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New Constitution Adopted

The EU is satisfied with the course of the referendum on ratification of the new constitution, seeing it as orderly and in line with obligations Serbia undertook with its Council of Europe membership. It is expected that the elections will bring stable and democratic government. The new constitution is aligned with the European standards which will be appraised in the annual report on Serbia's progress in the association process, due to be published on November 8 by the EU enlargement commission.



Serbia - Regional Leader

Erhard Busek, special coordinator of the Stability Pact for Southeast Europe said that Serbia needs to take on the role of a regional leader. Being on the crossroads of Europe while having Corridors 10 and the Danube River passing through is a major advantage in becoming the regional center. He also said that regional cooperation will be a prerequisite and an instrument for further European integration of Southeast Europe, but cannot be a substitute for joining the European Union.



Die Presse Recommends Serbia

Austrian businessmen in Serbia look at investment potential and future development of Serbia with great optimism. This would be a conclusion of the survey of Austrian businessmen carried out as part of a special addition on Serbia by Vienna daily Die Presse out on 24th of October. The article dubbed Optimism of Austrians in Serbia saying that Austrian businessmen have no reason to complain, which is verified by the fact that more than 200 Austrian companies are already present in Serbia. Christian Rosner, the president of the Managing Board of S&T company dealing with electronic services, described economic situation in Serbia very optimistically: "It is so optimistic, that we have decided a year ago to acquire a company in Serbia". Die Presse also carried out an extensive analyses and overview of the political situation in Serbia, reforms, tax policy, opinions of Austrian businessmen in Serbia, and situation in other spheres. In a segment dedicated to finances, the daily stressed that the state grip in this sphere was significantly reduced, while the banking sector has already been consolidated, with insurance sector privatization on the agenda. As for investments, Presse stressed favorable climate, listing free customs zones, along with record high FDI inflow that is expected to reach €3,5 billion this year. The daily also paid a special attention to the legal system, pointing to further improvements of the legal framework and tax system.



CNN to Promote Serbia in November

The global television network CNN will begin a promotional campaign on tourism in Serbia. Serbian Minister of Trade, Tourism and Services Bojan Dimitrijevic said at a press conference that the promotional campaign will start in November and will last four months. Advertisements of 450 seconds will be aired more than 500 times promoting tradition, mentality, hospitality, together with geographic features such as the Balkan and Danube. Dimitrijevic announced a plan of some €5 million that will be allocated from the National Investment Plan for branding and promoting Serbia as a tourist destination.



Industrial Production Keeps Rising

September industrial production grew 1.8% year-on-year. Industrial production in September rose 1.8% year-on-year and 7.5% against last year's average, driven by food and drinks, basic metals, furniture, oil derivatives, machinery, and home appliances, based on a statement by the Statistics Office. Output in the processing sector was up 2.5% and ore and stone extraction increased by 1%, while electricity, gas, and water production fell 0.8% from an earlier year. The production of durables grew 28.2%, non-durables 6.2%, intermediary goods 1%, and energy 0.3%, while the output of capital goods fell 18.2%. In January-September, industrial production was up 5.5% year-on-year representing strong growth in the production of basic metals, food and drinks, furniture, and chemicals, the Statistics Office said.



Investment Boom in Serbia

Heads of the European Investment Bank (EIB), the development bank of the European Union, stated on Friday during the international forum held in Athens, Greece, dedicated to investments in Southeast Europe that results of Serbian economy were so impressive, that one could freely speak about an investment boom in the country. "We are impressed with results of the Serbian economy, especially when political hurdles are taken into account along with uncertainties related to Kosovo and announced elections," said EIB Vice President Gerlando Genuardi. At the same time, EIB officials have warned that political problems and potential political instability could decrease interest of foreign investors and slow down "very positive" tendency of development of Serbian economy.



ATEbank Acquires 20.5% of AIK

In a bid to expand its operations in the Balkans Greece's ATEbank bought 20.5% stake in Serbia's bank AIK Banka for around €85 million (\$107.6 million). ATEbank paid €73.4 per share. At the end of June, AIK held assets worth €320 million euros and a three percent market share.



City Bank in Serbia by Year-end

After talking to the bank's director for Central and Eastern Europe Guy Harington, Serbian Finance Minister Mladjan Dinkic announced that US City Bank will open its representative office in Serbia by the end of 2006. This would only be a first step toward full presence on the market as the bank's officials expressed an interest in privatization of some of the remaining non-privatized banks in the country.



Real Estate Prices Down by 7%

Prices of real estate in Belgrade finally recorded a decrease of five to seven percent. This decrease even goes up to ten percent when it comes to larger 2-3 bedroom apartments. Still, the list of most wanted real estate is topped by smaller and single bedroom apartments in attractive locations, where the price per square meter remained the same.

