Serbia

RISK & COMPLIANCE REPORT

DATE: March 2019
<table>
<thead>
<tr>
<th>Executive Summary - Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sanctions:</strong></td>
</tr>
<tr>
<td><strong>FAFT list of AML Deficient Countries:</strong></td>
</tr>
</tbody>
</table>
| **Higher Risk Areas:** | US Dept of State Money Laundering Assessment  
Not on EU White list equivalent jurisdictions |
| **Medium Risk Areas:** | Compliance with FATF 40 + 9 Recommendations  
Corruption Index (Transparency International & W.G.I.)  
World Governance Indicators (Average Score)  
Failed States Index (Political Issues)(Average Score) |
| **Major Investment Areas:** |
| **Agriculture - products:** | wheat, maize, sugar beets, sunflower, raspberries; beef, pork, milk |
| **Industries:** | base metals, furniture, food processing, machinery, chemicals, sugar, tires, clothes, pharmaceuticals |
| **Exports - commodities:** | iron and steel, rubber, clothes, wheat, fruit and vegetables, nonferrous metals, electric appliances, metal products, weapons and ammunition, automobiles |
| **Investment Restrictions:** | Serbia is open to foreign direct investment (FDI) and attracting FDI is a priority for the Government of Serbia. |
| | Serbia has enacted specific legislation outlining guarantees and safeguards for foreign investors. The current Law on Foreign Investments establishes the framework for investment in Serbia. The law eliminates previous investment restrictions, extends national treatment to foreign investors, allows the transfer/repatriation of profits and dividends, provides guarantees against expropriation, and allows customs duty waivers for equipment imported as capital-in-kind. |
Foreign investors and entities may not, however, establish enterprises in the defense sector or areas legally designated as restricted zones, although they may acquire minority rights in such investments, subject to Ministry of Defense approval.
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1</td>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Section 2</td>
<td>Anti – Money Laundering / Terrorist Financing</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>FATF status</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Compliance with FATF Recommendations</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Key Findings from latest Mutual Evaluation Progress Report (2012)</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>US Department of State Money Laundering assessment (INCSR)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Reports</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>International Sanctions</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Bribery &amp; Corruption</td>
<td>18</td>
</tr>
<tr>
<td>Section 3</td>
<td>Economy</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Banking</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Stock Exchange</td>
<td>25</td>
</tr>
<tr>
<td>Section 4</td>
<td>Investment Climate</td>
<td>26</td>
</tr>
<tr>
<td>Section 5</td>
<td>Government</td>
<td>50</td>
</tr>
<tr>
<td>Section 6</td>
<td>Tax</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Methodology and Sources</td>
<td>54</td>
</tr>
</tbody>
</table>
The Kingdom of Serbs, Croats, and Slovenes was formed in 1918; its name was changed to Yugoslavia in 1929. Various paramilitary bands resisted Nazi Germany’s occupation and division of Yugoslavia from 1941 to 1945, but fought each other and ethnic opponents as much as the invaders. The military and political movement headed by Josip “TITO” Broz (Partisans) took full control of Yugoslavia when German and Croatian separatist forces were defeated in 1945. Although communist, TITO’s new government and his successors (he died in 1980) managed to steer their own path between the Warsaw Pact nations and the West for the next four and a half decades. In 1989, Slobodan MILOSEVIC became president of the Republic of Serbia and his ultranationalist calls for Serbian domination led to the violent breakup of Yugoslavia along ethnic lines. In 1991, Croatia, Slovenia, and Macedonia declared independence, followed by Bosnia in 1992. The remaining republics of Serbia and Montenegro declared a new Federal Republic of Yugoslavia (FRY) in April 1992 and under MILOSEVIC’s leadership, Serbia led various military campaigns to unite ethnic Serbs in neighboring republics into a “Greater Serbia.” These actions were ultimately unsuccessful and led to the signing of the Dayton Peace Accords in 1995. MILOSEVIC retained control over Serbia and eventually became president of the FRY in 1997. In 1998, an ethnic Albanian insurgency in the formerly autonomous Serbian province of Kosovo provoked a Serbian counterinsurgency campaign that resulted in massacres and massive expulsions of ethnic Albanians living in Kosovo. The MILOSEVIC government’s rejection of a proposed international settlement led to NATO’s bombing of Serbia in the spring of 1999, to the withdrawal of Serbian military and police forces from Kosovo in June 1999, and to the stationing of a NATO-led force in Kosovo to provide a safe and secure environment for the region’s ethnic communities. FRY elections in late 2000 led to the ouster of MILOSEVIC and the installation of democratic government. In 2003, the FRY became Serbia and Montenegro, a loose federation of the two republics. Widespread violence predominantly targeting ethnic Serbs in Kosovo in March 2004 caused the international community to open negotiations on the future status of Kosovo in January 2006. In June 2006, Montenegro seceded from the federation and declared itself an independent nation. Serbia subsequently gave notice that it was the successor state to the union of Serbia and Montenegro. In February 2008, after nearly two years of inconclusive negotiations, the UN-administered province of Kosovo declared itself independent of Serbia - an action Serbia refuses to recognize. At Serbia’s request, the UN General Assembly (UNGA) in October 2008 sought an advisory opinion from the International Court of Justice (ICJ) on whether Kosovo’s unilateral declaration of independence was in accordance with international law. In a ruling considered unfavorable to Serbia, the ICJ issued an advisory opinion in July 2010 stating that international law did not prohibit declarations of independence. In late 2010, Serbia agreed to an EU-drafted UNGA Resolution acknowledging the ICJ’s decision and calling for a new round of talks between Serbia and Kosovo, this time on practical issues rather than Kosovo’s status. The EU-moderated Belgrade-Pristina dialogue began in March 2011 and was raised to the level of prime ministers in October 2012.
Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Serbia is on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 19 October 2018

Since February 2018, when Serbia made a high-level political commitment to work with the FATF and MONEYVAL to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Serbia has taken steps towards improving its AML/CFT regime, including by: updating and communicating the results of its NRA; and demonstrating the investigation and prosecution of third-party and stand-alone ML. Serbia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) demonstrating that obligated entities have adequate risk mitigation-related requirements; (2) subjecting lawyers to AML/CFT supervision in practice, integrating the results of institutional risk assessments into supervisory matrices, and demonstrating the timely and effective imposition of sanctions; (3) demonstrating that competent authorities have timely access to beneficial ownership information regarding legal persons, and that such information is adequate, accurate, and current; (4) demonstrating the implementation without delay of targeted financial sanctions measures related to terrorist financing and taking proportionate measures for non-profit organisations in line with a risk-based approach; and (5) demonstrating the implementation without delay of targeted financial sanctions related to proliferation financing.

Compliance with FATF Recommendations

The last follow up to the Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Serbia was undertaken by the Financial Action Task Force (FATF) in 2019. According to that Evaluation, Serbia was deemed Compliant for 4 and Largely Compliant for 29 of the FATF 40 Recommendations. It was also deemed Highly Effective for 0 and Substantially Effective for 0 with regard to the 11 areas of Effectiveness of its AML/CFT Regime.

Key Findings from last MER

Serbia has made efforts to improve its AML/CFT legal and institutional framework since the previous evaluation. Deficiencies remain with respect to some important FATF Recommendations, particularly those dealing with financing of terrorism (FT) and proliferation financing (PF) targeted financial sanctions (TFS), non-profit organisations (NPOs), financial
sanctions, supervision of certain designated non-financial businesses and professions (DNFBPs), politically exposed persons (PEPs), wire transfers and high-risk jurisdictions.

Serbia faces a range of significant money laundering (ML) threats and vulnerabilities. Organised criminal groups involved in the smuggling and trafficking of narcotic drugs and trafficking of human beings pose a major ML threat in Serbia. Tax evasion and corruption offences are considered to generate substantial criminal proceeds. The purchase of real estate, valuable moveable property and investment in securities is a preferred laundering method. The misuse of domestic and foreign (offshore) legal persons together with multiple use of wire transfers are common money laundering typologies. The country’s exposure to cross-border illicit flows is significant.

There are various factors pointing to an elevated degree of FT risk in Serbia, particularly in relation to the non-profit sector and informal money remittances. Terrorism risks originate from separatist and/or extremist groups situated in the region and in certain parts of the southern regions of Serbia. Countries and territories in the region have recently experienced an increase in Islamic radicalisation and nationals joining the so-called Islamic State (ISIS) as foreign fighters in Syria and Iraq.

Serbia understands some of its ML/FT risks. It was the first country in MONEYVAL to have conducted a full scope ML national risk assessment (NRA), for which it is to be commended. Following the completion of the ML NRA in 2013, and a separate FT NRA in 2014, the Serbian authorities’ understanding of risks continued to evolve, taking into account new and developing threats and vulnerabilities. Nevertheless, further efforts should be made to ensure that all the risks, threats and vulnerabilities faced by the country are properly understood.

The Administration for the Prevention of ML (APML) plays a central role in generating financial intelligence. The analysis products generated by the APML are of good quality and have the potential of supporting the operational needs of law enforcement agencies (LEAs). However, some information which is necessary for analytical purposes is either not easily retrievable or not made available to the APML in a timely manner. The dissemination procedure, which involves discussion between the APML and the Prosecutor’s Office, may impact negatively on the APML’s ability to develop and disseminate cases independently from the operational priorities of law enforcement authorities. LEAs use financial intelligence in the pre-investigative phase of ML investigations, parallel financial investigations, investigations of associated predicate offences and FT. Although financial intelligence was used to generate ML investigations, it appears that this is rare due to difficulties by law enforcement authorities in undertaking and conducting investigations for money laundering in the absence of specific indication of the predicate crime.

The Serbian authorities have not been effective in investigating ML offences and prosecuting and convicting offenders. The results do not reflect the risks faced by the country. The majority of ML convictions were for self-laundering connected to a domestic predicate offence. Very few persons were convicted for third party laundering, despite the existence of organised criminality. There have been no foreign predicate convictions. The limited number of outgoing money laundering-related mutual legal assistance (MLA) requests suggests that the Serbian authorities are not active in this area despite the threat from foreign predicate crime. No stand-alone ML convictions have been achieved. There is still reluctance to pursue ML cases until a conviction for the predicate crime has been achieved.

Confiscation of proceeds of crime is a high policy objective in a number of strategic documents and legislation. In practice though, and notwithstanding some significant results achieved, the totality of the results do not necessarily reflect the risks and the number of predicate offence convictions. The structure for the management of seized and confiscated assets is effective and commendable. Whilst there is a system of control for cross border
movement of cash/bearer negotiable instruments (BNIs) in place, it does not appear to sufficiently address the ML and in particular FT risks associated with such movement.

There have been no convictions for FT and only one prosecution. More attention should be directed towards potential FT activity linked to insufficient financial transparency and inadequate control of funds raised by NPOs, as well as to cash movements across the border through alternative remittance systems and money remitters. FT investigations do not appear to be carried out systematically in the context of terrorism investigations and there are difficulties in securing sufficient evidence to bring the investigations forward. However, the authorities broadly understand the risk posed by FT and have taken some measures to address this risk.

Serbia has a legal framework in place to apply targeted financial sanctions regarding FT. However, the mechanism in place does not enable the implementation of the lists “without delay”. Despite the occurrence of terrorism-related activities in the region, no designations were made pursuant to United Nations Security Council Resolution (UNSCR) 1373.

While the Serbian authorities appear to understand the FT risk pertaining to the NPO sector, no formal review has been undertaken with regard to its size, relevance, activities and its vulnerability to misuse. This is a concern due to the FT risks that the country faces.

There is no law or mechanism regulating targeted financial sanctions related to proliferation of weapons of mass destruction (WMD).

Customer due diligence (CDD) measures and record-keeping requirements are applied effectively by all financial institutions (FIs) and most DNFBPs. However, there are serious concerns with respect to real estate agents, notaries and lawyers. This is very relevant in Serbia’s context, given that the NRA identifies the real estate sector as particularly vulnerable to ML. The application of the reporting requirement has improved within the banking and money remittance sector, although further improvements are needed. Very few reports are submitted by other reporting entities.

Overall, the licensing authorities of FIs implement measures to prevent criminals from controlling reporting entities effectively. However, as concerns DNFBPs, the efforts undertaken by the authorities vary significantly amongst sectors. Supervisory authorities are not yet focussing the frequency and intensity of their supervision of sectors and individual licensees based on ML/FT risk. The banking supervisory department of the National Bank of Serbia (NBS) has already taken significant steps in this respect, as has the APML. All supervisory authorities, except for the NBS, have a significant shortfall in staff resources which have a negative impact on the thoroughness of supervision. It was not demonstrated that the sanctioning regime has been used effectively.

Basic information on legal persons is publicly available and, therefore, transparent. However, there is no process for verifying the information that is provided to the SBRA or the Central Securities Depository or for checking whether it requires updating. Beneficial ownership information is available in a timely manner. Legal persons are required to have a bank account and in addition there are limitations on the use of cash for trading in goods and services which make it impractical for any trading entity not to have a bank account.

Serbia has made credible efforts to provide constructive mutual legal assistance and extradition in a constructive manner. Further efforts are required to ensure that assistance is provided in a timely manner. Serbia has actively sought assistance in one large case, demonstrating that there is a capability by the authorities when the need arises. However, the authorities should seek this type of assistance more regularly. Informal cooperation is largely effective.
Risks and General Situation

Serbia faces a range of significant ML and FT threats and vulnerabilities. Organised crime is a major ML threat in Serbia. Smuggling, trafficking and, to a lesser extent, the production of narcotic drugs is the most extensive form of criminal activity which organised criminal groups operating in Serbia engage in. Organised criminal groups are also active in the trafficking of human beings and, more recently, in the facilitation of migrant smuggling. Tax evasion is a major proceeds-generating offence within Serbia. Corruption-related offences, including embezzlement, accepting and giving of bribes and abuse of office, which are often directly linked to organised criminality, constitute a significant ML threat.

Transfer of property with the intent to conceal or misrepresent the lawful origin of the property, or conceal or misrepresent the facts about the property, and use of the property with knowledge that it originates from crime are the most frequent money laundering methods. An analysis of the proceeds seized by law enforcement authorities indicates that proceeds of crime, especially those generated by drug trafficking, are generally laundered through the purchase of real estate, valuable moveable property and investment in securities. The misuse of domestic and foreign (offshore) legal persons together with multiple use of wire transfers are common money laundering typologies in relation to all forms of proceeds-generating crime. The country’s exposure to cross-border illicit flows is significant. This is largely related to the existence of organised criminal groups, which generally have links with foreign associates. Suspicious transactions reported to the FIU by reporting entities and related to foreign exchange payment operations and cross-border money transfers also indicate the importance of international links.

