

# FOREWORD EU

Dear reader,

It is my great pleasure to author this prestigious edition of the Foreign Investors Council for the second time.

My compliments go to the FIC for its 20th anniversary and its impressive growth from 14 member companies in 2002 to over 120 in 2022. The EU remains an important partner of the FIC, given that 70% of all companies are headquartered in the EU.

In this year's foreword to the White Book, I would like to shed light on three topics that are of utmost importance to decision makers and businesses alike these days: Serbia's EU accession process, energy security and diversification of supply sources as well as the Green Agenda.

The EU works together with Serbia in accelerating the EU accession process to the benefit of the Serbian citizens, the country's economy and society as a whole. Economic integration and adoption of EU standards are a catalyst for the transformation of the country. We support this transformation through a variety of EU-funded projects in numerous sectors. Our message to Serbia is clear. The people of the Western Balkans are part of the European family, their future is in the European Union and the Union is simply not complete without them. In other words, our support for integration has remained unequivocal and unambiguous.

When Serbia makes progress, the EU stands ready to recognise it. The progress made by Serbia during 2021, including in terms of constitutional amendments, allowed us to open Cluster IV encompassing important chapters around the Green agenda and sustainable connectivity in December 2021. The EU and our Member States recognised the clear progress made and acted.

However, as of the 24th of February of this year, we live in a different world. Russia's brutal and unprovoked invasion of Ukraine has changed Europe in many ways. Naturally, this also has had an effect on the way the EU accession process is looked upon in Brussels and capitals across the EU. It has become more urgent to integrate our neighbours into the European structures, to reinforce our shared prosperity and security and to continue united by common values. The EU has therefore acted. In June this year, the European Council gave Moldova and Ukraine candidate status and a European perspective to Georgia with candidate status to be granted once Georgia addresses some key priorities. In

July, the EU opened accession negotiations with Albania and North Macedonia.

What does this mean for Serbia? Serbia has applied for and is negotiating membership of the EU. Serbia's decision implies that the country aligns with the EU, including in terms of foreign policy. The European Union wants to count on Serbia as a reliable European partner for common principles, values, security and prosperity. The European Union has been crystal clear amongst all Member States and with our partners, including candidate countries such as Serbia: relations with Russia cannot be business as usual with Putin's regime and in the shadow of Russia's unprovoked and unjustified invasion of Ukraine. The EU calls on the Serbian leadership to ensure, as part of its accession process, stronger coherence between its foreign policy initiatives and its support for international values and Ukraine's independence, sovereignty and territorial integrity within its internationally recognised borders.

In parallel, the EU works together with Serbia in diversifying energy supply sources specifically in substituting fossil fuels from Russia, accelerating implementation of green energy technologies and reducing demand for energy. Support of the European Union to Serbia's energy sector is worth more than 830 million EUR for the period from 2000 until today. The energy sector is in our focus due to its obvious impact on the economy in the current circumstances.

Russia cannot be trusted to be a reliable partner for energy supply. Getting out of the current dependence on Russian gas is therefore crucial for both the EU and Serbia. We are currently building the Serbia-Bulgaria gas interconnector, which will allow for gas deliveries from the Caspian basin and elsewhere, thereby reducing Serbia's dependence on Russian gas. We are also exploring other connections, such as an interconnector with North Macedonia and other countries in the region. Renewables represent an obvious solution at hand with further economic growth potential facilitated by EU assistance. The current energy crisis showed us again the need for building more resilient and diversified energy systems. Serbia has many opportunities and resources for a fast transition to more renewable energy.

In order to accelerate integration of renewable energy, it is of outmost importance to create regulatory and administrative environments that will de-risk investments into renewables. For instance, many investors in big wind and solar farms are waiting for wind power auctions to be launched in order to unlock new investments.

Greening Serbia's energy sector is vital if Serbia is to stay competitive, ensure better health for its citizens and meet its obligations under the Energy Community Treaty, its EU membership ambitions, and ensure the sustainability and profitability of the sector.

The EU's Economic and Investment Plan sets out a 9 billion EUR investment package for the Western Balkan region that is expected to leverage another EUR 20 billion of investments. Being in the heart of all economies, Cluster IV will bring new investments, increased employment and will boost local markets. The EU support to Serbia in decarbonising the energy sector is expanding, bringing new opportunities such as budgetary guarantees.

The EU works together with Serbia in implementing the actions defined in the Green Agenda for the Western Balkans, in particular through policy support that includes development of the new national environmental strategy and financing pilot projects for the five Green Agenda pillars (decarbonisation, pollution, biodiversity, bio-food and circular economy).

The Green Agenda for the Western Balkans, as part of the EU's new development strategy named the Green Deal, includes climate action, decarbonisation, energy and mobility, circular economy, biodiversity, fighting pollution of air, water and soil and finally sustainable food systems and rural areas.

The EU is unlocking investments for environmental protection and green transition in Serbia, while providing expertise to support innovation and improving the legal framework. Green is the key word for growth, jobs and health. Investing in environment and climate change is an investment for the future because the cost of non-action is much higher.

In addition, the EU is continuously providing support in numerous other sectors that will help Serbia make the right decisions. For instance, we are supporting reconstruction of the railway Corridor 10 (Belgrade-Nis-Presevo) and the Peace Highway (Nis-Merdare), both corridors being vital for enhancing regional connectivity. The EU also provides grants and favourable loans for SMEs to help them improve their equipment and business operations so they can integrate in European and global value chains. We provide funding and support for digitalisation, innovation, health-care reform and the building of new hospitals. The list goes on and on, with this being just a glimpse of our pre-accession assistance, which amounts to around €200 million each year in grants.

In conclusion, let us not forget that Serbia's economy has remained closely integrated with the EU in these difficult times. The EU remains Serbia's most important trading partner, accounting for 60.3% of Serbia's total trade in 2021. Moreover, the EU is by far Serbia's biggest source of foreign direct investments (FDI). The EU investors remain undisputed leaders in Serbia accounting for 63.6% of total FDI, reaching a total of €19.1 billion-worth of investments in the period 2010-2021.

These companies support the EU in economic and social transformation of Serbia. Their presence in the country creates jobs, but also brings best practises, integrates Serbia in global value chains and spurs innovation, research and development. Through modern management practises, environmental standards, corporate social responsibility and diverse employment policies these companies help us in promoting European values.

Let us jointly continue promoting these values and help Serbia along its EU accession path!

Sincerely,

**Emanuele Giaufret**

Ambassador of the European Union to the Republic of Serbia