

# Upswing Recorded In Serbian-Japanese Cooperation



As of recently, Serbia has been able to boast that, thanks to its active foreign investment policy, it has also become an attractive destination for Japanese companies. Also testifying to this is the visit of a JETRO delegation to Serbia after a gap of almost a decade. The occasion of this visit saw the trade sectors and the industries of ICT, construction, energy, chemicals, automotive and food production highlighted as potentially interesting areas for investment

**RADOŠ GAZDIĆ,**  
ACTING DIRECTOR OF THE DEVELOPMENT  
AGENCY OF SERBIA (RAS)

Here we speak with Radoš Gazdić, acting director of the Development Agency of Serbia (RAS), about this agency's activities and cooperation with Japan in the fields of investment, foreign trade and expert support.

**•How satisfied are you with the level of foreign direct investment in Serbia this year?**

-The Serbian economy is recording positive growth dynamics, which are influenced to a great extent by record inflows of foreign direct investments. Thanks to large structural reforms, in the Government we have managed to complete the most attractive package intended for investors in the region of Central and Southeast Europe, and to position ourselves in the world as a stable and reliable investment destination.

The coordinated work of all relevant state institutions contributed to us achieving great results this year in terms of attracting investment. In the first ten months of 2017, RAS surpassed last year's record year for a decade in the implementation of investment contracts, with 24 contracts worth a total of €157 million, which will create 8,000 new jobs. By year's end we expect to realise contracts worth €200 million, which would create another 10,000 new jobs and represent a new record for

Serbia in attracting investments and creating new jobs.

Serbia is today a country where world renowned companies operate, like FCA, Bosch, Michelin, Siemens, Panasonic, NCR, Cooper Tires, Grundfos, Zumtobel, Magna, Continental, Calzedonia, Stada, Falke, Swarovski, Ball Packaging, Sitel, Microsoft, Gorenje, Schneider Electric, Geox, Tarkett, Johnson Electric, Meggle, Leoni and many others.

Such results give us satisfaction and motivate us to work even more, but also responsibility towards investors in terms of continuously improving the business environment.

The benefits of the arrival of foreign direct investments have a major impact on the economic stability of the country, while their presence also has broader significance. Apart from the money that foreign companies bring to Serbia, it is also very important that there is a transfer of know-how, a raising of competitiveness, the training of domestic workers, standardisation, as well as a raising of the awareness of citizens regarding the business philosophy at the global level and the attitude towards work.

We can be extremely satisfied that our successes are recognised and rewarded by global organisations like the World Bank, which recently recognised Serbia as the best country in Southeast Europe according to the criterion of implemented reforms, which provided the basis for it to

be more attractive to foreign investors. The Foreign Investors Council (FIC) estimated in its latest edition of the White Book for 2017 that the Serbian economy has recorded continuous progress in the past three years, and that the business climate in Serbia today is far better than it was 10 years ago. In its report for 2017, IBM Global Location Trends positioned Serbia as the world leader in terms of the number of jobs created in 2016 per capita. Moreover, Serbia is ranked 43rd on the World Bank's latest Doing Business Index, which is an improvement of four places compared to last year.

**•What do you consider as the most important factors that make Serbia an attractive destination for investors?**

- The ordering of the regulatory framework through the adoption of new laws and serious economic and structural reforms being conducted by the Government of Serbia provided the key framework for establishing a stable business environment and improving conditions for doing business. Serbia is a stable country in macroeconomic and political terms, with predictable conditions for doing business, which provides foreign investors with security.

Serbia can today offer foreign investors duty-free exports to markets of 1.1 billion consumers, encompassing the European Union, the Russian Federation, the U.S., Kazakhstan, Turkey, Belarus and the countries of CEFTA and EFTA.

Moreover, Serbia also offers benefits for doing business in free zones, of which there are a total of 14 nationwide, where more than 200 multinational companies operate and more than 20,000 people work. Exports of goods from free zones are growing year on year and currently account for 20 per cent of Serbia's total exports.

Another positive factor is low operational costs and highly competitive tax rates. Another strong driver of business performance is the country's highly qualified workforce, coupled with the possibility

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of state and other incentives for investors, developed infrastructure and an efficient administration.