Serbia’s geopolitical situation is highly relevant when considering the risks of terrorism and financing of terrorism that the country faces. The aftermath of past conflicts in the Balkan region is believed to have given rise to terrorism risks originating from separatist and/or extremist groups situated in the region and in certain parts of the southern regions of Serbia. Countries and territories in the region have recently experienced an increase in Islamic radicalisation and nationals joining the so-called Islamic State (ISIS) as foreign fighters in Syria and Iraq. Some members of the ethnic separatist and/or religious extremist groups in Serbia are also believed to have joined ISIS. There are various factors pointing to an elevated degree of FT risk in Serbia, particularly emanating from the non-profit sector and informal money remittances.

Serbian authorities view the region in or close to Kosovo* as being vulnerable to use by organised criminals involved in the trafficking of drugs, human beings and arms as a means of avoiding detection and prosecution. The porosity of the boundary line facilitates an active black market for smuggled consumer goods and pirated products. In addition, the region of Kosovo* and the neighbouring southern parts of Serbia alongside the boundary line were mentioned as areas vulnerable to the activity of religious extremist and/or ethnic separatist groups involved in terrorist acts.

In terms of materiality, the banking sector is the largest within the financial sector in Serbia. Banks account for 92.4% of assets held by the financial sector. Cross-border formal and informal money transfers are also a material component in Serbia. Statistics by the National Bank of Serbia indicate that formal and informal money transfers into Serbia constitute 9 to 10% of Serbian GDP, making them one of the largest sources of foreign income. Despite efforts made by the authorities, the shadow economy still constitutes a problem in Serbia. It is estimated that the size of the shadow economy is approximately 33.6% of GDP. The shadow economy is exacerbated by the widespread use of cash. According to the Tax Administration, cash transactions in significant amounts are conducted in businesses dealing
with foreign trade, purchase of secondary raw materials and agricultural products, as well as in the entities engaged in the construction industry.

**US Department of State Money Laundering assessment (INCSR)**

*Serbia is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.*

**OVERVIEW**

Serbia is situated on a major trade corridor, known as the Balkan route, which is used by criminal groups for various criminal activities, including narcotics trafficking and smuggling of persons, weapons, pirated goods, and stolen vehicles. While the bulk of narcotics seizures continue to be of heroin, seizures of South American cocaine transiting Serbia to Western Europe also occur. Traffickers are often Serbian organized criminal groups or transnational organized criminal groups that include Serbian citizens.

Serbian authorities have improved their AML legal and institutional framework since completing a money laundering national risk assessment (NRA) in 2013 and a terrorism finance NRA in 2014. Since November 2016, Serbia has adopted two new AML laws and three legal amendments, most recently to harmonize its AML/CFT systems with international standards and the EU’s body of legislation. In 2016, Serbia’s Administration for the Prevention of Money Laundering (APML), Serbia’s FIU, took further steps to improve its technical, physical, IT, and human resources.

**VULNERABILITIES AND EXPECTED TYPOLOGIES**

The most common money laundering typologies noted by the APML include: loans made in cash of unknown origin to natural and legal persons; successive or structured deposits of cash of unknown origin into the financial system (including front person accounts); using shell companies; foreign trade using over-invoicing and under-invoicing; cases combining money laundering with tax evasion; and integration of criminally-derived funds in sectors such as construction, real estate, casinos, hotels, and other trade (retail, wholesale, cash-based, and trade in oil derivatives).

Serbia has 14 “free zones.” Import into and export from these zones is exempt from value added tax, customs, and clearance procedures. If goods are produced within the zone using at least 50 percent domestic components, they are considered to be of Serbian origin and are therefore eligible to be imported into Serbian territory.

**KEY AML LAWS AND REGULATIONS**

In November 2016, Serbia enacted three legislative reforms. First, the Law on Organization and Jurisdiction of State Authorities in the Fight against Organized Crime, Terrorism and Corruption, which is scheduled to be implemented effective March 1, 2018, strengthens judiciary and police capacities in financial investigations, increases Serbia’s capacity to
prosecute organized crime and corruption, expands the use of task forces to target complex financial crimes, and strengthens international cooperation. Second, new amendments to the Criminal Code lower the burden of proof to secure money laundering convictions. Third, the amendments to the Law on Recovery of Proceeds from Crime strengthen the capacities of the Ministry of Interior’s Financial Investigation Unit to conduct investigations and of the Directorate for the Management of Confiscated Assets to seize criminally-derived assets. Legal persons are covered by existing legislation.

The APML drafted a Law on the Prevention of Money Laundering and Terrorism Financing (AML/CFT Law), which Parliament enacted on December 14, 2017. The Law is aligned with international standards, including the EU’s Fourth AML Directive. The Law adds public notaries to the list of entities subject to AML obligations. The Law also increases due diligence surrounding domestic PEPs. The APML also drafted amendments to the Law on the Freezing of Assets for the Purpose of Terrorism Prevention, which were also adopted by Parliament on December 14, 2017.

In May 2009, Serbia signed an MOU with the U.S. Treasury’s FinCEN. The Law on Mutual Legal Assistance in Criminal Matters, the AML/CFT Law, the Law on Banks, and the Law on Payment Transactions ensure the availability of records.

Serbia is a member of MONEYVAL, a FATF-style regional body.

AML DEFICIENCIES

Foreign PEPs are subject to enhanced diligence under current law, and domestic PEPs will be covered under the new AML/CFT Law, which is scheduled to be implemented effective April 1, 2018. Serbia has a National Strategy against Money Laundering and Terrorist Financing (2015-2019) and an ongoing action plan. Serbia should improve interagency cooperation, pursue money laundering independently of other crimes, and improve the capacities of the APML and AML supervisors.

An EU-backed APML project aims to improve the quality and efficiency of STRs and of the APML’s core functions, and to implement action plans for the adoption of portions of EU legislation. This will involve hiring and training additional staff, upgrading IT systems, and strengthening the APML’s basic functions.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

So far in 2017, final convictions for money laundering have been brought against seven individuals. In 2016, APML opened 951 new analytical cases based on information from STRs. Transactions conducted by a large number of migrants transiting Serbia are subject to scrutiny.

With donor assistance, Serbia plans to organize a multidisciplinary group to combat money laundering, train police and prosecutors on proactive AML investigation skills, train financial institutions (casinos, real estate agencies, and notaries) on drafting STRs, and assess APML’s need for software to detect suspicious activities.
Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Serbia does not conform with regard to the following government legislation:

**Ability to freeze assets without delay** - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

**EU White list of Equivalent Jurisdictions**

Serbia is not currently on the EU White list of Equivalent Jurisdictions

**World Governance indicators**

To view historic Governance Indicators Ctrl + Click here and then select country

**Failed States Index**

To view Failed States Index Ctrl + Click here

**Offshore Financial Centre**

Serbia is not considered to be an Offshore Financial Centre
Serbia is not a major producer or consumer of illegal drugs but remains a transit area for drugs smuggled through its territory into other European markets. According to the United Nations Office on Drugs and Crime, between 50 and 60 metric tons of heroin originating from Afghanistan are estimated to transit Serbia every year along traditional Balkan smuggling routes controlled by multinational criminal organizations.

Synthetic drugs such as amphetamine-type stimulants and MDMA (ecstasy) are produced in relatively small quantities in clandestine labs in Serbia and exported mainly to European Union countries. In 2016, three clandestine methamphetamine labs in Serbia were destroyed by authorities. Cocaine is not widely consumed in Serbia due to its prohibitive cost. However, there have been significant seizures of large cocaine shipments including a 2016 joint Serbian operation with Germany and Spain that interdicted 300 kilograms of cocaine. Serbian authorities believe that marijuana and heroin are the most widely-used illicit drugs in the country, followed by growing use of hashish.

Serbia established the Service for Abuse of Drugs and Drug Trafficking in 2014, which increased the staff available for narcotics investigations and addiction prevention programs. Treatment and prevention of drug addiction is mainly the responsibility of the Ministry of Health, but non-governmental organizations working with local communities also provide some services. Bigger cities such as Belgrade, Nis, and Novi Sad have police units dedicated to curbing the use of illegal drugs and investigating drug-related crimes. Serbian law enforcement has been shifting to a more centralized approach by creating a database of criminals and investigations that can be accessed by all 27 departments throughout the country.

The Serbian Ministry of the Interior continues to make effective use of U.S. training assistance to develop criminal justice capacities, and the Serbian National Police has requested U.S. support and guidance in creating a dedicated counternarcotics service within the agency. The Government of Serbia also seeks to amplify its cooperation with regional partners to address trafficking throughout the Western Balkans by initiating reforms modeled on European Union standards.

Serbia is classified a Tier 2 (Watch List) country - a country whose government does not fully comply with the Trafficking Victims Protection Act’s minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Serbia is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor, including domestic servitude and forced begging. Serbian women are subjected to sex trafficking by Serbian criminal groups in neighboring countries and throughout Europe, particularly Austria and Germany. Serbian nationals, primarily men, are subjected to forced labor in labor-intensive sectors, such as the
construction industry, in European countries (including Azerbaijan, Slovenia, and Russia) and United Arab Emirates. Serbian children, particularly ethnic Roma, are subjected within the country to sex trafficking, forced labor, forced begging, and petty crime. Migrants and refugees from Afghanistan, Iraq, and Syria and from neighboring countries are vulnerable to being subjected to trafficking within Serbia. Alleged traffickers reportedly influenced some trafficking cases through bribery of the victim or judge.

The Government of Serbia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Serbia is placed on Tier 2 Watch List. While the government created a new office within the national police to coordinate and organize its anti-trafficking efforts, it did not provide the staff or resources for this new entity and current coordination structures were under-resourced, operating part-time, and/or not functional. Victim identification significantly decreased; observers stated this was due in part to anti-trafficking efforts becoming a lower priority overall as the government managed the increase in irregular migration through the country in 2015, a continued lack of collaboration between the government and NGOs on identification, and a reduction in referrals from the border police that were simultaneously charged with addressing smuggling and the influx of migrants and refugees. Care for victims of trafficking also suffered from a lack of government coordination with NGO service providers, and government social welfare centers were deficient in specialized programs, sensitivity, and trained staff necessary for working with trafficking victims. Investigations, prosecutions, and convictions decreased, and the government did not afford victims sufficient protection in criminal proceedings, which exposed them to intimidation and secondary traumatization.


Overview: The Government of Serbia continued its efforts to counter international terrorism in 2016, and political leaders engaged with the U.S. and international community to develop stronger counterterrorism measures and strategies. Serbia regularly participated in regional counterterrorism and countering violent extremism (CVE) conferences and in training exercises throughout Europe. Serbia’s law enforcement and security agencies, in particular the Ministry of Interior’s (MOI) Directorate of Police, and the Security Information Agency (BIA), continued bilateral counterterrorism cooperation with the United States, with a focus on tracking and vetting the ongoing refugee and migrant flows. Improvements were made in 2016, as some 110,000 of the approximate 135,000 migrants who moved through the country were registered. There were still significant gaps in vetting and processing, however, which was highlighted by media reports that at least one perpetrator of the November 2015 terrorist attacks in Paris flowed through Serbia under the guise of being a Syrian refugee. The U.S. government is working in partnership with the Serbian government and its law enforcement and security agencies to remedy these gaps.

In 2016, Serbia made significant progress in adopting the “National Strategy for the Prevention and Countering of Terrorism for the Period 2016-2021.” The document also incorporates a small CVE platform, marking the first time that Serbia will have a unified counterterrorism and CVE plan in place. The strategy is expected to be adopted formally by the government in early 2017.
In 2016, Serbian officials continued public condemnation of ISIS activities, and the Minister of Foreign Affairs and Minister of Interior, among others, have publicly stressed the importance of the country’s participation in the global effort to defeat ISIS. Serbia is a partner in the Global Coalition to Defeat ISIS and the Coalition’s Foreign Terrorist Fighter Working Group and donated approximately 10 tons of ammunition to the fight against ISIS in 2016. The difficult economic situation in Serbia continued to limit the likelihood of substantial additional financial or material contributions to the Coalition.

Legislation, Law Enforcement, and Border Security: Serbia made some strides on the counterterrorism front in 2016, following the development of counterterrorism programs and passage of foreign terrorist fighter legislation in late 2014. Article 386a of Serbia’s criminal code outlaws unauthorized participation in a war or armed conflict in a foreign country, and designates punishments from six months to five years for those participating as individuals; from one to eight years for those participating as a group; and, from two to 10 years for organizers. In July 2016, criminal proceedings began against seven individuals accused of financing, organizing, and recruiting Serbian citizens to fight in Syria for ISIS. As of December 2016, the case remained ongoing.

Serbia’s strategic, interagency approach to handling terrorism-related matters continued to make progress in 2016. Efforts to create a national counterterrorism strategy began in July 2015 and are expected to conclude in 2017. The working group in charge of developing the strategy has finalized the language and currently awaits the appointment of a new chair before sending the document for adoption by the government. This national strategy also includes, for the first time, language addressing violent extremism and strategic goals for countering radicalization to violence. The MOI continued to improve its three-year-old Service for Combating Terrorism and Extremism, which serves as a central agency for handling both counterterrorism and CVE concerns. Representatives of the Department of Justice’s Office of Overseas Prosecutorial Development, Assistance, and Training and International Criminal Investigative Training Assistance Program (ICITAP) frequently interacted with Serbia’s security sector, including MOI’s Special Anti-Terrorist Unit and the Counter-Terrorist Unit, to provide best practices and training courses. In 2016, a joint project by ICITAP and the U.S. Office of Defense Cooperation (ODC) partnered with Serbia’s Ministry of Interior to set up an Operational Analysis Service. ODC also implemented a program to deliver information technology equipment worth approximately US $400,000 to the MOI’s Terrorism and Extremism Service to help develop further Serbia’s counterterrorism capacities.

