

THE SUPPORT DEVELOPMENT OF FOREIGN INVESTMENT RELATIONS IN SERBIA

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Abstract

Direct foreign investments play the significant role mainly within the framework of global economy. In the whole world, every country tries to search for and attract direct foreign investors. The state policy of every country is the key factor in attracting direct investments. Many countries use different institutions and investment incentives with which, they try to promote their country and make it more attractive and thus to gain foreign investors. Serbian government supports domestic or foreign investments that bring with themselves a new technology, high added value and directs exclusively to economically low developed regions with higher unemployment rate of citizens. Direct investments that perform in Serbia have the positive effect on the economic growth and at the same time on the development of standard of living of the country.

Keywords: foreign direct investment, investment attractiveness of Serbia, foreign investors

JEL classification: F02, L20, F60.

INTRODUCTION

Direct foreign investments are one of the forms of realizing long-term international movement of capital. Direct investments mean the process, when a company from one country establishes a business activity in other country by means of setting up a new branch or taking over a local company or by means of founding a joint venture in a host country. Many countries use different institutions and investment incentives with which, they try to promote their country and make it more attractive and thus to gain foreign investors.

Investment incentives that are used by a state for attracting foreign investment into a country as well as for increasing their positive influence can be divided into three groups:

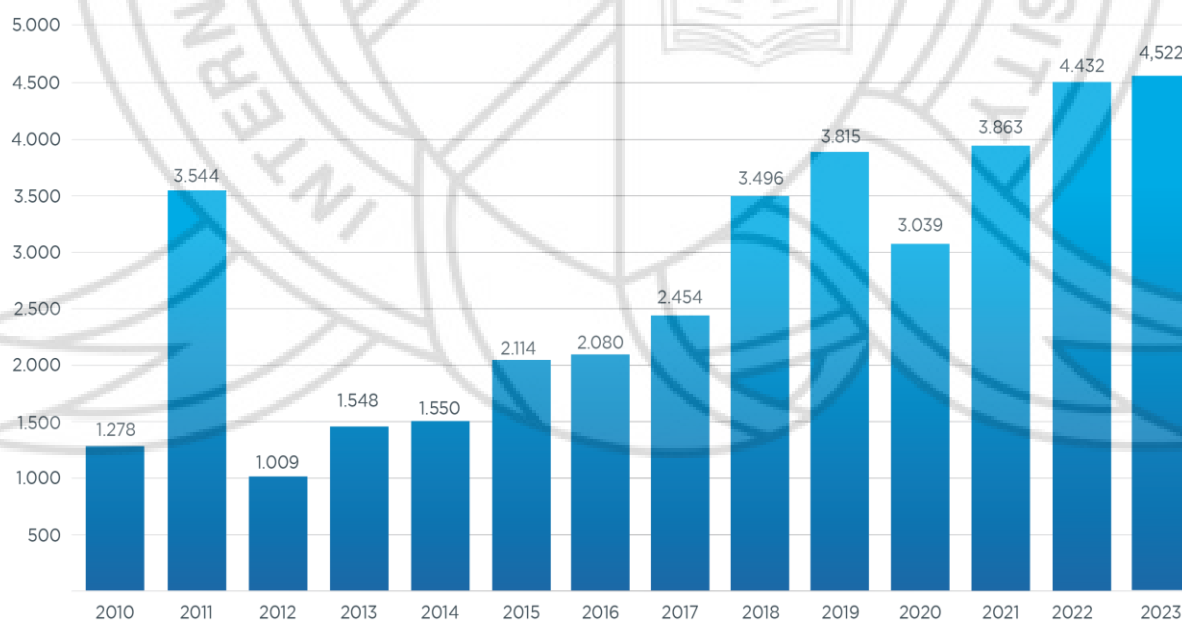
- Financial incentives – for instance preferential interest rates in loans,
- Fiscal incentives – for instance preferential tax rates,
- Other types of incentives – for instance when a state supports building of infrastructure (Balko, 2004).

1. DIRECT FOREIGN INVESTMENTS IN SERBIA

The reforms in Serbia were effective for attracting private investments and Serbia recorded from 2000 to 2023 the inflow of foreign investments in the amount of around 4,52 billion of euros out of what 60 % were created by the investments from the member states of European Union and 40 % from other countries.

The following graph shows the inflow of foreign investments (in mil. euro) to Serbia in the period of 2010 – 2023.

Graph 1: The inflow of direct investment (in mil. euro) to Serbia in the period of 2010 – 2023



Source: National Bank of Serbia (2024). Available on from: <https://ras.gov.rs/podrska-investitorima/zasto-srbija/uspesne-price>

In 2023 Serbia attracted record-breaking 4,52 billion Euro of direct foreign investments. Serbia is an attractive country for investments.

The flow of foreign investors has more meanings for the economic growth of Serbia:

- The additional capital is provided, what contributes to the financial revitalization of business entities,
- It helps to the process of the inclusion of Serbian economy into economic integration processes,
- It has the positive and permanent influence on domestic economy,
- It influences positively the employment policy.

2. AGENCIES FOR THE SUPPORT OF DIRECT FOREIGN INVESTMENTS IN SERBIA

State policy in every country is a key factor in attracting foreign investments. Developed countries with advanced economies prefer financial incentives while developing countries cannot afford direct expenditures from the state budget and thus, they rely on preferential tax rates, tax holidays, etc. Serbian government in its legislative framework supports either domestic or foreign investments which bring with themselves new technology, high added value and they are heading exclusively towards economically less developed regions with higher unemployment rate of citizens.

