



### Highlights of the Month

As of January 2010 Serbia will have duty free access to 75 million people Turkish market. [Read more >>>](#)

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### Meet Us

A Serbian commercial delegation visits Lisbon as SIEPA focuses its effort on southern Europe this month. [Read more >>>](#)

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### Sector Close Up

#### Media Sector 2009

This sector is trying to make a comeback to its heyday – see where it stands today. [Read more >>>](#)

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### Q & A

#### Mr. Jose Bustamante, European Commission in Serbia

See how the EU and Serbia are bringing Serbia's accession campaign to fruition. [Read more >>>](#)

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### Monthly Reporting

Find out about how employee loyalty in Serbia measures up relative to other emerging markets. [Read more >>>](#)

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### Arts & Entertainment

Two of the top three most visited festivals highlight Serbia's event calendar in July. [Read more >>>](#)

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### The Other Home

Serbia's oldest high school, scenic vistas, and a host of other sites are waiting for you in Sremski Karlovci. [Read more >>>](#)

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### Must See

Excellent culinary treats from all over Serbia, traditional décor, and spectacular views of Belgrade at this charming restaurant in Zemun. [Read more >>>](#)

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## FTA with Turkey

Serbia and Turkey have signed the Free Trade Agreement on June 1 in Istanbul. The Agreement will be in effect as of January 1, 2010 and will be applied according to the model of asymmetric trade liberalization, in favor of the Serbian side. "The Agreement represents an opportunity for our exporters to start duty-free export of goods to Turkey, which is a large market with 75 million citizens, as soon as January 2010", said the Minister of Economy of Serbia, Mladjan Dinkic, following the signing of the Agreement.

## Serbia and Croatia Working Closely

The Agreement on Economic Cooperation between Serbia and Croatia was signed in Zagreb by Mladjan Dinkic and Damir Polancec, the Deputy Prime Ministers of the two countries. They said that the exchange of goods between Croatia and Serbia in 2008, worth €830 million, is significant for the economies of the two countries, but they also said that there were potentials for even greater and better economic cooperation.

The agreement was signed in the Ministry of Economy of Croatia in Zagreb after Croatian-Serbian talks about bilateral issues and numerous other subjects, which were estimated by the Deputy Prime Ministers of the two countries as constructive and pragmatic.

## Exim in Jagodina

US company Exim has announced a \$20 million investment into construction of two units for production of medical appliances and metal structures in Jagodina. The President of Group's Administrative Board Miroslav Aleksic said that the construction of two 10,000 square meter halls alongside European

SIEPA

## Steel Pipes made in Nova Pazova

A project, in which SIEPA took an active part, has come to a realization. Italian company Eurogroup has opened a factory for production of steel pipes in Nova Pazova worth close to €10 million. Factory Yugotub will employ 30 workers and produce 36,000 tons of pipes a year. "It is planned to increase the number of employees to 50, in order to reach the maximum production capacity", said the Director of Yugotub, Klara Stojanovic.

Eurogroup, in cooperation with the investment fund Finest in Serbia, has found a company Yugotub, which will export steel pipes to neighboring countries and Western Europe. Yugotub is headquartered in Italian city Monfalcone, produces welded materials for ships, various segments and units for ships, and steel pipes.

## Regional Cooperation

Representatives from six western Balkan investment promotion agencies signed a memorandum of understanding in Vienna on June 8<sup>th</sup>, creating a network aimed at improving mutual cooperation and investment in the region. The agreement to create a regional network of investment promotion agencies was signed by representatives of SIEPA, the Foreign Investment Promotion Agency (FIPA) of Bosnia and Herzegovina, the Trade and Investment Promotion Agency (APIU) of Croatia, the Montenegrin Investment Promotion Agency (MIPA), Invest in Macedonia, and Albinvest of Albania.

"The signing of this memorandum will strengthen the cooperation we have developed over the past three years and the position of our region," declared SIEPA Deputy Director Bojan Jankovic. He added that this network was significant for all of its member countries and that it will at first serve as a platform to share experiences and cooperate on projects. "Our agencies developed at different times. We have helped each other before, and this agreement will strengthen this cooperation further. It is as important for us as it is for the international network. If we're able to cooperate and open our doors to one another, then that is a significant sign for the international community and investors," noted Jankovic.