Transnational terrorism concerns within Serbia were similar to those facing other Western Balkan states located along the historical transit route between the Middle East and Western Europe – the so-called “Balkans Route” that moves weapons, narcotics, and people. Serbian authorities are alert to efforts by international terrorists to establish a presence in, or transit, Serbian territory. The government continued to cooperate with neighboring countries to improve border security and information sharing, and in 2016, established a Migrant Smuggling Task Force, a prosecution-led multi-agency team within the MOI that joins 20 representatives from various departments. The migrant crisis exposed numerous vulnerabilities in Serbia’s border security, which largely matched vulnerabilities facing neighboring countries. In response to the migrant crisis, Serbia has been updating its screening tools and border security with help from international partners. The Department of State’s Export Control and Related Border Security (EXBS) program continued to conduct training courses for and to donate equipment to Serbian Customs and Border Police. In 2016, EXBS donated a
Secure Video Link network to the Customs and Border Police of Serbia, Bosnia and Herzegovina, and Croatia to provide immediate and secure video communications among the countries’ operations centers in the event of a terrorist incident. Long sections of Serbia’s borders, however, remained porous, particularly those borders shared with Kosovo and Bosnia and Herzegovina.

**Countering the Financing of Terrorism:** Serbia is a member of the Council of Europe’s Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, and has observer status in the Eurasian Group on Combating Money Laundering and Terrorist Financing. The Serbian Anti-Money Laundering Directorate (AMLD) is a member of the Egmont Group of Financial Intelligence Units.

In 2014, the Serbian government adopted the National Strategy for the Fight Against Money Laundering and Terrorism Funding, which covers strategic planning, coordination, and cooperation of all concerned government agencies and departments, and covers the period until 2018. The National Strategy envisages the formation of expert teams to coordinate government actions to counter money laundering and the financing of terrorism.

The AMLD published an amended list of indicators for recognizing suspicious transactions and a set of indicators for recognizing money laundering and terrorist financing for banks, brokers, insurance companies, and real estate agents.

Several significant deficiencies remain in Serbia’s anti-money laundering/countering the financing of terrorism (AML/CFT) legal framework, including gaps in the terrorist financing offense and targeted financial sanctions, such as obligations under the UN Security Council ISIL (Da’esh) and al-Qa’ida sanctions regime. There are also shortcomings in Serbia’s financial supervisory and border control regimes.

Consistent with the new law on foreign terrorist fighters, the government issued a list of designated persons and entities in 2015, with updates in February and May 2016.
International Sanctions

None applicable
Corruption is a problem in Serbia, and the prevalence of bribery exceeds the regional average. Foreign companies should be aware of conflicts of interest within Serbia’s state institutions. Government procurement, natural resource extraction, and the judiciary are especially vulnerable to fraud and embezzlement. The Serbian Criminal Code and the Anti Corruption Agency Act criminalize public and private sector corruption, attempted corruption, extortion, abuse of office, bribing a foreign public official, money laundering and active and passive bribery. Despite strong political impetus to fight corruption, enforcement and criminal prosecutions are largely ineffective. Even though facilitation payments and gifts are criminalized by law, they are common practice in the public and private sectors. Information provided by GAN Integrity.

### US State Department

Corruption in Serbia is believed to be pervasive, but it is difficult to quantify. In Transparency International’s 2013 Corruption Perception Index, Serbia ranked 72 of 177 countries; an improvement from the country’s ranking of 86 in 2012. In July 2013, the Government of Serbia formally adopted a new Anti-Corruption Strategy that aligns with its EU accession commitments. Serbia is a signatory to the Council of Europe Civil Law Convention on Corruption and has ratified the Council’s Criminal Law Convention on Corruption, the United Nations Convention Against Transnational Organized Crime, and the United Nations Convention Against Corruption. Serbia is also a member of the Group of States against Corruption (GRECO), a peer-monitoring organization that provides peer-based assessments of members’ anti-corruption efforts on a continuing basis.

In an effort to combat corruption, in 2008 the National Assembly approved the creation of an Anti-Corruption Agency (ACA). The ACA began functioning in January 2010 as an independent governmental body accountable to the National Assembly. The ACA is charged with unifying current anti-corruption activities including: enforcing the National Strategy to Fight Corruption; monitoring conflicts of interest; tracking politicians’ property and assets; monitoring political party financing; and facilitating international anti-corruption cooperation.

The ACA’s first director, Zorana Markovic, was dismissed in November 2012 in the wake of allegations of abuse of authority arising from the purported misuse of state-owned apartments.

---

<table>
<thead>
<tr>
<th>Index</th>
<th>Rating (100-Good / 0-Bad)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency International Corruption Index</td>
<td>41</td>
</tr>
<tr>
<td>World Governance Indicator – Control of Corruption</td>
<td>46</td>
</tr>
</tbody>
</table>
Amendments to the Law on the ACA are under consideration, and the Ministry of Justice has produced a draft whistleblower-protection law with USAID and DOJ assistance.

The Government of Serbia elected in summer 2012 made the fight against corruption a priority, and the new Government formed after March 2014 parliamentary elections is expected to maintain this focus. The anti-corruption campaign resulted in a series of highly-publicized arrests and indictments of prominent political figures, including former ministers and businessmen associated with a number of political parties. In December 2012, authorities arrested one of Serbia’s wealthiest and most powerful businessmen and his son for alleged abuses in the privatization of a road construction and maintenance company. The trial began in November 2013 and is ongoing. This case is one of 24 allegedly fraudulent privatizations cited by the EC in its annual reports on Serbia’s progress in the accession process.

Both giving and receiving a bribe is a crime in Serbia. Bribes by local companies to foreign officials are criminal acts punishable by law. Corruption offenses are handled by higher courts and prosecutors’ offices. In January 2010, the Organized Crime Prosecutor’s Office assumed jurisdiction over corruption-related offenses involving high-level public officials and cases involving more than USD 2.7 million in illicit proceeds.

The National Assembly amended the Criminal Code in 2012 to introduce a new corruption offense – abuse of authority in relation to public procurements – in response to the significant number of corruption cases in this area. The 2012 amendments also establish a distinction between abuse of public authority and abuse of private authority, making the latter a separate offense subject to criminal prosecution if it resulted in an unlawful benefit or significant damage. Serbian government officials indicate that drafting legislation to address corruption-related offenses by the private sector will be a priority in 2013.

Government contracts remain the most widespread currency in corrupt political spheres, and corrupt officials have commonly abused contracting procedures to drain government funds and gain personal benefit. In an attempt to remedy this situation, a new Public Procurement Law entered into force in April 2013. The law adds significant anti-corruption control mechanisms, greater transparency, and more effective oversight to public procurement procedures, in particular for small-value and non-competitive negotiated procurements. Coupled with the procurement-fraud provisions of the Criminal Code (adopted in December 2012), the new law should help expedite criminal investigation and prosecution of public procurement abuse. Awareness of the importance of public procurements in the wider anti-corruption context rose throughout 2013 as the government’s anti-corruption campaign gained momentum.

The Regional Anti-Corruption Initiative, originally organized under the auspices of the Stability Pact for South Eastern Europe, maintains a website with updates about anti-corruption efforts in Serbia: http://www.anticorruption-serbia.org/.

Corruption and Government Transparency - Report by Global Security

Political Climate
The Republic of Serbia is in a process of transition, striving to join the EU. This process has meant that the task of fighting corruption has taken centre stage. On 6 May 2012, Tomislav Nikolic of the Serbian Progressive Party, won the election and became the President of Serbia. However, vote buying in elections continues to be a problem and in the UNDP Serbia Corruption Benchmarking Survey 2012, one in five voters reported to have been offered a bribe in exchange for their vote for a particular party in the May 6th general, local and presidential elections. The survey showed that most Serbian citizens have identified all kinds of corruption to have been moderately or significantly present during the spring election.

Corruption is a serious problem in Serbia, with some of the most vulnerable areas being public procurement, taxation, customs, and licensing. According to the European Commission Serbia Progress Report 2012, Serbia made little progress in the fight against corruption in 2012. Among the negative developments pointed out in the report is the fact that the government has not yet finalised the National Anti-Corruption Strategy for 2012-2016 or the corresponding action plan. Further efforts are needed for a more intensive follow-up to the reports about high-profile corruption cases of the Anti-Corruption Council. Nevertheless, the report states that the legislative and institutional frameworks for the fight against corruption have been improved. New amendments to the Law on Health Care and the Law on Advocates were made and now include provisions on conflict of interest. The Anti-Corruption Agency started to implement the 2011 Law on the Financing of Political Activities; in particular, an extensive work was done for the monitoring of 2012 elections. The report points out that the areas of public procurement, privatisation procedures, health, and education are particularly vulnerable to corruption and remain the main concern of the observers. Even though the Anti-Corruption Agency has improved its efforts in fighting corruption and implementation of the legal framework, corruption levels are still high, and trust in key institutions remains low in Serbia. More than a half of Serbia’s citizens believe that corruption affects their personal and family life, while two-thirds believe that the country’s business environment have been affected in a large extent.

According to the Serbia Corruption Benchmarking Survey 2012, almost 80% of the respondents noted that political life is largely affected by corruption. As the results of the report show, the most common problems in the political sector are financing of the election campaigns in order to receive benefits in return and diversion of the state funds to favour a party’s own electorate. According to the report, almost half of the surveyed citizens believe that corruption has increased in Serbia in the last year. Furthermore, 40% believe that corruption will increase in the coming year. More than half of all citizens believe that bribery is the only way to overcome extensive bureaucracy in Serbia. The government and state institutions are perceived by the citizens as having power to confront corruption; however, these institutions are also perceived to be highly corrupt. Furthermore, more than half of the respondents have evaluated the government’s actions in the fight against corruption to be not at all effective or mostly ineffective, while only 2% rated the government’s efforts as being effective. The Serbian government’s anti-corruption initiatives have been criticised as being purely superficial and lacking real political will. While still plagued by corruption, there are signs of greater control in the area of public procurement, more regulation over conflict of interest, and increased capacity among those agencies responsible for investigating and prosecuting corruption.

**Business and Corruption**
Serbia offers a liberal investment environment, which has been made attractive to local as well as foreign investors through an income tax of just 10%, a wage tax of 14% and the privatisation of many of Serbia’s formally state-owned companies. However, the business climate has been negatively affected by the financial crisis, political instability, and uncertainty related to the future status of Kosovo, leading some potential investors to exercise a greater level of caution. According to the World Economic Forum Global Competitiveness Report 2012-2013, companies point to corruption as the second most problematic factor for doing business in Serbia, just behind an inefficient government bureaucracy. The other factors that constitute a competitive disadvantage for Serbia are difficulty in accessing finance and the rate of inflation. The World Bank & IFC Enterprise Surveys 2009 states that 21.4% of the companies surveyed expect to make informal payments to public officials in order to get things done, while 35.6% identify corruption as a major constraint to doing business. Furthermore, corruption is ranked by companies as the most severe problem for doing business in Serbia, according to the EBRD & World Bank BEEPS Serbia 2008. According to the same survey, 55% of the companies surveyed indicated that corruption is a problem for doing business. Corruption in Serbia is problematic in taxation, customs, and licensing among other sectors.

According to the UNDP Corruption Benchmarking-Serbia 2012, the prevailing opinion in Serbia is that large companies play a role in the increased level of corruption. More than 70% of the respondents believe that it is in the interests of major enterprises to have a corrupt government, to be able to act in their own interests. SMEs are affected by corruption to a much lesser extent.

Despite progress in adopting specific legislation concerning guarantees and safeguards for foreign investors, foreign companies continue to face significant challenges when entering the market in the areas related to property rights. Frequent changes in the legal framework, insufficiently defined property rights, unlicensed and illegal construction and restitution claims hamper business operations, according to the US Department of State 2013. Global Integrity 2011 reports that conflict of interest remain a serious problem in the public procurement sector, public administration recruitment and mining and rail operations. According to the European Commission Serbia Progress Report 2012, the informal economy remains strong and hinders fair competition among companies and the overall economic development of Serbia. Companies are strongly recommended to develop, implement and strengthen integrity systems and to conduct extensive due diligence when planning to do or are already doing business in Serbia.

**Regulatory Environment**

The Foreign Trade Law 2005 outlines guarantees and safeguards for foreign investors. It eliminates previous investment restrictions, extends national treatment to foreign investors, allows for the repatriation of profits, customs duty waivers for imported equipment used as capital-in-kind and provides guarantees against expropriation. However, according to the World Economic Forum Global Competitiveness Report 2012-2013, inefficient government bureaucracy, corruption and access to financing are ranked by companies among the most problematic factors for doing business. The report also highlights tax regulation and tax rates as highly problematic factors when doing business in Serbia. A common type of business-related corruption originates from the large number of regulations that companies have to comply with and the number of licences and permits they need to obtain. However, Serbia has eased the business start-up process in recent years by putting in place a one stop-shop
and eliminating the paid-in minimum capital requirement. According to the World Bank &
IFC Doing Business 2013, launching a business in Serbia now involves 6 procedures and takes
an average of 12 days at a cost of 7.7% of income per capita.

In order to attract foreign investment, increase competitiveness, and make the regulatory
system more efficient, the Serbian government’s ‘regulatory guillotine’ project was initiated in
2009, aiming to remove laws and regulations considered outdated and unnecessary,
according to the US Department of State 2013. As part of this on-going process, the Serbian
business community plays an active role in making suggestions about which regulations
should be changed. By the end of September 2012, 212 of the 340 recommendations for
regulatory reform were implemented, while implementation of the last 26 recommendations
remains in progress. As pointed out in the source, despite the efforts made in connection with
the ‘regulatory guillotine’ project, the overall implementation of new laws and regulations in
Serbia remains slow. In 2004, Parliament adopted a new Law on Business Companies that
provides greater clarity both in organising and operating a company and in settling disputes
in both small and large companies. Serbia’s entry into the Paris Club has provided
mechanisms with which investors can insure their investments against commercial and non-
commercial risks. More information concerning insuring investments in Serbia can be found at
the Serbian Investment and Export Promotion Agency (SIEPA), which was established to
provide direct assistance to investors, but is relatively small and lacks the resources to advise
investors through the process from start to finish. Potential investors are advised to discuss
specific projects with relevant line ministries in order to obtain the necessary support from the
government. The European Commission Serbia Progress Report 2012 reports that in 2012, the
establishment of a real estate registry and a digital registration system has been completed.
The new system is aimed to provide quick access to accurate information about real estate
ownership, which will contribute to increased transparency of investment processes, facilitate
contracts and investment decisions.

