human Recourses Committee represent the constant, as they have been permanently active since the formation of the association. The Legal Committee looks at the overall legal framework, while the Human Resources



---

## We expect that the CRR process will require a serious commitment in the future

---

Committee deals with the labour regulations, employment, and issues related to the quality of human capital. In May 2008, the Taxation Committee was re-established so that to analyse the tax system, as well as the implementation of tax policies. This year we formed two new committees in response to the raising interest of member-companies: the Telecommunications Committee and the Real Estate Committee, dealing with sectors which are considered to be pillars of economic development. This year also marked activation of the association of cosmetics and detergents producers and importers – ADCPI which was formed within the FIC back in 2005. On the other hand, the FIC currently has two inactive committees: SEMI (Serbia Exploration and Mining Initiative) and CSR Committee. The committees analyse existing laws and the way they are implemented, taking into account the experiences of member companies. They try to formulate specific proposals on how to overcome problems in enforcement or how to amend certain legal solutions. The committees also play a networking

role, simply because they gather representatives of various companies, from audit companies to food producers, all in the same room around the same goal.

#### ■ This year has seen FIC members heavily engaged in the working bodies of the Government of Serbia on Comprehensive Regulatory Reform (CRR).

□ The FIC has been highlighting the necessity of simplifying procedures and modernising the legal framework for many years. Indeed, we first expressed our support for the process back in 2004, when the so called Regulatory Guillotine was initially put on the government's agenda. Once the proclaimed plans moved to the implementation phase, we became active participants in the process. We affirmatively responded to the Government invitation to analyse specific fields and formulate amendments to legislation, based on the experience we draw from this and other markets. As such, we formed the working groups for telecommunications and taxes; we participated as a member of the working group on labour issues, and also formed a special task force to compile proposals related to customs regulations. The phase when business sector formulates recommendations is coming to an end. Now Government needs to demonstrate courage and make certain decisions on the proposals they received. In the end, we expect the Serbian Parliament to adopt new legal solutions that will make the legal framework modern, simplified and more efficient.

#### ■ What are your plans for the year ahead?

□ Firstly to launch the latest White book in the next two months, then later working on promoting the recommendations presented in the White Book. As for CRR, we believe the writing of proposals represents only the first step – although a demanding and time-consuming step. I believe and hope that talks with lawmakers are ahead of us, where we will be able to adequately explain the suggestions we gave and ensure that when the decision makers come to act on these proposals they have the relevant information. We expect that this process will require a serious commitment in the future and we intend to continue regular meetings with state representatives and institutions. Our goal is to ensure the adoption of the solutions that will stimulate the economy and enable an adequate and improved economic performance. ■

## MEMBER CONTACTS

### **A & P D.O.O.**

**Maršala Tita 204  
11272 Dobanovci**  
Tel: +381 11 8469 100  
Fax: +381 11 8465 500  
E-mail: office@apdoo.com  
Web: www.pepsi.rs  
Enrolment date: 2002

### **ACTAVIS TRADING LTD.**

**Omladinskih brigada 21  
11070 Beograd**  
Tel: +381 11 2099 300  
Fax: +381 11 2099 301  
E-mail: info@actavis.rs  
Web: www.actavis.rs  
Enrolment date: 2004

### **AD POLET I GK NOVI BECEJ**

**Železnička 13  
23272 Novi Bečej**  
Tel: +381 23 771 200  
Fax: +381 23 773 035  
E-mail: office@polet.rs  
Web: www.nexe.rs  
Enrolment date: 2007

### **AHK - DELEGATE OF GERMAN INDUSTRY AND COMMERCE**

**Cara Uroša 9  
11000 Beograd**  
Tel: +381 11 3285 436;  
Fax: +381 11 3034 780  
E-mail: info@ahkbelgrad.rs  
Web: http://serbien.ahk.de/  
Enrolment date: 2003

### **AIRPORT CITY BEOGRAD**

**Omladinskih brigada 88  
11070 Beograd**  
Tel: +381 11 3189 516  
E-mail: office@airportcitybel-  
grade.com  
Web: www.airportcitybel-  
grade.com  
Enrolment date: 2005