Corridor 10 is already in the pipeline. The production process will give employment to around 150 engineers, while about 600 workers will be engaged in production of metal structures in the other hall.

Exim Group has its headquarters in Orlando, Florida and comprises 14 companies and 2 banks.

## Do-it-Yourself in Nis

French "do-it-yourself" hypermarket chain Mr.Bricolage has started construction of a €9 million retail facility in Serbia on June 16th in Nis.

This 5,800 square meter trade center is the first in the series of investments of company Brico Spec in Serbia. The company is 100% owned by French-Bulgarian company Doverie Brico AD and plans to open another five facilities in Serbia, as well as to expand its operations to the markets of Macedonia and Montenegro.

Mr. Bricolage with 1 million square meters of retail space is among the world's four largest hypermarket chains and it operates through the network of 527 stores. Doverie Brico AD operates in the market of Bulgaria through the chain of 10 hypermarkets.

## The Best Produce Comes from Serbia

Mayor of Leskovac, Slobodan Kocic, and the owner of Italian company Bonta Italiane Mr. Mauro Kapra signed the agreement on the lease of land for construction of a factory for refinement of fruits and vegetables. The Leskovac City Council made the decision to lease the land to the Italian entrepreneur without compensation, in turn for Bonta Italiane's obligation to employ Serbian workforce and construct operation units.

"This investment will provide placement for great number of farmers in Leskovac region. It is not by chance that the Italians are in Leskovac as they revealed a secret to me saying that fruits and vegetables from our region tastes better than any fruit and vegetables from the rest of Europe. Also this investment will help farmers acquire know-how on how to produce food in accordance to the European standards", said Mr. Kocic.

## Rimini Bidding for Belgrade Fair

On 19/06/2009, Privatization Agency tender committee opened the only bid that arrived for purchase of Belgrade Fair by Consortium, Fair in Rimini and Verano Group. Privatization consultant Cesmecon has assessed whether all necessary documentation was submitted and will reveal the offered price.

Privatization procedure implies that after the price is being made known and obligatory investments are being accepted, negotiations on social program should follow, and at the end of August, Belgrade Fair could have a new owner. The consortium is not willing to talk about the price offered for facilities of 106,241 square meters, including six fair halls with exhibition space of 53,221 square meters. "If Fair in Rimini and Verano Group become owners of

Belgrade Fair, the first step will be reconstruction and enlargement of exhibition space", Lorenzo Cagnoni, the President of Rimini Fair Board of Directors said.

## No Lay Offs in Michelin, Serbia

French producer of cartires Michelin and the owner of tire producer Tigar Tyres confirmed it will not resort to lay offs in Serbia although it announced such measures in France. According to the Agency for Business Registration Michelin in Serbia employs 2,252 people (end of 2008).

Big producers of tires in West Europe are restructuring production due to both decrease of demand on market and competition of new producers, which is becoming more and more severe, AFP stated.

## Egaz-Degaz Chooses a Serbian Partner

Hungarian company Egaz-Degaz, which deals with gas exploitation and transportation, has chosen Serbia based company Algotech to implement new customer service that can respond to the growing demands of the clients and meet the conditions that are stipulated by the new legal regulations. The new contact center has contributed to the improvement of client service by introducing several new options that make it much easier for the clients to do business with company Egaz-Degaz.

## Another Logistics Center

Slovenian company which trades in equipment for retail facilities Smeh has opened its first logistic center in Stara Pazova. The logistic center in Serbia is the second one, while the first has been opened in Ljubljana. The owner and the

director of the company Tomaz Smeh presented the plans for the market of Serbia, which, in addition to the the logistic center, includes preparation of the location for construction of a new factory. In addition to trading activities, the company also offers service of planning and equipping of retail facilities, hotels, airports, etc.