The Law on Foreign Investment 2002 provides safeguards against arbitrary government
expropriation of foreign investments, while Serbia’s Law on Expropriation 2001 specifies
conditions for expropriation. In May 2006, Serbia enacted its first Law on Arbitration that
permits the use of institutional and ad hoc arbitration in commercial and labour disputes. The
law seeks to promote arbitration as a serious alternative to litigation. However, the only mode
of domestic arbitration currently available to companies in Serbia is through the Chamber of
Commerce of Serbia, which also houses the Foreign Trade Court of Arbitration (FTCA)
focusing on foreign trade or international commercial disputes involving domestic and
foreign parties. The FTCA’s arbitration rules are known to promote a speedy and efficient
process that usually takes no more than one year. The Serbian Chamber of Commerce does
not have information on the number of disputes in Serbia that have been resolved through
arbitration; however, in general it is used much more often by foreign companies. Serbia
ratified the New York Convention 1958 in March 2001, but with some declarations and
reservations. Serbia also became a member of the International Centre for Settlement of
Investment Disputes (ICSID) in 2007. The ICSID arm of the World Bank provides an effective
dispute resolution mechanism for foreign investors in Serbia. An ICSID ruling carries the same
force and effect as a ruling made by Serbia’s highest court. It is recommended that
companies provide for ICSID arbitration in their contracts with the government. Access a
Section 3 - Economy

Serbia has a transitional economy largely dominated by market forces, but the state sector remains significant in certain areas and many institutional reforms are needed. The economy relies on manufacturing and exports, driven largely by foreign investment. MILOSEVIC-era mismanagement of the economy, an extended period of international economic sanctions, civil war, and the damage to Yugoslavia’s infrastructure and industry during the NATO airstrikes in 1999 left the economy only half the size it was in 1990.

After former Federal Yugoslav President MILOSEVIC was ousted in September 2000, the Democratic Opposition of Serbia (DOS) coalition government implemented stabilization measures and embarked on a market reform program. Serbia renewed its membership in the IMF in December 2000 and re-joined the World Bank and the European Bank for Reconstruction and Development. Serbia has made progress in trade liberalization and enterprise restructuring and privatization, but many large enterprises - including the power utilities, telecommunications company, natural gas company, and others - remain state-owned. Serbia has made some progress towards EU membership, signing a Stabilization and Association Agreement with Brussels in May 2008, and with full implementation of the Interim Trade Agreement with the EU in February 2010, gained candidate status in March 2012. In January 2014, Serbia’s EU accession talks officially opened. Serbia’s negotiations with the WTO are advanced, with the country’s complete ban on the trade and cultivation of agricultural biotechnology products representing the primary remaining obstacle to accession. Serbia’s program with the IMF was frozen in early 2012 because the 2012 budget approved by parliament deviated from the program parameters; the arrangement is now void. In late 2014, Serbia and the IMF announced a tentative plan for a precautionary loan worth approximately $1 billion, but the government will be challenged to implement IMF-mandated reforms that will target social spending and the large public sector.

High unemployment and stagnant household incomes are ongoing political and economic problems. Structural economic reforms needed to ensure the country’s long-term prosperity have largely stalled since the onset of the global financial crisis. Growing budget deficits constrain the use of stimulus efforts to revive the economy and contribute to growing concern of a public debt crisis, given that Serbia’s total public debt as a share of GDP more than doubled between 2008 and 2014. Serbia’s concerns about inflation and exchange-rate stability preclude the use of expansionary monetary policy. During 2014 the SNS party addressed issues with the fiscal deficit, state-owned enterprises, the labour market, construction permits, bankruptcy and privatization, and other areas.

Major challenges ahead include: high unemployment rates and the need for job creation; high government expenditures for salaries, pensions, healthcare, and unemployment benefits; a growing need for new government borrowing; rising public and private foreign debt; attracting new foreign direct investment; and getting the IMF program back on track. Other serious longer-term challenges include an inefficient judicial system, high levels of corruption, and an aging population. Factors favourable to Serbia’s economic growth include its strategic location, a relatively inexpensive and skilled labour force, and free trade agreements with the EU, Russia, Turkey, and countries that are members of the Central European Free Trade Agreement.

Agriculture - products:
wheat, maize, sunflower, sugar beets, grapes/wine, fruits (raspberries, apples, sour cherries),
vegetables (tomatoes, peppers, potatoes), beef, pork, and meat products, milk and dairy products

Industries:
automobiles, base metals, furniture, food processing, machinery, chemicals, sugar, tires,
clothes, pharmaceuticals

Exports - commodities:
iron and steel, rubber, clothes, wheat, fruit and vegetables, nonferrous metals, electric
appliances, metal products, weapons and ammunition, automobiles

Exports - partners:
Italy 16.2%, Germany 12.6%, Bosnia and Herzegovina 8.7%, Romania 5.6%, Russia 5.4% (2015)

Imports - commodities:
machinery and transport equipment, fuels and lubricants, manufactured goods, chemicals,
food and live animals, raw materials

Imports - partners:
Germany 12.4%, Italy 10.6%, Russia 9.6%, China 8.5%, Hungary 4.8%, Poland 4.2% (2015)

Banking

Today there are 34 commercial banks (down from 88 in early 2001) in Serbia, most of which
are authorized for international banking operations. The banking sector has undergone
considerable restructuring. USAID has provided active assistance to the National Bank of
Serbia to improve bank supervision and to develop institutional capacity.

On November 11, 2005, the Serbian parliament adopted a new banking law, reaffirming the
role of the National Bank of Serbia in supervising much of the financial sector. The Serbian
Law on Banks provides the regulatory framework for the banking sector in the country. The
law determines the conditions and manner for establishing a bank, supervision and control of
bank transactions, as well as the discontinuation of a bank. Supervisory authority is clearly
vested in the National Bank of Serbia to oversee the banking sector. The law requires that a
buyer of more than 5% of a bank’s capital seek approval from the National Bank and sets the
required initial capital for a bank at EUR 10 million. The law stipulates that banks are no longer
run by a general manager but rather by a two-member executive board. It also introduced
more responsibilities for auditors and calls for setting up a risk management unit within every
bank. The National Bank is charged with formulating monetary policy, credit control,
managing foreign exchange transactions, bank supervision, and the supervision of insurance
companies and voluntary pension funds. The National Bank is independent from the
government but reports to the Parliament. In July of 2010, Dejan Soskic was appointed
Governor of National Bank of Serbia.
The National Bank of Serbia pursues a strict monetary policy with the dual objectives of controlling inflation and stabilizing the exchange rate. The dinar has depreciated substantially since 2009, which has caused great turmoil and protests by almost all major companies in Serbia, as well as some ministers within the government. The concerned parties demand that the National Bank take more serious measures to stabilize the currency. However, a number of economic experts claim that the dinar is overvalued and that the current exchange rate is artificially low. The National Bank is expected to continue its course of anti-inflationary policies. The National Bank’s Monetary Board has gradually reduced the key policy rate from near 17.5% in 2008 to 9.5% at the end of 2009. In an effort to curb inflationary pressures in 2010, the NBS increased the key interest rate, from 9.5% at the beginning of 2010, to 12% at the end of the year. It is expected in 2011 the same key policy rate will be set by NBS. According to banking legislation, foreign legal entities and private individuals may establish new banks or make investments in existing banks provided that the condition of reciprocity is met.

Of the 34 banks in the Serbia, 20 are foreign owned, 9 are domestic private banks, and the remaining 5 are majority owned by the state. Foreign ownership resulted primarily through acquisitions of existing banks and through licenses.

Foreign banks interested in opening a representative office in Serbia may do so provided they meet the conditions of reciprocity. This includes for the purpose of market research in banking and financing, or for the purpose of advertising, promotion and representation. A representative office does not have the status of a legal entity and is not allowed to engage in banking operations. The entity who establishes the office guarantees all the obligations of the representative office. Permission to operate is granted to representative offices of foreign banks by the National Bank, which maintains the Register of Representative Offices of Foreign Banks and issues permits for their registration. Currently there are six representative offices operating in Serbia.

Stock Exchange

Serbia has a capital market infrastructure, but the equity and bond markets are underdeveloped. Securities and Republic of Serbia bonds are traded at the Belgrade Stock Exchange (BSE). Out of 1,750 companies listed on the stock market, shares in fewer than 100 companies trade regularly (i.e., more than once a week). Total annual turnover at the BSE was halved in 2009 to 442 million Euros (about $580 million) and halved again in 2010 to about 222 million Euros (about $300 million). The declines are generally attributed to the global economic crisis.
Executive Summary

Following the country’s recent political progress, Serbia’s investment climate is improving slowly. In April 2013, the country signed an agreement to normalize relations with neighboring Kosovo, and in December 2015, it opened the first two chapters of the European Union (EU) acquis. These developments represent an increase in political stability and present a real opportunity for the country to attract new foreign direct investment (FDI), especially as the government aligns domestic legislation with EU standards and implements measures to improve the business environment.

The Serbian government continues to make investment a priority, especially foreign investment. U.S. investors report positively on doing business in Serbia; they highlight the country’s strategic geographic location, well-educated and affordable labor force, and free trade agreements with key markets (including Russia, Turkey, and the EU) as particular positives. Although there are challenges with bureaucratic delays and corruption, generally U.S. investors enjoy a level playing field with their Serbian and foreign competitors. The U.S. Embassy in Belgrade assists investors when issues arise and Serbian leaders are responsive to our concerns.

The Serbian government has identified economic growth as its top concern and has promised the government will resolve a number of long-standing issues related to the country’s slow transition to market-driven capitalism. On the legislative front, the government has passed labor, construction permitting, inspections, public procurement, and privatization laws that will help develop a better business environment. The government is resolving – either through bankruptcy or privatization – more than 500 state-owned enterprises (SOEs) and is working on reforms to decrease Serbia’s bloated public sector. Thousands of government employees may face layoffs as the government implements these reforms. While this will be painful for the Serbian economy, the government recognizes the need to cut spending while also improving the investment climate to attract new private sector companies and offset the public sector job losses.

The government signed a three-year, EUR 1.2 billion Precautionary Stand-By Arrangement with the International Monetary Fund (IMF). Serbia has met all of its fiscal targets under the IMF agreement, including cutting the budget deficit from 6.6 percent of GDP in 2014 to 3.7 percent in 2015; however, the biggest challenge for the government is public sector reform. If the government delivers on promised reforms, investors could find significant business opportunities over the next few years. The main sectors poised for growth include agriculture, information and communications technology (ICT), health, and mining. Although the government has passed major reforms, investors should monitor the government’s implementation of the reforms, which will signal the state’s seriousness about opening the economy to private investment. Similarly, investors should follow the development of the new investment incentive program. With an already adequate climate for foreign investors, there is room for substantial progress in the near term as economic reform remains at the top of the government’s agenda.

The National Bank of Serbia (NBS) and the Development Agency of Serbia (RAS) track FDI inflows. According to RAS, since 2000, Serbia has attracted USD 29.1 billion in gross FDI. The
peak year for investments was 2006 when Serbia attracted USD 5.6 billion, followed by a gradual slowdown in FDI inflow to USD 1.4 billion in 2013. Sectors that attracted the largest amount of FDI included finance, manufacturing, wholesale and retail, real estate, and transport ([http://ras.gov.rs/invest-in-serbia/why-serbia/join-the-pool-of-the-successful](http://ras.gov.rs/invest-in-serbia/why-serbia/join-the-pool-of-the-successful)).

A number of well-known multinational companies completed major investments in Serbia between 2011 and 2015: Fiat and Benetton (Italy), Siemens (Germany), Delhaize (Belgium), Yura (South Korea), and Cooper Standard, Lear, KKR, and NCR (United States). Foreign investors cite Serbia’s strategic location, relatively inexpensive and skilled labor force, free trade agreements with key markets (the EU, Russia, Turkey, and others), and government support mechanisms for investors as the prime incentives for opening businesses in the country.

Table 1

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index or Rank</th>
<th>Website Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI Corruption Perceptions index</td>
<td>2014</td>
<td>41 of 175</td>
<td>transparency.org/cpi2014/results</td>
</tr>
<tr>
<td>Global Innovation Index</td>
<td>2015</td>
<td>63 of 143</td>
<td>globalinnovationindex.org/content/page/data-analysis</td>
</tr>
<tr>
<td>U.S. FDI in partner country ($M USD, stock positions)</td>
<td>2014</td>
<td>USD 123 million</td>
<td>BEA/Host government</td>
</tr>
<tr>
<td>World Bank GNI per capita</td>
<td>2014</td>
<td>USD 5,820</td>
<td>data.worldbank.org/indicator/NY.GNP.PCAP.CD</td>
</tr>
</tbody>
</table>

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Serbia is open to FDI, and attracting FDI is a priority for the government. Even during its communist past, Serbia prioritized international commerce and attracted a sizeable international business community. This trend looks to continue, as the government approved a new Law on Investments in October 2015 that extends national treatment to foreign investors and eliminated discriminatory practices against foreign investors. The new law also allows the transfer or repatriation of profits and dividends, provides guarantees against expropriation, allows customs-duty waivers for equipment imported as capital-in-kind, and enables foreign investors to qualify for government incentives.

Other Investment Policy Reviews
Serbia has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), World Trade Organization (WTO), or United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations on Foreign Direct Investment

Serbia obtained EU candidate status in 2012 and opened formal accession negotiations on January 21, 2014. The government is implementing a National Program for Integration into the EU to harmonize domestic legislation with EU norms. This modernization of Serbian legislation will improve the investment climate in areas including foreign trade, corporate governance, and environmental regulation.

Although the government has made significant strides to improve its fiscal policy, historically Serbia has struggled with a rising fiscal deficit and has looked to plug the budget gap with new revenue. In 2012, the National Assembly increased the corporate-profit tax rate from 10 to 15 percent, and in 2013, the government canceled a tax holiday for investments in new equipment. Still, the government continues to offer incentives designed to attract foreign investors, including a 10-year corporate-profit tax holiday for companies that invest more than USD 9.1 million and hire at least 100 new employees.

In October 2015, the government adopted a new Law on Investments that established the Development Agency of Serbia (RAS). RAS’ main tasks include supporting direct investments, promoting Serbian exports, and increasing the competitiveness of Serbian companies. The law also established the Council for Economic Development, which is tasked with distributing state subsidies to investors. Similarly, a 2015 decree established criteria for investments of special importance that qualify for incentives from the central state, as well as investments of local importance that qualify for local incentives.


Laws and regulations related to business operations can be found on the Economy Ministry’s website: http://www.privreda.gov.rs/cat_propisi/zakoni/.