### **ALAS HOLDING A.D.**

**Jovana Đorđevića 2  
21000 Novi Sad**  
Tel: +381 21 457 949  
Fax: +381 21 557 236  
E-mail: sekretarijat@alas-  
holding.rs  
Web: www.alas-holding.co.yu  
Enrolment date: 2007

### **ALPHA BANK SRBIJA A.D.**

**Kralja Milana 11  
11000 Beograd**

Tel: +381 11 3240 248  
E-mail: gm-office@alphabank-  
serbia.com  
www.alphabankserbia.com  
Enrolment date: 2006

### **ALTIS CAPITAL**

**Knez Mihailova 3  
11000 Beograd**  
Tel: +381 11 3334 801  
Fax: +381 11 3334 888  
E-mail: office@altiscapital.net  
Web: www.altiscapital.net  
Enrolment date: 2007

### **ASCO VIDA K D.O.O.**

**Železnička 5  
21410 Futog**  
Tel: +381 21 895 084  
Fax: +381 21 895 768  
E-mail: vidak@asco.gr  
Web: www.asco.gr  
Enrolment date: 2006

### **BAKLAJA IGRIĆ MUJEZINOVIĆ IN ASSOCIA- TION WITH CLYDE & CO LLP**

**Gospodar Jevremova 47/12  
11000 Belgrade**  
Tel: +381 11 3038 822  
Fax: +381 11 3038 309  
E-mail: clyde@clyde.co.rs  
Web: www.clydeco.com  
Enrolment date: 2004

### **BALL PACKAGING EUROPE BELGRADE LTD.**

**Batajnički drum 21A  
11185 Zemun Polje**  
Tel: +381 11 3770 600  
Fax: +381 11 3770 752  
Enrolment date: 2004

### **BANCA INTESA A.D. BE- OGRAD**

**Milentija Popovića 7b  
11070 Beograd**  
Tel: +381 11 3108 888  
E-mail: kontakt@bancaintesa-  
beograd.com  
Web: www.bancaintesabe-  
ograd.com  
Enrolment date: 2004

### **BARLAN S&M (COCA-COLA ALPINE & ADRIATIC BUSI- NESS UNIT)**

**Batajnički drum 14-16  
11080 Beograd**  
Tel: +381 11 3081 100  
Fax: +381 11 3081 166

E-mail: obelgrade@eur.ko.com  
Web: www.thecoca-colacom-  
pany.com

### **BD AGRO AD**

**Lole Ribara bb  
11272 Dobanovci**  
Tel: +381 11 2675 165  
Fax: +381 11 8465 550  
E-mail: assistant@bdagro.com  
Web: www.bdagro.com  
Enrolment date: 2006

### **BEIERSDORF D.O.O.**

**Airport City  
Omladinskih brigada 88a  
11070 Beograd**  
Tel: +381 11 2220 660  
Fax: +381 11 2220 663  
E-mail: BDFBelgrade@  
beiersdorf.com  
Web: www.beiersdorf.com  
Enrolment date: 2007

### **BELEXPOCENTAR D.O.O. - OGRANAK HOLIDAY INN**

**Španskih boraca 74  
11070 Novi Beograd**  
Tel: +381 11 3100 000  
Fax: +381 11 3100 100  
Email: info@holiday-inn.rs  
Web: www.holiday-inn.com  
Enrolment date: 2008

### **BRITISH AMERICAN TO- BACCO**

**Bulevar Mihaila Pupina 165g  
11070 Beograd**  
Tel: +381 11 3108 700  
Web: www.bat.com  
Enrolment date: 2002  
Founder

### **CARLSBERG SRBIJA D.O.O.**

**Proleterska 17  
21413 Čelarevo**  
Tel: +381 21 7550 646  
Fax: +381 21 7550 658  
E-mail: info@carlsberg.rs  
Web: www.carlsbergsrbija.rs  
Enrolment date: 2005

### **CITY EXPRESS D.O.O.**

**Kumodraška 240  
11010 Beograd**  
Tel: +381 11 3093 000  
E-mail: office@cityexpress.rs  
Web: www.cityexpress.rs  
Enrolment date: 2008