## Meet Us

July 2, 2009

**Serbia: Heart of the Balkans and Gateway to Russia,**  
Varese, Italy

July 2, – July 3, 2009

**Presentation of Serbian Businesses,**  
Lisbon, Portugal

July 2, – July 4, 2009

**UNDP Black Sea Promotion Initiative**  
Bodrum, Turkey

July 13 - July 16, 2009

**ITALBALK Conference,**  
Naples, Italy

## Learning from Austrians

The Institute of Austrian Chamber of Commerce for Improvement of Economy - WIFI, has started operating in Serbia. The CEO of WIFI in Serbia, Branko Dragas, said he owns 40% of capital of that company in Serbia, while 60% were owned by Austrian Institute WIFI. WIFI is one of the largest European educational institutes and it offers training programs for improvement of operations in all sectors of economy. Besides in Austria, there are also training centers in Poland, Czech Republic, Slovakia, Hungary, Croatia, and Serbia.

## Media Sector

Source: Ekonomist Magazin

### Strategy is What Matters

This sector list includes six companies that employ more than 2,400 people and, except for the leader, they can be grouped into two general categories: television and print media.

The growth trend in the market of advertising in media continued in 2007. About €125 million was spent on advertising in the Serbian media in 2007, while in 2001 expenses amounted to €25 million, which shows that from year to year 25% more money is spent on advertising on average, precisely €10 million more year-over-year.

The list of the media sector for 2007 includes six companies that employ more than 2,400 people. The observed group of enterprises in the media sector recorded €258.3 million, which is 42.7% more than in the previous year, while their average EBITDA margin amounted to almost 17%. All the observed companies, except for the leader on the list, can be grouped into two general categories: television and print media.

The leading company on the list is the media agency Direct Media, which did not appear in last year's list. Direct Media recorded operating revenues of more than €66 million, 61% more than in the previous year, with EBITDA margin of 5.1%. This media agency has been operating in Serbia since 2001, it is also present in Bosnia and Herzegovina and Montenegro, and it previously dealt with providing services in strategic planning, rental of media space, media planning, and monitoring realization of campaigns, estimations and reporting.

The leading electronic media corporation Pink International Company, with recorded revenues of €51.4 million, which is 61.4% higher than last year, is once again the runner-up. Pink has the most employees of all companies in this sector (740), and it recorded EBITDA margin of 47.6%. Commercial television – TV Pink, Radio station – Radio Pink, as well as a movie production complex – Pink Films International are integral parts of this media group. TV Pink is present in the entire region, especially in Bosnia and Herzegovina and Montenegro, while in 2008 the company expanded its activities to Croatia as well. According to electronic measurement of viewing habits of TV audience by people meter, TV Pink was the second ranked company, after the RTS public service, with a 23.5 % share in the overall viewing habits, while TV B92 was the third with a share of 9.3 %.



The next electronic media company on the list is B92, which remained in the fifth place on the list of companies by recorded revenues, which exceeded €23 million. Growth of 52.5% was recorded, while operating profit – EBITDA amounted to €1.6 million. The basic activities of B92 still include three media branches: a television station, radio station in Belgrade and web portal. Today, eight years after its establishment, via 42 transmitters the B92 signal reaches more than 98% of the entire population in Serbia.

Blic Press is the first print media company that appears on the list, and it holds third place, with recorded operating revenues of €44.8 million, which is a 53% growth. EBITDA margin amounted to 17%, which makes the company the best ranked after Pink. Blic Press is owned by the biggest Swiss publishing company Ringier Publishing House.

Company Novosti A.D. recorded operating revenues of about €36.6 million, with growth higher than 17% in comparison to last year. Recorded operating profit – EBITDA amounted to €1.8 million. Novosti has one of the widest networks of journalists and correspondents, more than 200 from the country and the region. Besides the daily newspapers, Novosti A.D. also issues weekly magazines, and has a radio station as well. The state still has 29.5% share in the capital of the company.

The leader from 2006, Politika Newspapers and Magazines is fourth on the 2007 list. Growth of 11.6% and recorded operating revenues of almost €36 million, together with EBITDA margin of 13.3%, were not sufficient to retain the leading position in 2007. Besides the oldest daily newspaper in the Balkans, the company also publishes 12 other issues, and in July 2008 Politika started issuing three new special newspaper supplements.