Laws and regulations related to portfolio investments are on the Securities Commission’s website: http://www.sec.gov.rs/.


Laws and regulations related to payment operations can be found on the National Bank of Serbia’s website: http://www.nbs.rs/internet/english/20/index.html.

Business Registration
According to the World Bank 2016 report, it takes eight procedures and 14 days to establish a foreign-owned limited liability company (LLC) in Serbia. This is faster than the Investing Across Borders average for the Europe and Central Asia region. In addition to the procedures required of a domestic company, a foreign parent company establishing a subsidiary in Serbia must translate its corporate documents into Serbian.

Under the Business Registration Law, the Serbian Business Registers Agency (SBRA) oversees company registration. SBRA's website is available in English at: www.apr.gov.rs/eng/Home.aspx. All entities applying for incorporation with SBRA can use a single application form and they no longer need to have the signatures on their application notarized. SBRA issues an ID number and enters the business in all relevant databases. These changes have simplified the registration process for both foreign and domestic companies.

The law requires that SBRA complete the registration process within five business days. Companies in Serbia can open and maintain bank accounts in foreign currency, although they must also have an account in Serbian dinars (RSD). The minimum capital requirement is RSD 50,000 (approximately USD 460), although only 50 percent must be deposited before registration. The remainder needs to be deposited within two years of incorporation.

Pursuant to the Law on Accounting, companies in Serbia are classified as micro, small, medium and large, depending on the number of employees, operating revenues, and value of assets.

RAS supports direct investments and promotes exports. It also implements projects aimed at improving competitiveness, supporting economic development, and supporting small- and medium-sized enterprises (SMEs) and entrepreneurs. More information is available at http://ras.gov.rs.

The Serbian government has declared 2016 as the “Year of Entrepreneurship.” As part of this initiative, the government has set aside USD 147 million to support entrepreneurship and assist SMEs. Part of these funds will be allocated via favorable loans issued by the state-owned Fund for Development and various ministries. Detailed information about these loans is available at: www.fondzarazvoj.gov.rs/ and www.godinapreduzetnistva.rs/Finansjskopoordska.aspx?id=46&idjezik=1. These loans are available to foreign-owned companies registered in Serbia, provided the Serbian registered company has not recorded losses in the previous two years.

Industrial Promotion

The government actively promotes the growth of specific economic sectors. The country’s National Development Strategy designates automobiles, ICT, telecommunications, and electronics as priority sectors, for which the government offers investor’s special incentive packages (www.gs.gov.rs/lat/strategije-vs.html). The strategy states that the country’s industrial policies aim to attract FDI in high value areas, such as renewable energy, new technologies, logistic centers, customer centers, automobiles, and chemicals.

The Decree on the Terms and Conditions for Attracting Investments states that financial incentives can be approved for investments in manufacturing and for internationally tradable services, but not for projects in the sectors of catering, gambling, trade, production of synthetic fibers, shipbuilding, airports, transportation, coal and iron, tobacco, energy,
utilities, broadband network, or weapons and ammunition production. Also, certain companies are ineligible to receive incentives, including: companies in financial trouble, companies with unpaid obligations toward the state, companies with tax arrears, companies who decreased number of employees by ten percent or more in the 12 months prior to submitting a request for incentives, or companies in which the government has a share in ownership, unless the company receives the government’s consent.

Information about the incentives is disseminated through brochures and via public calls published in newspapers and on the websites of the Ministry of Economy www.privreda.gov.rs and www.godinapreduzetnistva.rs/Finansijskapodrska.aspx?id=46&idjezik=1.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private entities have the right to establish and own businesses as well as engage in all forms of remunerative activity. The Law on Investments ended discriminatory practices that prevented foreign companies from establishing a company in the production and trade of arms (for example, the defense industry) and in specific areas of the country. However, foreign citizens and companies are prohibited from owning agricultural land in Serbia. The government must lift the agricultural land ownership prohibition by 2017 as part of its EU accession, unless Serbia requests and receives an extension of the ban.

Serbian citizens and foreign investors enjoy full private property ownership rights. Private entities can freely establish, acquire, and dispose of interests in business enterprises. By law, private companies compete equally with public enterprises in the market and for access to credit, supplies, licenses, and other aspects of doing business.

Privatization Program

From 2001-2015, the Serbian government privatized 3,047 State Owned Enterprises (SOEs), generating revenues of USD four billion for the state budget. The government cancelled 646 of these privatizations, alleging that investors did not meet contract obligations related to employment and investment. Meanwhile, the number of employees at privatized companies fell from 680,000 to 270,000.

The new Privatization Law adopted in August 2014, set December 31, 2015 as the deadline for ending the privatization process and finalizing the sale or bankruptcy of the 504 companies in the Privatization Agency’s portfolio. Almost all of these companies lost their protection from creditors and many of them went into bankruptcy. However, 17 were identified as companies of “strategic importance” and are protected from creditors until May 31, 2016. The Serbian government continues to engage foreign investors in the privatization process, inviting them to submit tenders, participate in auctions, and purchase company shares.

Companies still awaiting privatization (or re-privatization) includes metal, chemical, machinery, and food and beverage producers. Poor financial situations, outdated technology, and a lack of relevance in the modern global economy render some of these companies unappealing. The state telecommunications company Telekom Srbija has garnered investor interest. However, the Serbian government twice has canceled the privatization for Telekom Srbija, most recently in December 2015, because the highest bid fell
short of the government’s expectation. The government is considering privatizing Belgrade’s Nikola Tesla airport and is preparing to privatize the second largest bank in the country, Komercijalna Bank.

Screening of FDI

The government does not screen FDI, in general. However, if an investor receives incentives such as subsidies for creating new jobs, the law requires the investor to invest a certain amount in fixed assets and employ the agreed number of workers for which the investor received subsidies. The government monitors whether the investor met these obligations and will cancel the contract and demand reimbursement for the subsidies if the investor fails to fulfill them.

The Decree on the Terms and Conditions for Attracting Investments outlines the procedure for supervising and controlling investments for investors who received incentives from the government. The investor must submit reports, prepared by an independent auditor, demonstrating how the investment respected all terms and conditions stipulated in contract on incentives, the investment amount and employment figures, amount of salaries, paid wage taxes, and pension contributions for all employees. In addition, the report must include an evaluation of the current value of its equipment, as well as a report from Central Registry of Mandatory Social Insurance about the number of registered employees. The investor must allow the Ministry of Economy to supervise and confirm fulfillment of all obligations under the investment contract and provide the Ministry with access to all necessary documentation.

Competition Law

The National Assembly enacted the Law on Protection of Competition in 2009 and amended it in 2013. As an independent organization responsible to the National Assembly, the Commission for the Protection of Competition implements the law. The commission also applies rules that regulate competition in the EU market in accordance with Article 73 of Serbia’s Stabilization and Association Agreement (SAA) with the European Union.

The commission is active and in 2014 it completed 61 proceedings for violations of competition rules; approved 97 mergers, rejected three, and issued 119 opinions related to laws, regulations, and questions about potential breaches of competition rules. The commission’s actions are published online at: http://www.kzk.gov.rs/izvestaji.

2. Conversion and Transfer Policies

Foreign Exchange

Serbia’s Foreign Investment Law guarantees the right to transfer and repatriate profits from Serbia, and foreign exchange is available. Serbia permits a relatively free flow of capital, including for investment, such as the acquisition of real estate and equipment. Non-residents may maintain both foreign currency and dinar denominated bank accounts without restrictions. Investors may use these accounts to make or receive payments in foreign currency. Non-residents may not transfer capital to purchase domestic short-term securities, but they are allowed to purchase domestic long-term securities and companies’ shares. The government amended the Foreign Exchange Law in December 2014 to authorize Serbian citizens to conclude transactions abroad through Internet payment systems such as PayPal.
NBS targets inflation in its monetary policy and regularly intervenes in the foreign exchange market to that end. From March 20, 2015, to March 20, 2016, the dinar depreciated 2.5 percent against the Euro and appreciated 3.1 percent against the dollar.

Remittance Policies

Personal remittances denote a significant additional income source for Serbian households. In 2015, Serbian citizens received total remittances of USD 3.1 billion, equivalent to approximately nine percent of GDP. However, recipients more often used these remittances for consumption than investment.

The Law on Hard Currency Operations regulates investment remittances, which can occur freely and without any limits. The Investment Law allows foreign investors to freely and without delay transfer to a foreign country all financial and other assets related to the investment including profit, assets, dividends, royalties earned from intellectual property rights, interest, earnings from sale of shares, proceeds from sale of capital, other receivables. The Foreign Investors Council, a business association of foreign investors, confirmed that there are no limitations on investment remittances in Serbia.

Serbia does not engage in currency manipulation tactics. Serbia committed in its Letter of Intent to the International Monetary Fund (IMF) to maintain the existing managed float exchange rate regime in line with the inflation targeting regime. The government limits foreign exchange interventions to smoothing excessive rate volatility without targeting a specific level or path for the exchange rate.

Serbia is a member of MONEYVAL, which regularly assesses the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) measures in Serbia (http://www.fatf-gafi.org/countries/s-1/serbia). Serbia is in the fifth round of the evaluation process conducted by MONEYVAL, and the Mutual Evaluation Report is expected to be adopted in April 2016.


Serbia’s Anti-Money Laundering Unit is a member of Egmont Group of Financial Intelligence Units. Serbia is not a member of FATF.

3. Expropriation and Compensation

Serbia’s Law on Expropriation authorizes expropriation for the following reasons: education; public health; social welfare; culture; water management; sports; transport; power and public utility infrastructure; national defense; local/national government needs; environmental protection; protection from weather-related damage; exploration for, or exploitation of, minerals; land needed for re-settlement of people holding mineral-rich lands; property required for certain joint ventures; and housing construction for the socially disadvantaged.

In the event of an expropriation, Serbian law requires compensation in the form of similar property or cash approximating the current market value of the expropriated property. The law sets forth various criteria for arriving at the amount of compensation applicable to
different types of land (agricultural, vineyards, or forests) or easements that affect land value. The local municipal court is authorized to intervene and decide the level of compensation if there is no mutually-agreed resolution within two months of the expropriation order.

The Law on Investment provides safeguards against arbitrary government expropriation of investments. There have been no cases of expropriation of foreign investments in Serbia since the dissolution of the former Republic of Yugoslavia.

There are, however, outstanding claims against Serbia related to property nationalized under the Socialist Federal Republic of Yugoslavia. The 2011 Law on Restitution of Property and Compensation applies to property seized by the government since the end of World War II (May 1945), and includes special coverage for victims of the Holocaust, who are authorized to reclaim property confiscated by Nazi occupation forces. The restitution law provides for restitution of property in-kind, when possible, and financial compensation in state bonds in cases where in-kind restitution is not possible. Many properties are exempt from in-kind restitution. Heirless property left by victims of the Holocaust is subject to a separate law, which was approved in February 2016.

Serbia committed itself under its restitution law to allocate EUR two billion, plus interest, for financial compensation in bonds. The restitution law caps the amount of compensation that any single claimant may receive at EUR 500,000 (approximately USD 550,000). The government postponed the issuance of bonds from January 2015, to December 15, 2017. Bonds will be denominated in euros, carry a two-percent annual interest rate, have a maturity period of 12 years, and be tradable on securities markets. For citizens 70 years of age and older, the bond maturity period is five years, while for citizens 65 through 69 years of age, the bond maturity is ten years. The deadline for filing restitution applications was March 1, 2014. The Agency for Restitution received over 74,000 property claims and expects it will take two to three years to adjudicate restitution claims that requested restitution of property in-kind, while financial compensation in bonds will start in December 2017. Information about the Agency for Restitution is available on its website: www.restitucija.gov.rs/eng/index.php.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Serbia’s judicial system is based on civil law. Lower courts may, however, use higher court decisions as guidance. Serbia’s judiciary lacked independence and was subject to political manipulation during the communist and Milosevic eras. The Serbian government is working to create a more independent, efficient, responsible, and transparent judiciary, but shortcomings remain.

In 2013, the government formally adopted the national Judicial Reform Strategy and Action Plan to tackle judicial-reform issues in a more systemic manner. Aligned with the requirements of the EU accession process, the Strategy emphasized the five pillars of “independence, impartiality and quality of justice, competence, accountability, and efficiency.”

In November 2013, the government enacted a number of amendments to the following laws in four key justice-sector areas: (i) the Public Prosecution Service, (ii) Judges, (iii) Court Organization, and (iv) the Court and Prosecutorial Network. The Law on the Public Prosecution provides only modest improvement in the autonomy of individual prosecutors.
Changes to the Laws on Organization of Courts and the Court and Prosecutorial Network were more substantial. Many of these amendments were intended to reverse decisions made by the prior government administration, such as a significant reduction in the number of judges/prosecutors and in the number of courts and prosecutors’ offices.

Bankruptcy

The Bankruptcy Law, amended in 2014, brings Serbian bankruptcy procedures more in line with international standards. According to the law, bankruptcy is a procedure aimed at providing compensation to creditors via sale of total assets of a company-debtor. The law stipulates “automatic bankruptcy” for legal entities whose accounts have been blocked for more than three years and allows debtors and creditors to initiate bankruptcy proceedings. The law ensured a faster and more equitable settlement of creditors’ claims, lowered costs, and clarified rules regarding the role of bankruptcy trustees and creditors’ councils.

Foreign creditors have the same rights as Serbian creditors with respect to the commencement of, and participation in, a bankruptcy proceeding. Claims in foreign currency are included in the bankruptcy estate in that currency, but they are calculated in dinars at the dinar exchange rate on the date the bankruptcy proceeding commenced. In 2012, Serbia amended its Criminal Code so that causing a bankruptcy and faking a bankruptcy are criminal acts.

The 2016 World Bank Doing Business Report ranked Serbia 59 out of 189 economies according to the resolving insolvency criteria, with an average of two years needed for resolving insolvency and a cost of 20 percent of the estate (http://www.doingbusiness.org/data/exploreeconomies/serbia/#resolving-insolvency). The recovery rate was estimated at 30.3 cents per dollar.