### **CMS REICH-ROHRWIG HASCHE SIGLE D.O.O.**

### **Attorneys at Law**

**Cincar Jankova 3  
11000 Beograd**  
Tel: +381 11 3030 136  
Fax: +381 11 3038 930  
E-mail: office@cms-rrhs.com  
Web: www.cms-rrhs.com  
Enrolment date: 2004

**COCA-COLA HBC SRBIJA A.D.**  
**Batajnički drum 14-16  
11080 Beograd**  
Tel: +381 11 3073 111  
Fax: +381 11 3073 253  
www.coca-colahellenic.com  
Enrolment date: 2002

### **COFACE SRBIJA D.O.O.**

**Makedonska 24/II  
11000 Beograd**  
Tel: +381 11 3228 156  
Fax: +381 11 3037 391  
E-mail: office@coface.rs  
Web: www.coface.rs  
Enrolment date: 2008

### **CORPORATE MEDIA**

**Dragoslava Jovanovića 13  
11000 Beograd**  
Tel: +381 11 3240 134  
E-mail: info@cmserbia.com  
Web: www.cmserbia.com  
Enrolment date: 2008

### **CREDIT AGRICOLE SRBIJA AD NOVI SAD**

**Braće Ribnikar 4-6  
21000 Novi Sad**  
Tel: +381 21 4876 876  
Fax: +381 21 4876 976  
E-mail: info@creditagricole.rs  
Web: www.creditagricole.rs  
Enrolment date: 2006

### **DEKONTA D.O.O.**

**Bulevar Zorana Đinđića 87/4  
11000 Beograd**  
Tel: +381 11 3017 741  
Fax: +381 11 3111 762  
Web: www.dekonta.rs  
Enrolment date: 2009

### **DELOITTE**

**Makenzijeva 24  
11000 Beograd**  
Tel: +381 11 3812 100  
Fax: +381 11 3812 178  
ceyinfo@deloittece.com  
Web: www.deloittece.com  
Enrolment date: 2003

### **DELTA SPORT D.O.O.**

### **Milentija Popovića 7v 11070 Beograd**

Tel: +381 11 2012 801  
E-mail: office@deltasport.com  
Web: www.deltasport.com  
Enrolment date: 2007

### **DHL INTERNATIONAL BEOGRAD D.O.O.**

**Jurija Gagarina 36 V  
11070 Beograd**  
Tel: +381 11 3105 500  
E-mail: info-rs@dhl.com  
Web: http://www.dhl.co.yu  
Enrolment date: 2002

### **DUPONT SRB D.O.O.**

**Omladinskih brigada 88  
11070 Beograd**  
Tel: +381 11 2090 580  
Fax: +381 11 2090 598  
Web: www.rs.ag.dupont.com  
Enrolment date: 2009

### **EC HARRIS D.O.O.**

**Bulevar Zorana Đinđića 144v  
11070 Beograd**  
Tel: +381 11 3535 400  
Fax: +381 11 3535 401  
E-mail: belgrade.office@echar-  
ris.com  
Web: www.echarris.com  
Enrolment date: 2006

### **ECOLAB HYGIENE D.O.O.**

**Milana Tankosića 8  
11000 Beograd**  
Tel: +381 11 2076 800  
Fax: +381 11 2076 802  
Web: www.ecolab.com  
Enrolment date: 2008

### **EKO SERBIA A.D.**

**Member of Hellenic Petroleum  
group**

### **Tošin bunar 274a**

**11070 Novi Beograd**  
Tel: +381 11 2061 500  
Fax: +381 11 2061 555  
E-mail: administracija@  
hellenic-petroleum.rs  
Web: www.ekoserbia.com  
Enrolment date: 2004

### **ERICSSON D.O.O.**

**Vladimira Popovića 6  
11070 Beograd**  
Tel: +381 11 3113 899  
Fax: +381 11 3112 249  
Web: www.ericsson.com  
Enrolment date: 2002

# CORD

OKT 09. / ISSUE NO. 64

interviews  
opinions  
news  
comments  
events

Politics, Diplomacy, Business & Lifestyle Magazine in English

# SUBSCRIBE NOW!

FOR ONLY  
**€ 26**

and receive  
your copy

**CONTACT US  
WITHOUT DELAY!**

Tel.