Media Sector							
Rank	Company	Operating revenues 2007	Operating revenues 2006	Growth of Operating revenues	Number of employees 2007	EBITDA 2007	EBITDA margin 2007
1	Direct Media	66,093	41,026	61.1%	47	3,354	5.1%
2	Pink International Company	51,415	31,850	61.4%	740	24,465	47.6%
3	Blic Press	44,818	29,272	53.1%	297	7,640	17.0%
4	Novosti	36,676	31,285	17.2%	451	1,827	5.0%
5	Politika Novine i Magazini	35,990	32,250	11.6%	600	4,804	13.3%
6	B92	23,301	15,277	52.5%	293	1,643	7.1%



**Mr. Jose Bustamante,**  
First Counselor and Head of Section - Operations  
Delegation of the European Commission to the Republic of Serbia

The European Commission Delegation in Belgrade was established in then the Socialist Federative Republic of Yugoslavia (SFRY) in 1982, following the signing of co-operation Agreements between the SFRY and then the European Economic Community (EEC). The Delegation's function is to facilitate the development of political and economic relations between the European Union and Serbia in the framework of the Stabilization and Association Process (SAP) as well as to raise awareness of the EU in the country. Following the introduction of the Instrument of Pre-accession Assistance (IPA) in 2007, the Delegation has been put in charge of managing financial assistance programs which are supporting Serbian reforms, a task since 2000 implemented by the European Agency for Reconstruction (EAR) with the CARDS funds.

**How do you manage the EU assistance in Serbia and what are your plans for the upcoming period?**

All programs are designed for several years and initiated by the Commission following a special strategy designed for the given candidate or possible candidate country. The annual programs are adopted in consultation with the Serbian government and our own Member States, after examining the progress of Serbia in different areas on the path to the European integration.

Assistance is targeted to assist fulfilling the so-called Copenhagen criteria which are the basic conditions of measurement of countries' preparedness to join the EU. They include having institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; then, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

On top of the Community Assistance for Reconstruction, Development and Stabilization (CARDS) program still under implementation, Serbia receives €190 million of support from the Instrument of Pre-Accession (IPA) funds. As joint programs, they are the result of an annual dialogue with the Serbian government targeting priority areas and are subject to co-financing from the Serbian side.

**What are the areas of major activities currently being supported by the EU in Serbia?**

In particular, IPA is helping to strengthen democratic institutions and the rule of law, reform public

administration, carry out economic reforms, promote respect for human as well as minority rights and gender equality, improve infrastructure, support the development of civil society, advance regional co-operation, and contribute to sustainable development and poverty reduction.

### How does the EU work with the Serbian European Integration Office (SEIO)?

The EU is providing guidance to the Serbian authorities on reform priorities as part of the European Partnership. SEIO is an essential tool in this dialogue. The Serbian government has adopted the National Program for European Integration that also covers the European Partnership priorities and mirrors the EU program from the national side. Progress on reform priorities is encouraged and monitored by the Enhanced Permanent Dialogue (EPD) process, covering various sectors such as energy, transport, environment, internal market, trade, industrial policy and SMEs, justice, liberty and security, and agriculture. SEIO is instrumental in contributing to enhancement of the EU partnership with Serbia. Apart from a very important political and technical dialogue, we are also working closely together to communicate all the results, successes and challenges towards the general public and generate public discussion on it.

### What do you consider to be Serbia's greatest advantages in terms of attracting foreign investment?

A skilled and productive labor force has proven to be one of Serbia's major competitive advantages in the global investment market. With a specific combination of high-quality and low-cost skill-set, it is regarded as a strong business



performance driver. Secondly, a strategic geographic position is an asset. Bordering Hungary, Romania and Bulgaria, Serbia is at the doorstep of the European Union. Via strategic transportation corridors the country links Western Europe and the Middle East. Also, one should not forget rather low operating costs for business and investment incentives (financial and tax) introduced by the Government. Even in times of economic difficulties these are assets that remain important.

### Can you briefly talk about some of the initiatives the EU is undertaking to assist Serbia in creating a more attractive investment climate?

Via, various CARDS projects, the EU has already invested €50 million (including €20 million in direct credit lines to SMEs) to support the development of the private sector in Serbia and the public structures dealing with this development. An additional €6.5 million is in the pipe-line from IPA 2007 and 2008 and a follow-up is being considered for 2009 and 2010. These funds support competitiveness, innovation

of Serbian companies, export promotion, entrepreneurship development, and the aforementioned credit facility. The EU also works with IFIs such as the EBRD, the EIB or the World Bank in assisting the government and the private sector in strengthening the economic environment and the institutional framework in Serbia.