Investment Disputes

Although Serbia is a signatory to many international treaties, Serbia’s Privatization Agency refused for five years (2007-2012) to recognize an International Chamber of Commerce (ICC)/International Court of Arbitration award in favor of a U.S. investor. The dispute caused the U.S. Overseas Private Investment Corporation (OPIC), which had insured a portion of the investment, to restrict severely its activities in Serbia. The U.S. Embassy facilitated a settlement agreement between the Serbian government and the investor that took effect in January 2012. OPIC reinstated its programs for Serbia in February 2012. However, in 2015 and early 2016 both a first instance and appellate Serbian court dismissed OPIC’s request for enforcement action to collect on damages awarded to it by an international arbitration board in the same case. Over the past 10 years, two investment disputes have involved U.S. citizens.

International Arbitration

In 2006, Serbia enacted its first Law on Arbitration, which authorizes the use of institutional and ad hoc arbitration in all manner of disputes. The law is modeled after the United Nations Commission on International Trade Law (UNICTRAL Model Law). International arbitration is an accepted means for settling disputes between foreign investors and the state. The Foreign Trade Court of Arbitration, the leading domestic arbitration body, operates within the Serbian Chamber of Commerce. Arbitration is voluntary.
ICSID Convention and New York Convention

Serbia is a signatory to the following international conventions regulating the mutual acceptance and enforcement of foreign arbitration:

- 1923 Geneva Protocol on Arbitration Clauses;
- 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention);
- 1961 European Convention on International Business Arbitration; and
- 1965 International Centre for the Settlement of Investment Disputes (ICSID)

Duration of Dispute Resolution – Local Courts

Commercial dispute resolutions in Serbia may take years to complete. Court proceedings in Serbia are slow, in general, and commercial disputes are no exception. The 2016 World Bank Doing Business Report found that it takes an average of 635 days to enforce a contract in Serbia, of which the trial and judgment spans 495 days. Given the length of resolving commercial disputes, the cost of litigation in Serbia averages 34 percent of the claim, which is higher than the OECD average of 21.1 percent.

Serbia is a signatory to the New York convention and, formally recognizes enforcement of an international arbitration award; however enforcement can be a slow and difficult process.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Despite opening accession negotiations in 2005, Serbia remains an observer at the World Trade Organization (WTO). The country must amend domestic legislation and conclude bilateral negotiations with current members before it can accede. Still, Serbia complies with the provisions outlined by in Trade Related Investment Measures (TRIMs) agreement. According to the Ministry of Trade, Tourism, and Telecommunications, no WTO country has contacted Serbia related to TRIMs, or claimed that Serbia has measures which violate TRIMs standards.

Investment Incentives

The 2015 Law on Investment introduced changes to Serbia's investment incentives program. The law established a Council for Economic Development and the Development Agency of Serbia (RAS). The Council will be in charge of overseeing the investment and economic development framework and investment incentives program. RAS will have a more operational role in implementing the incentives.

Under the Decree on the Terms and Conditions for Attracting Direct Investments, investment incentives can be used for projects in manufacturing and services subject to international trade. Investors are obliged to provide 25 percent of eligible costs from their own resources. Investors can receive financial incentives in amounts up to 50 percent of eligible costs for
large investments, up to 60 percent of costs for medium-size investments, and up to 70 percent of costs for small-size investments. For investment projects valued between EUR 50-100 million, subsidies are limited to 25 percent and to 17 percent for projects over EUR 100 million. Manufacturing projects worth less than EUR 150,000 and projects in the services sector worth less than EUR 150,000 do not qualify for government incentives. Subsidies for new workplaces range from EUR 3,000 in the developed areas of Serbia to EUR 7,000 in underdeveloped areas of Serbia. For labor-intensive projects that create more than 200 new jobs, the government can approve additional incentives. For more details visit: http://ras.gov.rs/invest-in-serbia/why-serbia/financial-benefits-and-incentives.

At the provincial level, the Vojvodina government offers some investment incentives. The maximum reimbursement level is approximately USD 200,000 per business entity. In addition, the Vojvodina Provincial Secretary for Work and Employment may award incentives for new employment. For more details visit: www.vip.org.rs/Business_Incentives.

The major incentives at the local (municipal) government level include: exemptions or deductions for the payment of urban construction land lease and/or development fees, including the option of paying in installments with prior consent from the government; and other local fees exemptions or deductions, such as the fee for displaying a company’s name. Serbia’s tax laws offer several incentives to new investors. The corporate profit tax rate is a flat 15 percent, one of the lowest in the region. Non-resident investors are taxed only on income earned in Serbia. Companies that invest more than RSD one billion (approximately USD 9.1 million) in fixed assets and hire at least 100 new employees are exempt from the corporate profit tax for up to 10 years.

In August 2015, the government approved a decree on film incentives that allows both domestic and foreign filmmakers to receive a refund of 20 percent on qualified costs. The implementing regulations are pending, but a public call for applications is expected soon. The government has allotted RSD 400 million (USD 3.5 million) for film incentives in 2016.

Research and Development

The government welcomes and invites foreign companies to participate in government-sponsored research and development programs. The government often co-sponsors research projects together with the EU, which encourages foreign companies’ participation.

Performance Requirements

The Serbian government does not mandate local employment or have onerous visa, residence, or work permitting requirements, and it does not impose conditions for foreign investors to receive permission to invest.

Data Storage

The Serbian government does not maintain a policy of “forced localization” designed to oblige foreign investors to use domestic content in goods or technology. Similarly, the government does not force foreign investors to establish and maintain a certain amount of data storage within the country. There are no requirements for foreign IT providers to turn over source code and/or provide access to surveillance. In regards to “Safe Harbor,” Serbia
postponed approval of the new Personal Data Protection Law, but the country will follow EU practice in implementation of data transfer rules in the meantime.

6. Protection of Property Rights

Real Property

Serbia has an adequate body of laws for the protection of property rights, but enforcement of property rights through the judicial system can be extremely slow. Serbia continues to grapple with the consequences of the nationalizations and confiscations of private property during the Holocaust and under the communist government of the former Yugoslavia. A multitude of factors can complicate and cloud property titles – restitution claims, unlicensed and illegal construction, limitation of property rights to “rights of use,” outright title fraud, and other issues. Investors are cautioned to investigate thoroughly all property title issues on land intended for investment projects.

During the country’s socialist years, owners of nationalized land became “users” of the land and acquired “rights of use” that, until 2003, could not be freely sold or transferred. In July 2015, the government adopted a law that allows for property usage rights to be converted into ownership rights with a market-based fee. In March 2015, the government implemented new amendments to the Law on Planning and Construction that separated the issuance of permits from conversion issues. The amendments cut the administrative deadline for issuing construction permits for a potential investor to 30 days and introduced a one-stop shop for electronic construction permits.

Serbia’s real property registration system is based on a municipal cadastre and land books. Serbia has the basis for an organized real estate cadastre and property title system. However, the problem of legalizing tens of thousands of structures built over the past twenty years without proper licenses remains, as 1.5 million buildings in Serbia are not registered in the cadastre. Of this total, only 800,000 building owners have applied for legalization. In November 2015, the government adopted a new Law on Legalization, which simplified the registration process.

Serbia maintains a register of movable property under the authority of the Agency for Business Registers. The 2015 Doing Business Report ranks Serbia 73 of 189 countries for time required to register real property (54 days). Serbia changed the Law on Mortgages in 2015 to ensure more legal and economic protection for participants in the mortgage market while speeding up property sales and out of court settlements in cases where mortgage serves as collateral.

Intellectual Property Rights

Serbia is a World Intellectual Property Organization (WIPO) member and a signatory to all key agreements administered by WIPO. The government has taken steps to implement and enforce the WTO TRIPS Agreement. Serbia’s intellectual property rights (IPR) laws include TRIPS-compliant provisions and are enforced by courts and administrative authorities.

For the most part, Serbia’s domestic legislation related to IPR is modern and complies with international standards. According to the EU 2015 Progress Report, Serbia has done a good job aligning its intellectual property laws with the EU acquis. Serbian laws extend legal
protections to all major forms of IPR (including patents, trademarks, copyrights, industrial designs, and integrated circuits).

IP protection in Serbia is improving overall. Enforcement remains haphazard, but consistent with levels in the region. The European Commission assessed in its 2015 Progress Report that Serbia should strengthen the formal coordination between all entities charged with IPR enforcement. According to the latest International Data Corporation (IDC) study, software piracy in Serbia is around 69 percent, which is higher than in Bosnia and Slovenia, but lower than in Montenegro. This indicator shows significant improvement, though, as the 2011 IDC study found that Serbia’s piracy rate was 72 percent. The estimated value of Serbia’s illegal software market is USD 116 million. Pirated optical media (DVDs, CDs, software) and counterfeit trademarked goods, particularly athletic footwear and clothing, are easily available, though the government has stepped up its actions to combat illegal street sales and seize pirated goods at the border. The EU noted some progress in enforcement in 2015, namely that the Customs Administration confiscated more counterfeit and pirated goods and the Market Inspectorate substantially increased its capacity after procuring new equipment.

In 2015, the Serbian Parliament adopted amendments to the Law on Industrial Designs. These amendments extend the period that rights are protected from one to five years; provide a more detailed definition of those rights; and are harmonized with EU directives on intellectual property rights. The government also adopted a new Law on Information Security in January 2016, which provides for better protection in information and communication systems and helps combat cyber-crime. The most significant remaining legal steps for the full modernization of Serbia’s IPR regime are:

- Amendments to the Criminal Procedure Code and related procedural laws, particularly in the area of cyber-crime;
- Adoption of implementing regulations for various IPR laws that specify enforcement procedures and steps, which are subject to different interpretation and/or inaction by relevant authorities and enhance their coordination;
- Reversal of the Copyright Law reform from December 2012, when Serbia’s IPR regime backslid because the National Assembly passed amendments exempting small business from paying royalties for copyrighted music; capped remuneration fees paid to collective societies; and allowed businesses to pay one collective bill for all music rights;
- Amendments to the Copyright Law that include provisions regarding collective rights over works recorded on a video format; and
- Further align its Law on Copyright, Law on Topographies of Semiconductor Products, Law on Patents, and Law on Trademarks with the EU acquis, including with the IPR Enforcement Directive.

The government has a Permanent Coordination Body for IPR enforcement activities of the Tax Administration, Police, Customs, and state inspections services. The Public Procurement Law dictates that bidders must sign a statement affirming that they have ownership rights to
the IPR utilized in fulfilling a public procurement contract. In addition, the tax administration continues to check software legality during its regular tax controls of businesses.

The Customs Administration and Trade Inspection issue periodical reports on seizures, however, they are not segregated in a way to show just IP infringements, but according to the type of goods (e.g. seized amount of cigarettes, apparel goods, etc., which usually encompasses IP infringements but also other irregularities such as excise tax stamp absence). Furthermore, the collected data is not available publicly on their websites.

Serbia is not listed in the Notorious Market Report, and not listed in Special 301 Report.

Upon seizure, authorities cannot destroy goods prior to receiving formal instructions from the right holders. Customs officers must inform the right holders of the seizure of counterfeited goods after which interested right holders shall draft a declaration whereby they formally inform customs on further steps. Storage and destruction of counterfeit goods is billed to the right holders if right holders declare that the seized goods are counterfeit.

Procedures for registration of industrial property rights and deposition of works of authorship before the Serbian Intellectual Property Office are straightforward and in compliance with the procedures of most European countries. All relevant information can be found on Serbia’s IPO website: http://www.zis.gov.rs/home.59.html.

The enforcement of rights on the level of state authorities, such as inspection or customs, can be relatively fast. However, should the enforcement of rights be sought out before the court, proceedings are expected to last up to two years. With the creation of semi-specialized IP courts, which began operating fully in 2015, the proceedings should be faster in the future.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at www.wipo.int/directory/en/details.jsp?country_code=RS.

Resources for Rights Holders

Contact at U.S. Embassy Serbia for IP Issues:

Tatjana Vecerka
Economic Specialist
+381 11 706 4395
VecerkaT@state.gov

American Chamber of Commerce in Serbia:

www.amcham.rs
Phone: +381 11 3088 132

For a list of local attorneys, please contact the U.S. Foreign Commercial Service in Serbia at: www.export.gov/serbia.

7. Transparency of the Regulatory System

To establish transparent rules and regulations, foster competition, and attract investments, the Serbian government has established independent agencies and bodies such as the

Serbia’s record on transparency of the regulatory system is mixed. Some government institutions have a very good record of transparency. The Ministry of Finance, for example, maintains a comprehensive website with extensive information about existing regulations, legal and regulatory proposals, data on the government budget, public debt, etc. But many government procedures that affect investors are opaque, with limited opportunities for investors to consult with government regulators on measures affecting their businesses. For example, the Law on Chambers of Commerce, adopted in December 2015, re-introduced mandatory membership for all companies operating in Serbia and requires them to pay a membership fee to the Serbian Chamber of Commerce (PKS), regardless of whether the companies use PKS’ services. The government did not hold a public hearing or consult with any other business associations before adopting the law. Regulations sometimes are applied unevenly, or in a discriminatory manner.

The process for public participation in drafting new laws remains inconsistent. The European Commission’s 2015 Progress Report for Serbia states that “public consultations need to be wider and deadlines more realistic to enable all interested parties to provide qualitative input.” The government’s Rulebook outlines the details and procedures regarding public debate of pursuant legislation. The government also lists all laws and regulations in the process of public hearing online at: http://javnerasprave.euprava.gov.rs/.

Many business associations assess that the informal economy (gray economy) remains a major obstacle to fair competition and business development. The government has made an effort to combat the gray economy and has adopted a national action plan and a coordination body. The new law on inspection oversight, which developed a risk assessment system and better coordination between different administrative bodies, should help fight the gray economy.

Domestic businesses complain that the economy is overregulated with sometimes meaningless laws, especially as the government adopts EU regulations without considering their consistency or compatibility with current domestic legislation. This can increase the cost of doing business and results in Serbian products becoming more expensive.


In 2012, the government eliminated 138 so-called “para-fiscal” charges imposed by various local governments that add to the financial and regulatory burden on businesses in Serbia. Various institutions and employers’ associations, as well as AmCham, considered eliminating the 138 charges a significant step in improving business conditions. USAID has identified an additional 132 charges that should be eliminated.

Several Serbian organizations publish recommendations for government action to improve the transparency and efficiency of business regulations. The Foreign Investors Council

8. Efficient Capital Markets and Portfolio Investment

The government welcomes both domestic and foreign-sourced portfolio investments and regulates them efficiently. In 2015, Serbia attracted USD 296 million in portfolio investments from abroad, a decrease from the USD 530 million it attracted in 2014. The Serbian government regularly issues bonds to finance the budget deficit, including short-term, dinar-denominated T-bills (up to a two-year maturity period), and dinar-denominated, euro-indexed government bonds (up to a 15-year maturity period). The total value of bonds issued on the domestic market reached USD 8.5 billion at the end of January 2016.