011 3089 977

011 3089 988

011 2448 127

e-mail

office@cma.rs

www.cordmagazine.com







**11080 Beograd**

Tel: +381 11 3777 254  
 Fax: +381 11 3777 607  
 E-mail: pr@metro.rs  
 Web: www.metro.rs  
 Enrolment date: 2003

**MMD CORPORATE, PUBLIC AFFAIRS & PUBLIC RELATIONS CONSULTANTS****Braće Jugovića 5****11000 Beograd**

Tel: +381 11 3285 939;  
 Web: www.mmdcee.com  
 Enrolment date: 2004

**NBG LEASING D.O.O.****Airport City****Omladinskih brigada 88****11070 Beograd**

Tel: +381 11 2287 982; 2288 071; 2288 074;  
 2288 079  
 Fax: +381 11 3019 936  
 E-mail: office@nbgleasing.co.rs  
 Web: www.nbgleasing.rs  
 Enrolment date: 2004

**NEOCHIMIKI BEOGRAD****Pančevački put 83****11210 Beograd**

Tel: +381 11 2084 942  
 Fax: +381 11 2751 950  
 serbia@neochimiki-sa.gr  
 Web: www.neochimiki-sa.gr  
 Enrolment date: 2005

**NESTLE ICE CREAM SRBIJA A.D.****Milutina Milankovića 9B****11070 Beograd**

Tel: +381 11 3010 410  
 E-mail: nestleicecream@rs.nestle.com  
 Enrolment date: 2002

Founder

**NLB BANKA A.D. BEOGRAD****Bulevar Mihajla Pupina 165v****11070 Novi Beograd**

Tel: +381 11 2225 100  
 Fax: +381 21 2225 195  
 E-mail: kabinet@nlb.rs  
 Web: www.nlb.rs  
 Enrolment date: 2006

**NOKIA SIEMENS NETWORKS SRBIJA D.O.O.****Đorđa Stanojevića 14****11070 Beograd**

Belgrade Office Park, Building II, Gallery Floor

Tel: +381 11 3070 123;  
 Fax: +381 11 3070 167  
 E-mail: office.serbia@nsn.com  
 Web: www.nokiasiemensnetworks.com  
 Enrolment date: 2009

**OMV SRBIJA D.O.O.****Airport City****Omladinskih brigada 90a/II****11070 Beograd**

Tel: +381 11 2071 500  
 E-mail: info.serbia@omv.rs  
 Web: www.omv.rs  
 Enrolment date: 2002  
 Founder

**ORACLE SERBIA & MONTENEGRO****GTC House****Bulevar Zorana Đinđića 64a****11070 Beograd**

Tel: +381 11 2016 800  
 Fax: +381 11 3130 108  
 E-mail: office\_yu@oracle.com  
 Web: www.oracle.com  
 Enrolment date: 2003

**PATRIMONS D.O.O.****Zrenjaninski put 51a****11210 Beograd**

Tel: +381 11 3318 044  
 Fax: +381 11 3317 357  
 E-mail: office@patrimons.rs  
 Web: www.patrimons.rs  
 Enrolment date: 2008

**PEPSICO EUROPE - MARBO****Đorđa Stanojevića 14****11070 Beograd**

Tel: +381 11 3600 101  
 Fax: +381 11 3600 102  
 E-mail: office@marbo.rs  
 Web: www.marbo.rs  
 Enrolment date: 2009

**PERNOD RICARD SERBIA****Bulevar oslobođenja 211****11000 Beograd**

Tel: +381 11 3975 246  
 Fax: +381 11 3974 380  
 Web: www.pernodricard.com  
 Enrolment date: 2003

**PHILIP MORRIS INTERNATIONAL****Bulevar Zorana Đinđića 64a****11070 Beograd**

Tel: +381 11 2010 800  
 Fax: +381 11 2010 824  
 Web: www.philipmorrisoninter-

**KN**  
LAW OFFICE**KARANNOVIĆ & NIKOLIĆ**

Lepenička 7, 11000 Beograd

Tel: +381 11 3094200; Faks: +381 11 3094223

email: info@karanovic-nikolic.com

web: www.karanovic-nikolic.com

national.com  
 Enrolment date: 2004  
**PIRAEUS BANK AD BEOGRAD**  
**Milentija Popovića 5b**  
**11070 Novi Beograd**  
 Tel: +381 11 3024 000  
 Fax: +381 11 3023 040  
 E-mail: banka@piraeusbank.rs  
 Web: www.piraeusbank.rs  
 Enrolment date: 2006