Regarding the investment climate, I need to mention the recently finalized Investment Promotion Program (€3.41 million), implemented with SIEPA and the Ministry of Economy and Regional Development. This project aims to reinforce the institutional framework for investment promotion, promote Serbia as a highly competitive investment location, stimulate an increase in the supply of Greenfield property options and enable Serbian firms, particularly SMEs, to become approved suppliers of foreign investors. The project was implemented by the Multilateral Investment Guarantee Agency (MIGA) and the Foreign Investment Advisory Service (FIAS) of the World Bank. As in previous Export Promotion Program, SIEPA was an excellent counterpart and significantly contributed to the success of the project.

## Employee Engagement in Emerging Markets

There is considerable evidence to support the assertion that companies which place employees at the core of their strategies produce higher long-term shareholder returns than their industry peers. Understanding the employee/employer dynamic has become a vital ingredient to a company's survival in what has become an increasingly competitive and challenging environment, especially in the emerging markets of Europe where, today, organizations need to attract and retain skilled/qualified workers in order to compete in the global economy.

An analysis of employee behavioral intentions indicate that 43% of employees could be described as "Strongly Loyal", 27% "Favorable", 19% "Wavering" and 11% "Disloyal". Just over 60% of all employees are willing to continue with their employer as well as to put in effort beyond what is expected of them, in order to help their company to succeed. However, only 63% of employees are willing to recommend (a rather "softer" measure than the other two) their company as a good place to work - a behavior which, for these countries, is most associated with loyalty.

Compared to other countries in the survey from Central and Eastern Europe, employee loyalty in Serbia is relatively high. The Employee Loyalty Index is 61% and "Strongly Loyal" employees account for 60% of the workforce. More than 63% of those polled believe that their jobs meet their needs and expectations, and 41% thought that there would be major disruption in their lives should they decide to leave their company. In general, nearly two-thirds of all employees could be described as emotionally engaged to their companies, with emotions such as caring about their companies as if it were their own, pride, trust and strong sense of belonging figuring highly.

Senior management in Serbia is rated as capable by 62% of employees. Nearly two-thirds believe that their

companies provide them with the necessary support to develop their careers and regard the evaluation of their performance at work as fair. However, little more than 50% of respondents rate their organization's compensation and benefits as excellent, which correlates well with the perception that base salary levels do not reflect the level of responsibility, skills and experience. It is noteworthy that 78% of employees regard the provision by companies of family-friendly benefits as inadequate. A large majority of employees like the duties and activities that make up their jobs, with ratings in the high 70s% on freedom to make own decisions, time management, control over the resources and good fit between nature of the job and skills, abilities and experience.



This survey was conducted by MASMI, the international research group. In October 2008, data was collected from 1,650 people in Russia, Ukraine, Belarus, Serbia, Poland, Hungary, Croatia, Cyprus, and Saudi Arabia. Survey respondents were full time employees working in companies with more than 20 employees.

Source: MasmI

	Strengt of Association	Performance Summary		
		Strongly Agree/Agree	Neither Agree/Not Disagree	Disagree/Strongly Disagree
Recommend as a good place to work	0.816	63%	22%	15%
Plan to be working 2 years from now	0.804	73%	14%	13%
Put in effort beyond what is expected	0.747	75%	16%	9%

	Strengt of Association	Performance Summary		
		Strongly Agree/Agree	Neither Agree/Not Disagree	Disagree/Strongly Disagree
Feel a strong sense of belonging	0.869	56%	25%	18%
Proud to work for my company	0.836	62%	26%	13%
Values and beliefs consistent with my own	0.804	51%	27%	22%
Trust my company	0.798	62%	23%	15%
Feel like "part of family"	0.789	60%	23%	17%
Feel strong personal attachment	0.784	59%	22%	18%
Provides me with a sense of personal accomplishment	0.762	59%	22%	19%
Care as if it were my own business	0.760	57%	22%	21%

