



# Next Chapter

What we can all do together to make Serbia a better place to live

**W**hen we stepped onto the Serbian media scene five years ago, we created and designed Diplomacy&Commerce magazine to be the premier current affairs magazine, providing high-quality coverage and analysis of news and events in Serbia and the region. According to the reactions of all the people with whom we have been cooperating, we think that we have succeeded in that, and that blazes our future trail.

The year behind us was marked by the greatest global challenge that our generation has seen. The Covid-19 pandemic has viciously demonstrated how vulnerable we are, what the limits of the state's ability are and the limits of people's trust and fear. It seems that times have never been tougher. This March, Diplomacy&Commerce is entering into its sixth year of existence and celebrates its fifth birthday. We have tried to become and remain everything we

wanted to be from the first day - a reliable platform for communication between our partners, that is embassies, business associations, institutions, companies, civil society organizations, media representatives, cultural, artistic and public scene of Serbia.

In this birthday issue, we bring you stories, opinions, analyses and forecasts from the Serbian authorities, diplomatic corps, international institutions, business associations, media and many

others. We spoke with them about important topics: how well Serbia has been coping with the crisis when the pandemic ends one day, reforms and improving the economic environment, as well as attracting more foreign direct investments, further development of Serbia on its road to the EU, bilateral and economic cooperation, investments in society, culture and media and what we can all do together to make Serbia a better place to live. **D&C**

**POLITICS**



**1** We entered the New Year with an extended reach of the COVID-19 pandemic that is still ongoing. What are your ministry's plans in 2021? Do you think that Serbia will manage to cope with the crisis this year and what results is it going to achieve in terms of GDP and economic growth?

**2** Given that the continuation of the process of opening chapters during the European accession process has been announced, what awaits Serbia on its path to the EU membership and what reforms should the country implement this year (i.e. which segments are priorities)?



## ECONOMY



1 What impact will the crisis have on the economy this year and what do you think of the measures implemented so far and the new ones, announced for 2021?

2 What can Serbia do to improve its environment for doing business and make it even more appealing to investors?

## Progress of Institutional Reforms Required



### ZORAN PETROVIĆ

President of AmCham Serbia

1 Thanks to its timely and extensive set of measures, the state impacted last year's economic results which were not as bad as they could have been. The sectoral structure of our economy also helped (agriculture, the processing sector, the low share of tourism). However, the epidemic is far from over, and it will be the biggest business obstacle for most AmCham members this year as well. Successful implementation of mass vaccination will be of key importance for all economies, including ours, because it will reduce the risks of lockdown. It is extraordinary to see how our country has efficiently started the robust process of the population's inoculation and that we are at the very top in Europe in that sense. Of course, we, as a small and open economy, also depend on the level of business activity in the EU. The continuation of the expansionary monetary policy in the EU and the USA will help us this year as well. The data from our latest survey (Eighth Transition Time) are encouraging - 56% of our members expect growth in 2021, while 67% will continue with planned investments, which speaks of long-term commitment and expectation of a quick recovery after the pandemic subsidies. Although less than half of AmCham's members used state aid in 2020, as many as 82% of compa-

nies believe that it will be needed this year as well. The biggest risk would be for the state to prematurely pull the carpet underneath their feet'. The good news is that the government has come out with a new aid package. AmCham members believe that aid should be targeted at the most affected sectors of the economy and at micro, small and medium-sized enterprises. Research has shown that the most effective help would be to reduce payroll tax and contributions or compensate for part of wages, as well as reduce other tax and non-tax levies. Direct assistance to citizens would be justified only for the most vulnerable population categories.

2 As in previous years, the most important growth prerequisites pertaining to required reforms, are the progress in institutional reforms, namely further improvement of the rule of law, better judicial efficiency and the fight against corruption. In addition to these demanding reforms, AmCham sees room for improving the efficiency of public administration by enabling electronic communication with all authorities, optimizing procedures, their digitalization, but also in improving tax, customs and procedures related to foreign exchange operations and health care. Combating illegal online trade, improving environmental laws and the Labour Law remain high on the list of priority reforms for creating a better economic environment.



## We Must Increase Productivity and Sustainable Investments

### MIKE MICHEL

FIC President and Telenor CEO

1 COVID-19 pandemic may have strong long-run effects, unless actions that comprise smart investments in economic and societal resilience are taken, as recently published by The World Economic Situation and Prospects 2021. In 2020, world output shrank by 4.3 per cent, over three times more than during the global financial crisis of 2009, while the recovery of 4.7 per cent is expected in 2021. If we look specifically at South-Eastern Europe, the main destination for its export and source of investments is European Union. That is why Serbia's long-term recovery will for sure depend on the recovery of the EU, which has been experiencing an economic crisis of historic proportions. That is why FIC has been and will be insisting on the harmonization of domestic regulations with EU standards. As for the measures, both implemented and announced, we see them as adequate, in line with the measures taken in most other countries. The Government has focused on helping those who

have been hit the hardest, the SMEs, entrepreneurs, tourism or transport, but also offered support to medium and large companies. Also, a good job has been done with vaccination. However, we must increase the productivity and sustainable investments that stimulate economic growth to overcome the significant rise in debt.

2 The country must continue working on further acceleration of reforms and negotiations with the EU, sustainable fiscal consolidation and the better implementation of what has been prescribed in laws and regulations. By securing a stable and predictable business environment the Government will protect the economy, always. The key for positive shifts is the way companies plan their investments. We have learnt a lot about customers' habits during the crisis and we see investments in innovation, which is good. Governments of countries that lead innovations made three times more investment in it during recession, for example. So, innovations and learning, adapting to customers' needs and further digitalization are the way to go.