At this time buyers can find apartments for sale on the outskirts of Belgrade for €600 to €800 per square meter. In downtown Belgrade, the price range is between €1.300 and €1.500, while luxury apartments exceed the price of €2.500 per square meter.



New Investment Rising

Henkel

Serbian Finance Minister Mladjan Dinkic and Wolfgang Hlavacek, head of Henkel CEE's Department for Engineering have laid down a corner stone for the construction of a new factory for production of Ceresit adhesives. This will be the second glue factory constructed by Henkel in Serbia, after the first one opened in Krusevac back in 2004. Factory in Indjija will increase production capacity and palette of products within Henkel's division of adhesives and will offer new employment opportunities. The factory should become operational in April 2007. Ceresit glues produced in Indjija will be exported to Croatia, Bosnia and Herzegovina and Romania.

Strauss-Elite

A corner stone was laid down in Simanovci for the construction of a new coffee processing plant of DonCafè company, in which €10 million will be invested by its owner Strauss-Elite. Director-General of DonCafè in Serbia Arik Gilboa said that the plant will be completed by September of next year and will be among the most modern plants of its kind in Southeast Europe. Initially, the plants annual output will be 18,000 tones, but the plan is to increase output to 30,000 tones per year. A distribution centre will be built as part of the plant to supply Serbia and countries of the Eastern and Western Balkans with coffee.

Messer-Tehnogas

Messer-Tehnogas opened its €44 million technical gas production plant in Smederevo. "I am proud to open one of the largest production premises for air decomposition in Europe here in Smederevo. This is one of the biggest investments this year," Finance minister Mladjan Dinkic said. Serbian National Bank Governor Radovan Jelasic believes Messer's investments in Serbia are a positive proof of the growing economy and a strengthened foreign investors' trust. "Direct foreign investments in Serbia should reach €4 billion in 2006, which is nearly the sum of the value of all the investments in the past 3 years," Jelasic said.

Grah Automotive

Slovenia's Grah Automotive opened the factory for production of automotive parts for Mercedes, Audi and Volkswagen in Batocina, Serbia. This €1.5 million factory will employ 150 workers.

Tessiline

Multinational company Tessiline has laid a corner stone for construction of the new cosmetics factory in industrial zone in Beska, near Indjija. As it was stated during the ceremony, initial investment in the factory amounts to €4 million, while the factory, once constructed, will employ 200 workers. Construction deadline is 4 months, meaning that the factory should be officially opened in March of next year. Tessiline manufactures cosmetic and depilation products, wax and accompanying equipment for solariums, but is also processing paper and textile cellulose. Almost 100% of future Tessiline's production will be exported to the European Union and US.

PharmaSwiss

On October 5th, in Belgrade, Serbian Minister of Health Tomica Milosavljevic and Swiss Ambassador to Serbia Wilhelm Meier opened a factory of the Swiss pharmaceutical company PharmaSwiss. The factory was built by investing €3.5 million and will create 200 jobs. Director of PharmaSwiss in Serbia Goran Stojanovic announced that the initial production capacity of the factory will be 10 million packages of medicines, and that nearly 50% of the production will be exported to EU countries. Ambassador Meier recalled that during the previous two years Serbia and Switzerland have signed two important agreements on promotion and protection of investments and on double taxation avoidance, which have provided better conditions for economic cooperation and investments. He expressed his expectation that the opening of PharmaSwiss will encourage other Swiss companies to come to Serbia with direct investments.

Monbat

Monbat, the Bulgarian battery manufacturer, will invest €7 million in a lead recycling plant in Serbia. The plant, which will be located in the municipality of Indjija some 60 km from the capital Belgrade, should be operational by the spring of 2008. It will have an annual production capacity of 10,000 tones of lead.

Fantoni

Fantoni, an Italian company specialized in wood processing, acquired three factories operated by the company SPIK from Ivanjica for a total of approximately €680,000. Fantoni officials also announced plans to invest another €30 million into new production lines.



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Real Estate Firms Eye Serbia

Thanks to SIEPA, once more Serbia had its national stand at the Real Expo fair in Munich (October 23 to 25). The interest for investing in Serbia was huge and several hundred business contacts were made with potential investors. They were most interested in real estate investments in Belgrade. SIEPA held a panel discussion on investment possibilities in Serbia and there were many investors on spot who stressed that "Serbia is an excellent investment



opportunity" and that "Now is the right moment to invest". Serbian exhibitors at Real Expo were municipalities of Vranje and Kragujevac, Belgrade Directorate for the City Construction Land, MCP Properties, Atrium Consulting, Verano Invest and the office of attorneys at law Jankovic, Popovic and Mitic.