## Belgrade

July 1 – July 12, 2009  
Universiade – Sporting Event

The 25<sup>th</sup> Summer Universiade, the biannual, multidisciplinary sporting event that is only second in size to the Olympics, comes to Serbia for the first time this summer. Roughly 8,000 students from across the world will come to compete for two weeks in 13 different disciplines ranging from basketball to Tae kwon do. Events will take place in Belgrade, Indjija, Novi Sad, Obrenovac, Pancevo, Smederevo, Vrsac, and Zrenjanin. More info: [www.universiade-belgrade2009.org](http://www.universiade-belgrade2009.org)

July 1 – August 31, 2009  
BELEF Festival – Art Exhibition

BELEF, the Belgrade Summer Festival, is an international multimedia festival featuring various visual, theatrical, and musical performances that are used to convey the story of

## The Other Home

Mr. Jose Bustamante,  
European Commission to the Republic of Serbia

I suggest visiting Sremski Karlovci, as it is a charming little town not too far away from Belgrade with rich historic and architectural assets. Indeed, this picturesque town is full of historical and cultural treasures and is a must for anyone visiting Novi Sad or Fruska Gora national park, which are only a short distance away. More info: [www.sremski-karlovci.org.rs](http://www.sremski-karlovci.org.rs)

Belgrade as a metropolis, and its tolerant, urban silence. The two month-long festival will animate the entire city, from the Kalemegdan fortress, to Ada Ciganlija, the blocks of New Belgrade, and various theatre and performance venues. More info: [www.belef.org](http://www.belef.org)

## Novi Sad

July 9 – July 12, 2009  
EXIT – Music Festival

EXIT is Serbia's premiere music event and, according to CNN, one

of the top twelve music festivals in the world. This year's EXIT will once again take place on the historic Petrovaradin fortress in Novi Sad and will feature performances from the Arctic Monkeys, Lily Allen, Korn, Manic Street Preachers, Moby, Kraftwerk, the Prodigy, Madness and many, many others across 5 stages on 4 different nights. More info: [www.exitfest.org](http://www.exitfest.org)

## Vrnjacka Banja

July 12 – July 19, 2009  
Vrnjacki Karneval

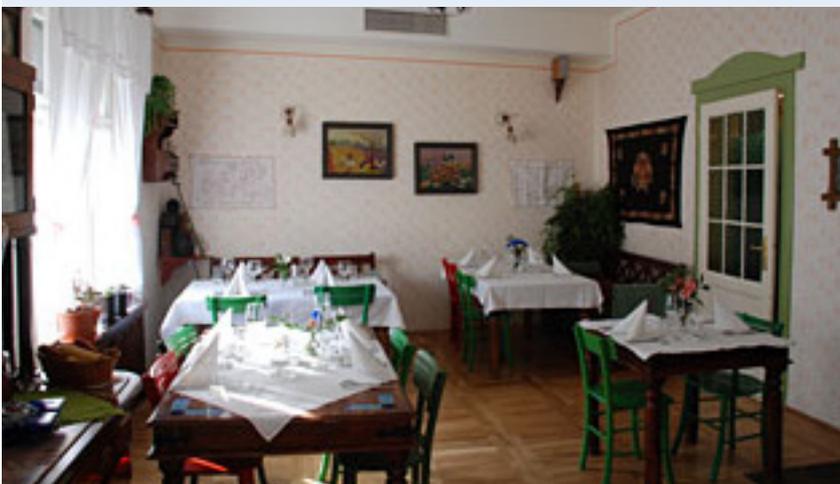
Vrnjacka Banja, one of Serbia's most popular spas, takes in even more than its usual share of visitors when the Carnival of Vrnjci engulfs the town for a week in mid-July. The carnival, which is third only to EXIT and the Guca festival in Serbia in terms of the number of visitors it attracts, features a wealth of concerts, exhibitions and plays for people of all ages and interests. More info: [www.vrnjackikarneval.com](http://www.vrnjackikarneval.com)

## Must See

### Restoran Salas

A leisurely walk from the center of Zemun up the lovely cobblestone path brings you to restaurant Salas. Situated in an old, rustic house which dates back to the 1930's, Salas offers a menu of traditional Serbian food from throughout the country, impeccably tasteful, traditional décor, and unbeatable views of Belgrade from its terrace. Load up on hearty Serbian cuisine and then walk it off by paying a visit to the nearby Gardos monument or the scenic quay along the Danube.

More info: [www.salas-gardos.com](http://www.salas-gardos.com)



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