Since 2011, when the Serbian government issued its first Eurobond on the international market, it has sold a total of USD 5.25 billion in four issuances bearing coupon rates between 4.875 and 7.25 percent. U.S. financial companies reportedly purchased more than half of these issuances. With both dinar-denominated T-bills and Eurobonds included, the total stock of Serbian government-issued debt instruments stood at USD 14 billion in January 2016. To meet its 2016 financing requirements, the government plans to issue domestic securities of up to USD 4.1 billion, issue additional Eurobonds of EUR one billion, and borrow USD 0.8 billion from commercial banks, multilateral financial institutions, and foreign governments. In early 2016 S&P raised its outlook for Serbia from negative to stable, and Moody’s raised its outlook from stable to positive.

Serbia’s equity and bond markets are underdeveloped. Corporate securities and government bonds are traded on the Belgrade Stock Exchange (BSE). Of 990 companies listed on the exchange, shares of fewer than 100 companies are traded regularly (more than once a week). The total annual turnover on the BSE in 2015 was USD 205 million and has been shrinking steadily since 2007 when the total turnover reached USD 2.7 billion. The BSE’s low turnover in the past four years is linked to the crisis in the Eurozone and the struggling global economy.

Established in 1995, the Securities Commission regulates the Serbian securities market. The Commission supervises investment funds in accordance with the Investment Funds Law. As of March 2016, 13 registered investment funds operate in Serbia.

Market terms determine credit allocation. The total volume of issued loans stood at USD 15 billion at the end of September 2015. Average interest rates are decreasing but still high compared to the EU average, and the business community in Serbia cites tight credit policies and expensive commercial borrowing as impediments to business expansion. Around 74 percent of all lending – including most mortgage lending and much of the commercial lending – is done in foreign currency, namely euros, to provide lower rates to borrowers and minimize exchange-rate risks to lenders. Foreign investors are able to obtain credit on the domestic market. The government and central bank respect IMF Article VIII and do not place restrictions on payments and transfers for current international transactions.
Money and Banking System, Hostile Takeovers

Serbia’s financial sector successfully weathered the 2008 global financial crisis, largely because of conservative banking policies and regulations that require high capital-adequacy ratios and high liquidity for banks operating in the country. In December 2015, the IMF assessed that Serbia’s banking sector was well-capitalized and liquid, and that Serbian authorities are “making noteworthy progress in implementing financial sector reforms to enhance its resilience and maintain stability.”

Serbia experienced no bank failures or bailouts during the crisis, but four state-owned banks went bankrupt very soon after the crisis and the state had to pay a bail out of nearly USD one billion to the banks’ depositors. A number of state-controlled banks have had financial difficulties since the crisis because of mismanagement and, in one instance, alleged corruption. The banks honored all withdrawal requests during the financial crisis and appear to have regained consumer trust, as evidenced by the gradual return of the withdrawn deposits to the banking system. By June 2014, savings deposits in the banking sector reached USD 7.6 billion, exceeding the pre-crisis level, and stands at that level today.

The NBS regulates the banking sector. Foreigners can freely establish both local currency and hard currency non-residential accounts. The banking sector comprises 91 percent of the total assets of the financial sector in Serbia. As of September 2015, consolidation had reduced the sector to 30 banks with total assets of USD 28 billion (about 77 percent of GDP), with 76 percent of the market held by foreign-owned banks. The top ten banks, with country of ownership and estimated assets in USD are: Banca Intesa (Italy, 4.4 billion); Komercijalna Banka (Serbian government, 40 percent, 3.5 billion); UniCredit Bank (Italy, 2.4 billion); Société Générale Banka (France, 2.1 billion); Raiffeisen Bank (Austria, 2.1 billion); AIK Banka Nis (Serbia, 1.5 billion); Eurobank EFG (Greece, 1.4 billion); Vojvodjanska Banka (Greece, 1.1 billion); Postanska Stedionica (Serbian government, one billion); and Sberbanka (Russia, one billion).

The high rate of non-performing loans (NPLs) in the banking sector is problematic. The NPL rate increased from 16.9 percent of total loans issued at the end of 2010 to 22 percent as of September 2015. However, banking industry representatives claim that the real figure is higher, closer to 40 percent, as banks use creative loan classifications to conceal the true extent of the problem. In addition, there are significant foreign exchanges risks, as 74 percent of all outstanding loans are indexed to foreign currencies (primarily the euro).

With a high NPL rate, and banks which hesitate to lend money, liquidity is an issue in Serbia and companies are hungry for working capital. In an attempt to improve liquidity, the government adopted the Law on Payment Deadlines in Commercial Transactions, which set maximum payment terms of 60 days for business-to-business transactions and 45 days for public sector-to-business sector payments. The government adopted the Law on Conditional Write-off of Interest and Tax Debt, which allows companies that pay their taxes on time but have unpaid tax debts to write off interest on the outstanding tax debt. These changes have not improved liquidity significantly. According to the Serbian Association of Employers, the average collection time improved by five days after the implementation of the payment deadlines. AmCham members noted that the law complicated business-to-business invoicing.
Hostile takeovers have been extremely rare in Serbia in recent years. Share takeovers usually occur in cases of “rounding-up” ownership shares acquired in the privatization process, when a company that already is the majority owner makes an offer to assume remaining minority shares. The Law on Takeover of Shareholding Companies regulates defense mechanisms of companies.

9. Competition from State-Owned Enterprises (SOE)

The new Law on Public Enterprises, adopted in February 2016, defines a public enterprise as “an enterprise pursuing an activity of common interest, founded by the State or Autonomous Province or a local self-government unit.” The law also defines “strategically important companies” as those in which the state has at least a 25 percent ownership share.

The new law aims to introduce responsible corporate management in public companies and strengthen supervision over public companies’ management. Moving forward, the law requires that the director of a public company be selected through a public bidding procedure. Additionally, all newly appointed directors may not hold any political party positions while serving as a director. The law also prescribes that a portion of the public company’s profit must be paid directly to the state, provincial, or local government budget, rather than to a parent SOE’s budget.

SOEs dominate many leading sectors of the economy, including energy, transportation, utilities, telecommunications, infrastructure, mining, and natural resources. According to the Ministry of Economy, Serbia has 727 SOEs, which employ more than 250,000 people, or approximately 15 percent of the formal workforce. These enterprises are divided into two groups: 1) 36 companies established by the Republic of Serbia and 2) 691 enterprises established by local self-government units or provinces. The list of all SOEs is available at the Ministry of Economy’s website: http://www.privreda.gov.rs/javna-preduzeca/. In addition to these companies, there are around 250 companies that were not resolved by the now disbanded Privatization Agency. The Ministry of Economy is preparing all 250 companies for divestiture. However, the Fiscal Council, a quasi-governmental watchdog, estimates that the total number of companies in which the state has stake (majority or minority) is around 3,000.

SOEs are treated the same way as private sector competitors. SOEs can purchase goods from the private sector and foreign firms under the Public Procurement Law. In the construction industry, for example, foreign companies regularly win public tenders for the construction of roads and other infrastructure projects. Under the Public Procurement Law, which was amended in July 2015, a buyer must select a domestic supplier if the domestic supplier’s price is no more than five percent higher than the foreign supplier’s price. The Public Procurement Office (PPO) is an independent state body, which supervises implementation of the Law on Public Procurement. Private enterprises have the same access to financing, including terms, as SOEs. SOEs do not have preferential access to land and raw materials, and have the same tax burden and rebate policies as their private sector competitors. SOEs were under soft budget constraints and received large subsidies from the government, including direct subsidies and guarantees for banks’ loans, which reached two percent of GDP in 2014, according to IMF estimates. As part of its IMF deal, the government committed to stop providing subsidies to SOEs and respected this provision throughout 2015.
Serbia is not a party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO).

OECD Guidelines on Corporate Governance of SOEs

Recent governments have treated SOEs as political prizes to be divided up among political parties in the ruling coalition. SOE managers often are politicians or party activists appointed because of their political connections rather than their management skills or substantive expertise. In an effort to reverse the politicization of public enterprises and put them under more professional management, the National Assembly adopted a Law on Public Enterprises in February 2016 that requires all SOE directors to be selected through a public tender process. The law permits an SOE director to maintain political-party membership, but s/he must recuse him/herself from exercising political-party functions while serving as director. The government appoints SOE directors recommended by the Commission on a four-year term mandate.

Directors do not have deputies, but they can appoint executive directors. SOEs also have a supervisory board which has five members, including the President of the Board. The government appoints the board members to for a four-year mandate without a public tender but with certain qualifications. SOEs need the government’s approval for mid- and long-term business plans. SOEs must submit their annual business plans to the government and they must report their results to the relevant ministry each quarter. SOEs must publish financial reports, plans, and other information of public interest on their websites.

The government committed to better monitoring and introduction of corporate governance in SOEs in its IMF agreement, which will bring them more in line with the OECD guidelines. The Ministry of Economy agreed to strengthen its SOE monitoring unit to improve corporate governance and operational efficiency. The Ministry of Finance’s fiscal risks management unit agreed to review and compile the financial reports and statements of SOEs and evaluate the fiscal implications of the reports and statements.

Sovereign Wealth Funds

Serbia does not have a sovereign wealth fund.

10. Responsible Business Conduct

Responsible Business Conduct (RBC) is a relatively new concept in Serbia. Businesses gradually are becoming more familiar with the concept of RBC, though many Serbian companies view it mainly as a public relations tool to help improve their reputation. Multinational companies that possess wide experience in the RBC realm are its primary and most effective practitioners. The corporate sector has become more active over the last few years in partnering with NGOs and other organizations to organize events and conferences to raise awareness of RBC principles.

The government has adopted a Strategy for Development and Promotion of Socially Responsible Business Conduct in Serbia for the Period 2010-2015, which is available online at: http://www.gs.gov.rs/lat/strategije-vs.html.
The Law on Public Procurement allows the government to ask for bidders to fulfill additional conditions, especially those related to social and environmental issues. Also, the government should consider criteria, such as environmental protection and social impact, when evaluating the best bid.

Several local organizations, such as the AmCham, FIC, and PKS, promote the concept of RBC among the wider Serbian business community and the public. The Chamber of Commerce in Serbia presents a national award to Socially Responsible Businesses. The Trag Foundation supports the Serbian Philanthropy Forum, a networking body for donors (including numerous corporate actors) to advance philanthropic concepts in Serbia. The NGO Smart Kolektiv is providing consulting services in RBC and establishing a “RBC Index,” which measure companies’ performance in this area. Serbia’s 2011 Corporate Law introduced contemporary corporate standards. However, business associations have indicated that implementation is inconsistent.

Since its 2007 inception, the UN Development Program’s (UNDP) Global Compact initiative has organized a number of educational events intended to strengthen capacity in areas relating to RBC in Serbia. In December 2014, the UN Global Compact held its annual assembly of Serbian members in Belgrade to highlight its local activities. In 2015, the UN Global Compact in Serbia and PKS organized trainings and panel discussions related to RBC.

The Serbian government has no formal mechanism in place to encourage companies to follow generally accepted RBC principles. The government does not maintain a national contact point for OECD guidelines, including OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. The government does not participate in the Extractive Industries Transparency Initiative.

11. Political Violence

Since October 2000, Serbia has been led by democratically elected governments that have committed publicly to supporting regional stability and security. The run-up to the March 2014 snap parliamentary elections did not include appreciable political tensions or threats of politically motivated violence, including in the southwest Sandzak region or south Serbia. In the Sandzak region, tensions occasionally have led to localized violence between competing political groups. This violence usually is directed at opposing party figures and has not targeted unrelated civilians or businesses. The national government has pledged to continue previous governments’ notable efforts to combat organized crime and corruption, and continues to make high-profile arrests and launch new investigations.

Immediately following Kosovo’s February 2008 declaration of independence from Serbia, groups twice broke away from larger demonstrations and attacked embassies of countries that had recognized Kosovo, including the U.S. Embassy in Belgrade. Since these attacks, there have been no major violent incidents in Serbia related to Kosovo. Still, extremists from Serbia regularly have been accused of fomenting and participating in politically motivated violence in ethnic Serb-populated areas of northern Kosovo.

The 2010 LGBT Pride Parade in Belgrade was marred by significant and widespread violence. The Serbian government cancelled the subsequent three Pride Parades at the last minute, ostensibly because of threats of violence by the same nationalist and extremist groups that
attempted to disrupt the 2010 parade. In 2014 and again in 2015, the government allowed the Pride Parade to take place in central Belgrade, under heavy police protection and without incident.

Organized crime in Serbia frequently is linked to sports hooliganism. There has been no serious ultra-nationalist, sports-related violence since January 2012, when hooligans attacked visiting Croatian fans in Novi Sad and Ruma, resulting in several injuries, and set fire to visitors’ cars in Novi Sad during the Euro 2012 handball championships held in Serbia. A number of ultra-nationalist organizations, such as “Obraz” and “Nasi,” are active in Serbia. In 2013, these organizations continued activities targeting certain Serbian political leaders, local NGOs, and media outlets alleged to be “pro-Western.” Their calls for action against their targets, however, have not resulted in any violent incidents. While no far-right parties won seats in the parliament in the 2014 elections, public support for far-right organizations has increased since then.

12. Corruption

Corruption in Serbia is believed to be pervasive, but it is difficult to quantify. In Transparency International’s 2015 Corruption Perception Index (CPI), Serbia ranked 71 of 175 compared countries; an improvement from its CPI 2015 ranking of 78 and closer to the country’s ranking of 72 in 2013.

In 2013, the government formally adopted a new Anti-Corruption (AC) Strategy and Action Plan for the period 2013-2018 that aligns with its EU accession commitments. A January 2016 report on the implementation of the AC Strategy published notes the government’s weak implementation in the areas of judiciary and law enforcement, as well its overall monitoring (http://www.bezbednost.org/Sve-publikacije/6021/Alternativni-izvestaj-o-sprovodjenju-Nacionalne.shtml). Serbia is a signatory to the Council of Europe’s Civil Law Convention on Corruption and has ratified the Council’s Criminal Law Convention on Corruption, the United Nations Convention against Transnational Organized Crime, and the United Nations Convention Against Corruption. Serbia also is a member of the Group of States against Corruption (GRECO), a peer-monitoring organization that provides peer-based assessments of members’ anti-corruption efforts on a continuing basis.