€4m Expected After Paris Food Fair

Following Serbia's participation at the international food fair in Paris "Salon international de l'alimentation - SIAL" SIEPA CEO Jasna Matic stated that the expected export of 12 exhibiting companies should reach €4 million. More than thousand business contacts have been initiated, a dozen pre-contracts signed and are to be realized in months to come. Nectar company signed a contract worth €1 million on exporting organic apple juice concentrate to Germany. Matic recalled that Belgrade-based companies Polimark, Agranela, Areks, Igda Impex and Libertas exhibited their products, as well as Subotica-based Pionir and Fidelinka, Krusevac's Marni, Futog's Aroma and Sickoberi from Mataruska Banja. These companies presented dry and frozen fruit, vegetable and fruit products such as jams, fruit preserves and ketchup, as well as truffles and other kinds of



mushrooms and paprika and fruit pastes for the food industry. She stressed that after taking part in various fairs, Serbia has become known as a high-profile food producer. Foreign investors at fairs were also interested not only in importing food products from Serbia, but also in possible joint investments in the country.

Serbia took part in nine specialized fairs with over 30 agricultural and food producers who made deals to export approximately €40 million worth of goods. The participation of Serbian companies at SIAL was made possible by the Ministry of Agriculture, Forestry and Water Management, SIEPA and Serbia Entrepreneurship Development Project (USAID-SEDP). The fair was held from October 22 to 26, it gathered more than 5,256 exhibitors from almost 100 countries and was visited by more than 150,000 people.



UK's Alena Investment Deal Signed

The Serbian Government has approved the first non-refundable funds for direct investments from the National Investment Plan (NIP). €6 million was given to the British Alena company from the NIP's funds. Serbian Finance Minister Mladjan Dinkic said that Alena will receive a subvention of €2,000 for every worker, because it has obligated itself to build a modern textile factory in Vranje which will employ 3,000 people. The money will be paid in four phases, and the entire production will be dedicated to exports, which will additionally increase Serbia's foreign currency income and enable new investors to receive similar subventions. Alena bought the facilities of Vranje textile company Yumco for €550,000, and will build its own factory at the site. It has also signed an agreement to rent Sloboda confections factory for €20,000 per month, which will be used for production purposes until the new factory is completed. There will be 250 employees of the Sloboda factory and 650 Yumco employees working in the rented hall until the new factory is finished. Alena has factories in Romania, Moldavia, Syria and Vietnam.

For remainders, non-refundable funds are being approved to eligible companies based on the Serbian Government Decree adopted in late June of 2006 and according to specified criteria for investment projects in all areas, except for trade, tourism, hospitality and agriculture. Eligible companies are those involved in manufacturing activities, internationally marketable services sector and research and development sector.

Investments in manufacturing activities:

- Available funds: starting at €2,000 up to €5,000 per every new employee,
- The minimum investment amount: between €1 million and €5 million, depending on the unemployment rate in the municipality where the investment is made,
- The minimum number of new job positions: 50.

Investments in the internationally marketable services sector:

- Available funds: starting at €2,000 up to €10,000 per every new employee,
- The minimum investment amount: €1 million,
- The minimum number of new job positions: 10.

Investments in the R&D sector:

- Available funds: starting at €5,000 up to €10,000 per every new employee,
- The minimum investment amount: €1 million,
- The minimum number of new job positions: 10.

Investment projects are scored and evaluated based on the specific criteria: 1) investor's references, 2) participation of domestic suppliers in the final product and the investment effect on local companies, 3) investment's sustainability and viability, 4) the effect related to the R&D sector, 5) the effect on human resources, 6) environmental impact, 7) international turnover of services for investments in this area, 8) the effect on development of the local community, and 9) municipality support related to providing all necessary permits and incentives.

More about the program and how to apply on: www.siepa.sr.gov.yu



Serbian Supplier Development Program

One of the projects of SIPP (Serbian Investment Promotion Program) financed by the European Agency for Reconstruction (EAR) and implemented by MIGA (Multilateral Investment Guarantee Agency of the World Bank) and SIEPA is the Serbian Supplier Development Program. The aim of this project worth €600,000 is the development of national competitiveness and the SME sector. In the first phase of the project implementation 100 to 150 companies will have a chance to apply for the program, out of which at least 30 companies will receive intensive support through technical assistance. The multinational companies currently involved in the program are: Coca Cola, Rio Tinto, Siemens, US Steel, IKEA, InBew, Gorenje, Zastava Auto, Delyug (Nestle), Cimos, Henkel, and British American Tobacco. In addition to being beneficiaries of the program, these multinationals will take part in project coordination and education process, together with providing overall support to the program design. Technical support received will strengthen management and production capabilities of local companies involved in the program. Furthermore, it will enable them to meet the needs and requirements of MNCs in terms of quality and quantity while receiving the status of an approved supplier.