Serbian government has established for the support of export and flow of direct foreign investments:

- Development agency of Serbia,
- Fund for the development of Republic of Serbia,
- Agency for insurance and financing of export,
- Free zones office.

2.1 DEVELOPMENT AGENCY OF SERBIA

Development agency of Serbia (DAS) is a state agency whose main goal is to help Serbian companies to export their products and services to foreign countries. It was established on 11th of January 2016. DAS helps also foreign investors in searching for suitable investment opportunities and it provides contacts with possible future Serbian sub-suppliers. It organizes various meetings of foreign companies that are interested in searching for business partners in Serbia. It provides financial help for Serbian companies to be able to participate in international fairs in foreign countries. It also arranges seminars, trainings for starting entrepreneurs (Development Agency of Serbia 2025). In order for all parts of Serbia to develop evenly, RAS has 16 accredited regional development agencies (ARRA) in its network which are: Belgrade, Novi Sad, Subotica, Zrenjanin, Pančevo, Ruma, Požarevac, Loznica, Kragujevac, Zaječar, Užice, Kraljevo, Kruševac, Niš, Novi Pazar, Leskovac, and RAS cooperates intensively with them in implementing the program.

2.2 AGENCY FOR INSURANCE AND FINANCING OF EXPORT

Agency for insurance and financing of export of Republic of Serbia is a specialized financial organization supporting pro export policy of Serbia. Insurance is a significant institution in international exchange of goods. Agency focuses its performance mainly on the insurance of goods determined for export, provision of guarantees, factoring, forfaiting, advisory services, technical help for exporters. This activity is sought after by Serbian entrepreneurs because thanks to this, Serbian products are ranked better on international markets (Agency for insurance and financing of export, 2024).

2.3 FREE ZONES OFFICE

Since the end of the year 2008, Free zones office operates under Ministry of economy and finance of Republic of Serbia. In 2008 11 free zones have been created. Free zones office is authorized to establish so-called free zones – zones with more advantageous conditions for entrepreneurship. Free zones in the period of 2010 – 2012 in Serbia attracted billion euros of investments and made turnover in the amount of 4,5 billion euro. In 2012, there were 14,579 employees employed in free zones who worked in 84 foreign and 89 domestic companies. Nowadays, there are 15 free zones in Republic of Serbia, by means of which new technologies, new investments are coming to Serbia, and new work positions are being created. There are around 10,000 free zones in more than 100 countries in the world and around 25% of world's trade comes from free zones while in Serbia, it is 7%.

Nowadays, these free zones exist in Serbia:

- Free zone Pirot,
- Free zone Subotica,
- Free zone Zrenjanin,
- Free zone Novi Sad,
- Free zone Kragujevac,
- Free zone Užice,
- Free zone Šabac,
- Free zone Smederevo,
- Free zone Kruševac,
- Free zone Niš,
- Free zone Svilajnac,
- Free zone Beograd,
- Free zone Priboj,
- Free zone Vranje,
- Free zone Apatin (Free Zones Administration 2025).

3. COMPANIES THAT HAVE GAINED THE SUPPORT FROM SERBIA GOVERNMENT

In the table below, data about the provided support to foreign investors in Serbia are stated.

Table 1: Provided support to foreign investors in Serbia

	Companies	Eur
1.	SR Tehnics Services, d. o. o., Beograd	810 000
2.	IGB AUTOMOTIVE COMP, d. o. o., Indija	1 400 000
3.	ContiTech Fluid Serbia, d. o. o., Subotica	3 000 000
4.	Banja Komerc Bekament, d. o. o., Arandjelovac	500 000
5.	Aster Tekstil, d. o. o., Niš	1 687 667
6.	MDG, d. o. o., Prijepolje	960 000
7.	Bizlink Technology SRB, d. o. o., Prokuplje	613 440
8.	APTIV MOBILITY SERVICES, d. o. o., Novi Sad	19 908 890
9.	Falke, d. o. o., Leskovac	853 495
10.	NCR, d. o. o., Beograd	10 198 224
11.	FOS, d. o. o., Surdulica	1 397 500
12.	TIM-COP, d. o. o., Temerin	678 600
13.	LEONI Wiring Systems Southeast, d. o. o., Prokuplje	6 424 000
14.	Coficab, d. o. o., Deč	822 774
15.	AUNDE SRB, d. o. o., Kočino Selo	141 540
16.	Yazaki, d. o. o., Šabac	4 848 000
17.	Sveti Nikola, d. o. o., Sečanj	853 307
18.	CHIPS WAY, d. o. o., Čačak	355 440
19.	Gramar System, d. o. o., Aleksinac	855 432
20.	Lear Corporation, d. o. o., Beograd	3 848 625
21.	Magna Seating, d. o. o., Odzaci	1 485 000
22.	Real Knitting, d. o. o., Gajdorba	375 000
23.	Sinterfuse, d. o. o., Uzice	283 500
24.	AUNDE SRB, d. o. o., Kočino Selo	141 540
25.	CONTINENTAL AUTOMOTIVE SERBIA, d. o. o., NOVI SAD	9 500 000

Source: own processing according to the data: Ministry of economy of Republic of Serbia (2024). Available on from: <http://privreda.gov.rs/ministarstvo-na-dlanu/sektori/odeljenje-za-investicije/>

CONCLUSION

The use of investment incentives is created mainly by a competition that every country nowadays meets. To get an investment, every country must impress an investor more than other neighbouring country. Governments in all countries and Serbian government, too, often have to offer preferential investment packages, different tax incentives, lands free of charge just to get the particular investment for the location. Positive influences of new investments become evident mainly in the creation of new work position, new entrepreneurial possibilities, new technologies, foreign capital, etc.

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