In 2008 the National Assembly approved the creation of an Anti-Corruption Agency (“ACA”), an independent government agency. The ACA is responsible for current anti-corruption activities including: (i) enforcing the National Strategy to Fight Corruption; (ii) monitoring and tracking conflicts of interest in the public sector; the property and assets of public officials; political party financing; and (iii) facilitating international anti-corruption cooperation.

In December 2015 Serbian police arrested the ACA’s first director, Zorana Markovic and 79 other people. The arrests were made as a result of 20 investigations involving allegations of financial crime and corruption since 2004, including abuse of office and money laundering. Of this group, 31 people were detained for a period of 30 days and subsequently released during January 2016 awaiting trial.

In December 2014, the first whistleblower protection law in Serbia was adopted and became effective in June 2015. As of February 2016, there have been 36 cases reported in which courts granted interim relief to whistleblowers.
In Serbia, both giving and receiving a bribe are criminal acts punishable by law. Bribes by local companies to foreign officials also are prohibited. Prosecutors at the basic and high court levels generally handle corruption offenses. In 2010, the Organized Crime Prosecutor’s Office assumed jurisdiction over corruption-related offenses involving high-level public officials and cases involving bribes totaling more than USD 2.7 million in illicit proceeds.

In May 2015, the government adopted a Strategy for Investigating Financial Crimes for 2015-2016 (“Strategy”) as a key tool for tackling corruption and fraud. The government is preparing an action plan to implement the Strategy, and the corresponding implementing legislation.

Government contracts remain the most widespread currency in corrupt political spheres, and corrupt officials have commonly abused contracting procedures to drain government funds and gain personal benefit. In October 2014, the government adopted the Public Procurement Development Strategy and Action Plan with the following four strategic objectives: 1) building and developing the common public procurement system in Serbia, 2) further strengthening competition in public procurements, 3) decreasing irregularities in the procurement system, and 4) increasing cost-effectiveness and efficiency in the procurements. In July 2015, the government amended the Procurement Law without prior public debate. The law was amended with the stated objective of improving economic efficiency and transparency in line with the EU directives.

The Regional Anti-Corruption Initiative maintains a website with updates about anti-corruption efforts in Serbia: http://www.anticorruption-serbia.org/.

**UN Anticorruption Convention, OECD Convention on Combatting Bribery**

Serbia signed and ratified the UN Anticorruption Convention. Serbia is not a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

**Resources to Report Corruption**

**Serbian Anti-Corruption Agency**

- Carice Milice 1, 11000 Belgrade, Serbia
- +381 (0) 11 4149 100
- office@acas.rs

**Transparency International Serbia**

- Transparentnost Serbia
- Palmoticeva 27, 11000 Belgrade, Serbia
- +381 (0) 11 303 38 27
- ts@transparentnost.org.rs

**13. Bilateral Investment Agreements**

Bilateral Taxation Treaties
Serbia does not have a bilateral investment agreement with the United States. Serbia has concluded investment protection treaties/agreements with the following 53 countries:
Albania, Algeria, Austria, Azerbaijan, Belarus, Belgium-Luxembourg Union, Bosnia and Herzegovina, Bulgaria, Russia, Canada, China, Cyprus, Croatia, Cuba, the Czech Republic, the Democratic People’s Republic of Korea, Denmark, Egypt, Finland, Macedonia, Malta, Morocco, France, Germany, Ghana, Greece, Guinea, Hungary, Holland, India, Indonesia, Iran, Iraq, Israel, Italy, Kazakhstan, Kuwait, Libya, Lithuania, Nigeria, Montenegro, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland, Turkey, the United Kingdom and Northern Ireland, Ukraine, United Arab Emirates, and Zimbabwe.

Serbia does not have a bilateral taxation treaty with the United States. Serbia has signed and implemented Bilateral Taxation Treaties with the following 54 countries: Albania, Austria, Azerbaijan, Belgium, Belarus, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Holland, Hungary, India, Iran, Ireland, Italy, Kuwait, Latvia, Lithuania, Libya, Macedonia, Malaysia, Malta, Moldova, Montenegro, North Korea, Norway, Pakistan, Poland, Qatar, Romania, Russia, Slovakia, Slovenia, Sri Lanka, Switzerland, Sweden, Spain, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and Vietnam. (Source: Serbian Finance Ministry http://www.mfin.gov.rs/pages/issue.php?id=7063)

Serbia has signed Bilateral Taxation Treaties with eight other countries: Armenia, Ghana, Guinea, Indonesia, Morocco, Palestine, Philippines, and Zimbabwe. The Serbian National Assembly ratified these agreements, but the foreign state legislatures have not.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Serbia maintains 14 designated free-trade zones (FTZs): Apatin, Belgrade, Kragujevac, Krusevac, Novi Sad, Pirot, Priboj, Sabac, Smederevo, Svilajnac, Subotica, Uzice, Vranje, and Zrenjanin. FTZs, established in accordance with the 2006 Law on Free Trade Zones, are intended to attract investment by providing tax-free areas for company operations. Businesses operating in FTZs qualify for benefits that include: unlimited duty-free imports and exports; preferential customs treatment; and tax relief/value-added tax (VAT) exclusions. Companies operating within an FTZ are subject to the same laws and governmental supervision as other businesses in Serbia (except for the tax-free privileges that the FTZ offers). According to the Director of Administration for Free Trade Zones, in 2014 there were over 200 companies operating in Serbia’s FTZs, and their total exports exceeded USD 2.2 billion, which is the equivalent of approximately 20 percent of Serbia’s total exports.

Goods moving in to or out of the FTZs must be reported to customs’ authorities, and payments must be made in accordance with regulations on hard-currency payments. Goods being delivered from FTZs to other areas in Serbia are subject to customs’ and tax duties. Earnings and revenues generated within an FTZ may be transferred freely to any country, including Serbia, without prior approvals, and are not subject to any kind of taxes, duties, or fees. The law allows up to 100-percent foreign ownership of the FTZ’s managing company. Additional information about Serbia’s FTZs is available at: www.usz.gov.rs/eng/index.php.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics
Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

<table>
<thead>
<tr>
<th>Economic Data</th>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Direct Investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host country’s FDI in the United States ($B USD, stock positions)</td>
<td>2014</td>
<td>&lt;$1</td>
<td>2014</td>
<td>$2</td>
<td>BEA data available at <a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a></td>
</tr>
<tr>
<td>Total inbound stock of FDI as % host GDP</td>
<td>2014</td>
<td>&lt;1%</td>
<td>2014</td>
<td>0.3%</td>
<td>N/A</td>
</tr>
</tbody>
</table>


Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations (US Dollars, Millions) 2014

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inward</td>
<td>29,654</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6,436</td>
</tr>
<tr>
<td>Cyprus</td>
<td>4,151</td>
</tr>
<tr>
<td>Total Outward</td>
<td>3,056</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>1,237</td>
</tr>
<tr>
<td>Montenegro</td>
<td>640</td>
</tr>
<tr>
<td>Country</td>
<td>Amount</td>
</tr>
<tr>
<td>------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Austria</td>
<td>3,955</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>2,354</td>
</tr>
<tr>
<td>Germany</td>
<td>1,336</td>
</tr>
</tbody>
</table>

"0" reflects amounts rounded to +/- USD 500,000.

Note: The data above differs from NBS data. According to NBS data, total inward FDI into Serbia in 2001-2014 was USD 22,354 million. The top five investors were Austria with USD 3,150 million; Norway with USD 1,708 million; Luxemburg with USD 1,636 million; Italy with USD 1,312 million; and the Netherlands with USD 1,400 million. ([http://www.nbs.rs/internet/cirilica/80/platni_bilans.html](http://www.nbs.rs/internet/cirilica/80/platni_bilans.html))

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Serbia.

### Section 5 - Government

**Chiefs of State and Cabinet Members:**

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](http://www.nbs.rs/internet/cirilica/80/platni_bilans.html)

**Legal system:**

Civil law system

**International organization participation:**

BIS, BSEC, CD, CE, CEI, EAPC, EBRD, EU (candidate country), FAO, G-9, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MONUSCO, NAM (observer), OAS (observer), OIF (observer), OPCW, OSCE, PCA, PFP, SELEC, UN, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, UNIFIL, UNMIL, UNOCI, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)
Section 6 - Tax

Exchange control

There are no exchange controls in Serbia.

Treaty and non-treaty withholding tax rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Dividends</th>
<th>Interest</th>
<th>Royalties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(% )</td>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td>Domestic rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treaty rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Belarus</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Belgium</td>
<td>10%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>5%</td>
<td>10%</td>
<td>-</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>-</td>
<td>-</td>
<td>5%</td>
</tr>
<tr>
<td>Croatia</td>
<td>5%</td>
<td>10%</td>
<td>-</td>
</tr>
<tr>
<td>Cyprus</td>
<td>-</td>
<td>-</td>
<td>10%</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>-</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Denmark</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Egypt</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Estonia</td>
<td>5%</td>
<td>10%</td>
<td>-</td>
</tr>
<tr>
<td>Finland</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>France</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Germany</td>
<td>-</td>
<td>-</td>
<td>15%</td>
</tr>
<tr>
<td>Greece</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Hungary</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>India</td>
<td>5%</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>Interest</td>
<td>Royalties</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>----------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>3) (%)</td>
<td>2) (%)</td>
<td>1) (%)</td>
<td></td>
</tr>
</tbody>
</table>

**Domestic rates**

<table>
<thead>
<tr>
<th></th>
<th>(%)</th>
<th>(%)</th>
<th>(%)</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies:</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Individuals:</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>5 or 10</td>
</tr>
<tr>
<td>Italy&lt;sup&gt;a&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>DPR Korea&lt;sup&gt;a&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Kuwait&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Latvia</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Lithuania</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Macedonia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Malaysia</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Malta</td>
<td>5</td>
<td>10</td>
<td>10</td>
<td>5 or 10</td>
</tr>
<tr>
<td>Moldova</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Netherlands&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Norway&lt;sup&gt;a&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Poland&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Romania&lt;sup&gt;a&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Russia&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Sri Lanka&lt;sup&gt;a&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>12.5</td>
<td>10</td>
</tr>
<tr>
<td>Slovenia</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Spain</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Sweden&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Turkey</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Ukraine&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>10</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom&lt;sup&gt;a&lt;/sup&gt;</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>10</td>
</tr>
</tbody>
</table>

2. Rates applicable - at least 25% of share capital or voting power, as applicable, is held by the recipient in the payer.
3. Rates applicable - less than 25% of share capital or voting power, as applicable, is held by the recipient in the payer.

4. Based on the treaty concluded by the former Socialist Federal Republic of Yugoslavia or the Federal Republic of Yugoslavia
Methodology and Sources

Section 1 - General Background Report and Map
(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

<table>
<thead>
<tr>
<th></th>
<th>Lower Risk</th>
<th>Medium Risk</th>
<th>Higher Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>FATF List of Countries identified with strategic AML deficiencies</td>
<td>Not Listed</td>
<td>AML Deficient but Committed</td>
<td>High Risk</td>
</tr>
<tr>
<td>Compliance with FATF 40 + 9 recommendations</td>
<td>&gt;69% Compliant or Fully Compliant</td>
<td>35 – 69% Compliant or Fully Compliant</td>
<td>&lt;35% Compliant or Fully Compliant</td>
</tr>
<tr>
<td>US Dept of State Money Laundering assessment (INCSR)</td>
<td>Monitored</td>
<td>Concern</td>
<td>Primary Concern</td>
</tr>
<tr>
<td>INCSR - Weakness in Government Legislation</td>
<td>&lt;2</td>
<td>2-4</td>
<td>5-20</td>
</tr>
<tr>
<td>US Sec of State supporter of / Safe Haven for International Terrorism</td>
<td>No</td>
<td>Safe Haven for Terrorism</td>
<td>State Supporter of Terrorism</td>
</tr>
<tr>
<td>EU White list equivalent jurisdictions</td>
<td>Yes</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>International Sanctions</td>
<td>None</td>
<td>Arab League / Other</td>
<td>UN, EU or US</td>
</tr>
<tr>
<td>UN Sanctions / US Sanctions / EU Sanctions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption Index (Transparency International)</td>
<td>&gt;69%</td>
<td>35 – 69%</td>
<td>&lt;35%</td>
</tr>
<tr>
<td>Control of corruption (WGI)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Advice Network</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World government Indicators (Average)</td>
<td>&gt;69%</td>
<td>35 – 69%</td>
<td>&lt;35%</td>
</tr>
<tr>
<td>Failed States Index (Average)</td>
<td>&gt;69%</td>
<td>35 – 69%</td>
<td>&lt;35%</td>
</tr>
<tr>
<td>Offshore Finance Centre</td>
<td>No</td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
**Section 3 - Economy**

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

**Section 4 - Foreign Investment**

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

**Section 5 - Government**

Names of Government Ministers and general information on political matters.


**Section 6 - Tax**

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes  PKF International)
DISCLAIMER

Part of this report contains material sourced from third party websites. This material could include technical inaccuracies or typographical errors. The materials in this report are provided "as is" and without warranties of any kind either expressed or implied, to the fullest extent permissible pursuant to applicable law. Neither are any warranties or representations made regarding the use of or the result of the use of the material in the report in terms of their correctness, accuracy, reliability, or otherwise. Materials in this report do not constitute financial or other professional advice.

We disclaim any responsibility for the content available on any other site reached by links to or from the website.

RESTRICTION OF LIABILITY

Although full endeavours are made to ensure that the material in this report is correct, no liability will be accepted for any damages or injury caused by, including but not limited to, inaccuracies or typographical errors within the material. Neither will liability be accepted for any damages or injury, including but not limited to, special or consequential damages that result from the use of, or the inability to use, the materials in this report. Total liability to you for all losses, damages, and causes of action (in contract, tort (including without limitation, negligence), or otherwise) will not be greater than the amount you paid for the report.

RESTRICTIONS ON USE

All Country Reports accessed and/or downloaded and/or printed from the website may not be distributed, republished, uploaded, posted, or transmitted in any way outside of your organization, without our prior consent. Restrictions in force by the websites of source information will also apply.

We prohibit caching and the framing of any Content available on the website without prior written consent.

Any questions or queries should be addressed to:

Gary Youinou

Via our Contact Page at KnowYourCountry.com