**• How much do foreign investments contribute to the growth of GDP, exports and the transfer of modern technologies?**

- This is best illustrated by the statistic of the National Bank of Serbia estimating that FDI in Serbia in 2017 will total 2.1 billion euros, which

accounts for around 5.5% of GDP, which will exceed the current account deficit for the third consecutive year.

That continuity of positive results brings financial stability to the country, and thus economic and macroeconomic stability, which is an important factor for major world companies when it comes to deciding to operate in our country. That is a positive spiral with which Serbia has managed to keep pace and which brings good results.

FDI has a major impact on the country's rate of economic growth rate and plays a significant role in achieving stable, long-term economic growth that is based on both investment growth and the introduction of contemporary, modern and environmentally sound technologies, as well as increased competitiveness.

Large companies operating in Serbia are mainly export-orientated, and this has certainly influenced the overall level of goods exports, which this year, according to the data of the Statistical Office of the Republic of Serbia, increased by 14 per cent compared to last year.

Through its programmes, RAS will strive to further influence an increase in the country's exports. One of the key segments of RAS's work is supporting SMEs, while our focus in the coming period will be on connecting local and foreign companies,



(Japan International Cooperation Agency) and JETRO (Japan External Trade Organisation), which started in 2002 with the training of employees, only to be extended in 2005 to encompass the implementation of joint projects.

Alongside numerous investment conferences and seminars, which have been held in both Japan and Serbia, as well as in other European countries where Japanese investors have a significant presence, several business missions and visits of Japanese companies to Serbia have been organised, the most recent of which was in June 2017. That visit was organised jointly by RAS, the Chamber of Commerce & Industry of Serbia and JETRO, and marked the first visit of a JETRO mission to Serbia in almost ten years. The potential investment sectors discussed at that time were trade, ICT, construction, energy, chemicals, automotive, the food industry and others.

With the support of Japanese institutions, Serbia also had the opportunity to exhibit at Foodex, Japan's food industry expo, after which Serbian companies started exporting frozen products to Japan. On several occasions, domestic companies have received the opportunity to familiarise themselves and gain insight into the Kaizen method of doing business and organising work, which is synonymous with Japanese productivity and efficiency. In the domain of project implementation, a special place is held by long-term cooperation with JICA on the project "Establishing and promoting mentoring services for MSEs in the countries of the Western Balkans". This project relates to closing the cycle of standardised mentoring services in Serbia, as well as continuing the transfer of Serbian expertise in the field of mentoring in Bosnia-Herzegovina, Montenegro and Macedonia, with the support of Japanese experts. This project is the result of many years of successful cooperation and is JICA's only project with a regional character, with RAS as a partner in transferring the Serbian model of standardised mentoring services to the countries of the region. Furthermore, this is a rare example of JICA supporting a fourth consecutive project in one country.

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• **How difficult it is to attract quality investors, such as Japanese companies – of which there were previously very few on the domestic market? We also recently recorded the first visit of a JETRO mission to Serbia after a gap of almost ten years. What is the long-term significance of this renewed interest in Serbia?**

- Cooperation between Serbia and Japan has recorded an upswing in recent years. Serbia mainly exports frozen fruit to Japan, primarily raspberries, while the most common commodities on the import side are motor vehicles.

The largest Japanese investments in Serbia are those of Japan Tobacco International in Senta, Yazaki in Šabac, Panasonic Lighting Devices in Svilajnac and Kansai in Gornji Milanovac.

RAS has continued its cooperation with Japanese institutions JICA

• **How much have foreign investments contributed to more balanced regional development in Serbia and job creation in parts of the country suffering from high unemployment?**

- The umbrella policy of the Government of Serbia is to have a uniform division of investments in all Serbian cities, in order for all regions in the country to develop equally and for workers to be employed. The current unemployment rate in Serbia is 10.6%, which is the lowest rate so far, and plans suggest that it will be even lower by the end of the year.

In the last three years of working with investors, we managed to create about 5,000 new jobs in municipalities that are not very visible on the investor map, such as Koceljeva, Prijepolje, Vladičin Han, Surdulica, Prokuplje, Žitorađa, Vlasotince and Knjaževac...

In order to strengthen domestic businesspeople in underdeveloped areas, the Development Agency of Serbia, in cooperation with the Economy Ministry, implemented a programme of support for new employment this year, in which the greatest support was given to devastated areas, in order to reduce unemployment and enable more balanced regional development. ■