**POLITIKA NOVINE I MAGAZINI D.O.O./WAZ (MEDIAPRINT SERBIA)****Makedonska 29****11000 Beograd**

Tel: +381 11 3301 161  
 Fax: +381 11 3373 042  
 Web: www.politika.rs  
 Enrolment date: 2002

**PRICewaterhouse COOPERS D.O.O.****Airport City Belgrade****Omladinskih brigada 88a****11070 Beograd**

Tel: +381 11 3302 100  
 Fax: +381 11 3302 101  
 Web: www.pwc.com  
 Enrolment date: 2002  
 Founder

**PRICewaterhouse COOPERS CONSULTING D.O.O.****Airport City****Omladinskih brigada 88a****11070 Beograd**

Tel: +381 11 3302 100  
 Fax: +381 11 3302 101  
 Web: www.pwc.com  
 Enrolment date: 2004

**PROCREDIT BANK****Bulevar Despota Stefana 68c****11000 Beograd**

Tel: +381 11 2077 906  
 Fax: +381 11 2077 905  
 E-mail: info@procreditbank.rs  
 Web: www.procreditbank.rs  
 Enrolment date: 2004

**PROCTER & GAMBLE****Marketing & Usluge d.o.o.****Airport City Belgrade**

Omladinskih brigada 88  
 11070 Beograd  
 Tel: +381 11 2205 300  
 Fax: +381 11 2288 241  
 Web: www.pgbalkans.com  
 Enrolment date: 2004

**PROGARD SECURITAS D.O.O.****Terazije 33****11000 Beograd**

Tel: +381 11 2097 900  
 Fax: +381 11 2097 914  
 direkcija@progard.co.yu  
 Web: www.progard.co.rs  
 Enrolment date: 2009

**PS CONFIDAS D.O.O.****Imotska 1****11000 Beograd**

Tel: +381 11 3956 800  
 Fax: +381 11 3956 888  
 E-mail: office@ps-confidas.rs  
 Web: www.ps-confidas.rs  
 Enrolment date: 2008

**RAIFFEISEN BANK A.D.****Bulevar Zorana Đinđića 64a****U. S. Steel Serbia, d.o.o.**

U. S. Steel Serbia, d.o.o.

Nemanja Brković, Tatjana Simić

NBrkovic@cs.uss.com / TSimic@cs.uss.com

sajt: www.cs.uss.com

telefon: +381 26 224 459, Radinac, 11300 Smederevo

## MEMBER CONTACTS

### **11070 Beograd**

Tel: +381 11 3202 100  
E-mail: info@raiffeisenbank.rs  
Web: www.raiffeisenbank.rs  
Enrolment date: 2002

### **RAIFFEISEN LEASING D.O.O.**

#### **Milutina Milankovića 134a 11070 Beograd**

Tel: +381 11 2017 700  
Fax: +381 11 3130 081  
info.leasing@raiffeisen-leasing.rs  
Web: www.raiffeisen-leasing.rs  
Enrolment date: 2003

### **RESERVOIR CAPITAL SEE D.O.O.**

#### **Požeska 83a 11000 Beograd**

Tel: +381 11 2544 686  
Fax: +381 11 3542 503  
www.reservoircapitalcorp.com  
Enrolment date: 2008

### **RHINE DANUBE D.O.O. SHIPBUILDING INDUSTRY**

#### **Đerdapski put b.b. 19320 Kladovo**

Tel: +381 19 801 024  
Fax: +381 19 800 315  
E-mail: rdoutfit@gmail.com  
www.shipyardkladovo.com  
Enrolment date: 2005

### **RIO TINTO RIO SAVA EXPLORATION DOO**

#### **Bulevar Zorana Đinđića 71 11070 Beograd**

Tel: +381 11 3110 239  
Fax: +381 11 3116 721  
Web: www.riotinto.com  
Enrolment date: 2004

### **S & T SERBIA D.O.O.**

#### **Narodnih heroja 43/23 11070 Beograd**

Tel: +381 11 3116 221  
Fax: +381 11 3117 665  
E-mail: info@snt.rs  
Web: www.snt.rs  
Enrolment date: 2003

### **S LEASING D.O.O.**

#### **Đorđa Stanojevića 12/III 11070 Novi Beograd**

Tel: +381 11 2010 700; 2010 701  
Fax: +381 11 2010 702  
E-mail: office@s-leasing.rs

Web: www.s-leasing.rs  
Enrolment date: 2003

### **SBB SERBIAN BROADBAND Kralja Petra 55 11000 Beograd**

Tel: +381 11 3305 252  
E-mail: info@sbb.co.rs  
Web: www.sbb.rs  
Enrolment date: 2004

### **SIEMENS D.O.O. BEOGRAD Omladinskih brigada 21 11070 Beograd**

Tel: +381 11 2096 005  
Fax: +381 11 2096 061  
E-mail: office.rs@siemens.com  
Web: www.siemens.rs  
Enrolment date: 2002

### **SLADARA MALTINEX AD Industrijska zona b.b. 21400 Bačka Palanka**

Tel: +381 21 752 910  
Fax: +381 21 6042 399  
office@soufflet-group.com  
Web: www.soufflet-group.com  
Enrolment date: 2004

### **SOCIÉTÉ GÉNÉRALE BANKA SRBIJA A.D. BEOGRAD, CLOSED JOINT STOCK COMPANY**

#### **Bul. Zorana Đinđića 50 a/b 11070 Beograd**

Tel: +381 11 3011 400  
Fax: +381 11 3132 885  
Retail banking - stanovnistvo.  
sgs@socgen.com  
Corporate clients - privreda.  
sgs@socgen.com  
Web: www.societegenerale.rs  
Enrolment date: 2002

### **SPECHT D.O.O. Nemanjina 40/III/8 11000 Beograd**

Tel: +381 11 3650 046  
Fax: +381 11 3650 084  
E-mail: belgrade@specht-partner.rs  
www.specht-partner.com  
Enrolment date: 2006

### **SUNOKO D.O.O. NOVI SAD, MEMBER OF NORDZUCKER GROUP**

#### **Trg Marije Trandafil 7 21000 Novi Sad**

Tel: +381 21 4878 111  
E-mail: info@sunoko.rs  
Web: www.sunoko.rs  
Enrolment date: 2007

### **SVETI VID SPECIJALNA BOLNICA Dobračina 27 11000 Beograd**

Tel: +381 11 3283 737  
Fax: +381 11 3692 720  
E-mail: svetivid@eunet.rs  
Web: www.svetivid.com  
Enrolment date: 2005

### **SYNGENTA AGRO SERVICES AG Koste Glavinića 2 11000 Beograd**

Tel: +381 11 3690 994  
Fax: +381 11 3690 160  
Web: www.syngenta.com  
Enrolment date: 2009

### **TELEKOM SRBIJA A.D. Takovska 2 11000 Beograd**

Tel: +381 11 3337 171  
Mob: +381 64 789  
E-mail: prsektor@telekom.rs  
Web: www.telekom.rs  
Enrolment date: 2007

### **TELELINK D.O.O. Omladinskih brigada 88b 11070 Beograd**

Tel: +381 11 3779 900  
Fax: +381 11 3779 911  
E-mail: office@telelink.rs  
Web: www.telelink.rs  
Enrolment date: 2009

### **TELENOR D.O.O. Omladinskih brigada 90 11070 Beograd**

Mob: +381 63 9863  
Web: www.telenor.rs  
Enrolment date: 2006

### **TELETRADER D.O.O. Bulevar Vojvode Mišića 39a/III 11040 Beograd**

Tel: +381 11 3067 605;  
E-mail: office.belgrade@teletrader.com  
Web: www.teletrader.com  
Enrolment date: 2004

### **TETRA PAK PRODUCTION Milutina Milankovića 11b 11070 Beograd**

Tel: +381 11 2017 361  
Fax: +381 11 2017 380  
Web: www.tetrapak.com  
Enrolment date: 2002

### **TITAN CEMENTARA KOS-JERIC Živojina Mišića b.b. 31260 Kosjerić**

Tel: +381 31 590 320  
Fax: +381 31 590 339  
Web: www.titan.rs  
Enrolment date: 2004

### **UNICREDIT CAIB SRBIJA D.O.O. Knjeginje Ljubice 11 11000 Beograd**

Tel: +381 11 3286 926  
Fax: +381 11 3285 509  
E-mail: belgrade@ca-ib.com  
Web: www.unicreditbank.rs  
Enrolment date: 2004

### **UNILEVER BEOGRAD D.O.O. Omladinskih brigada 88 11000 Beograd**

Tel: +381 11 2091 800  
Fax: +381 11 2160 178  
E-mail: Belgrade.usce@unilever.com  
Web: www.unilever.com  
Enrolment date: 2002

### **UNIQA A.D.O. Milutina Milankovića 134g 11070 Novi Beograd**

Tel: +381 11 2024 100  
E-mail: info@uniqa.rs  
Web: www.uniqa.rs  
Enrolment date: 2006

### **UNITED SERBIAN BREWERIES Omladinskih brigada 90b 11070 Beograd**

Tel: +381 11 3538 611  
Fax: +381 11 3538 691  
E-mail: info@heineken.rs  
Web: www.heinekeninternational.com  
Enrolment date: 2003

### **US STEEL SERBIA D.O.O. Goranska 12 11300 Smederevo**

Tel: +381 26 224 730  
Fax: +381 26 221 076  
Web: www.cs.uss.com  
Enrolment date: 2008

### **VELUX SRBIJA D.O.O. Teodora Drajzera 34 11040 Beograd**

Tel: +381 11 3670 468  
Fax: +381 11 2660 841  
E-mail: office-yu@velux.com  
Web: www.velux.rs  
Enrolment date: 2002

### **VIP MOBILE D.O.O. Omladinskih brigada 21 11070 Beograd**

Tel: +381 11 2253 333  
Fax: +381 11 2253 334  
E-mail: komunikacije@vipmobile.rs  
Web: www.vipmobile.rs  
Enrolment date: 2007

### **VOJVODJANSKA BANKA A.D. MEMBER OF NBG GROUP**

#### **Trg Slobode 5-7 21000 Novi Sad**

Tel: +381 21 4886 600  
Fax: +381 11 3019 936  
E-mail: office@voban.co.rs  
Web: www.voban.co.rs  
Enrolment date: 2003

### **VOLKSBANK SRBIJA Bulevar Mihaila Pupina 165g 11070 Beograd**

Tel: +381 700 700 800  
E-mail: info@volksbank.rs  
Web: www.volksbank.rs  
Enrolment date: 2004

### **WIENER STAEDTISCHE OSIGURANJE A.D.O. BEOGRAD Bul. Mihaila Pupina 165g/1 11070 Beograd**

Tel: +381 11 2209 901  
Fax: +381 11 2209 900  
E-mail: office@wiener.co.rs  
Web: www.wiener.co.rs  
Enrolment date: 2003

### **WOLF THEISS & PARTNERS D.O.O. Poslovni centar Ušće Bul. Mihaila Pupina 6/18 11070 Beograd**

Tel: +381 11 3302 900  
Fax: +381 11 3302 925  
beograd@wolftheiss.com  
Web: www.wtp.at  
Enrolment date: 2003

# Business success on the go!



**BlackBerry® Bold™ 9000  
smartphone**



**BlackBerry® Curve™ 8900  
smartphone**

We present to you **BlackBerry®** business solutions which follow the rhythm of your business inovatively and efficiently.

New **BlackBerry® Curve™ 8900 smartphone** is designed to fit every aspect of your life perfectly and enables you to be connected with your office at any time.

**BlackBerry® Bold™ 9000 smartphone** with its elegant design, 3G support and numerous useful features turns business into real pleasure.

**BlackBerry® smartphones** are designed to alleviate your business communication and organize your time better and with utmost efficiency. Every step of the way.



[www.mts.telekom.rs](http://www.mts.telekom.rs)  
Customer service 064/789

**BlackBerry.**



# Carlsberg

ALL MALT PREMIUM BEER



Probably the best beer in the world