

[研究論文] **Political and Economic Position of Serbia**
-- From Patriotic Citizens' Viewpoint --

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Abstract

As a result of partition of the Yugoslavia Federation, which might be manipulated by developed western countries, Serbia has been isolated in Eastern Europe, dejected by disorders such as hyperinflation. However, Serbia has been making a tremendous recovery from the devastation and has become one of the most promising countries in Eastern Europe. Despite the fact that there is the ever present danger of strife in Kosovo, Serbia's potential far surpasses that of its neighboring countries. From patriotic Serbian citizens' viewpoint this study explains the logic behind the politics and economy in Serbia and suggests Germany's cunning strategy of relying on NATO.

Keywords: Serbia, Kosovo, the Federal Republic of Yugoslavia, EU, hyperinflation

1 Introduction

The Federal Republic of Yugoslavia was partitioned into 6 countries : Slovenia, Croatia, Bosnia and Herzegovina, Macedonia, Serbia, and Montenegro by the Great Powers after the civil war. We can point out several main causes of this partition, such as selfishness on the part of leaders of each country, social prejudice, ambitions of Germany, desire for independence, reduction of GDP in the Yugoslavia Federation, US. strategy. Serbia has lost the leadership through this partition.*

2 Background of Serbian Politics and Economy

Poland, Czech, Slovakia, and Hungary, which were like colonies of Germany before WWII, are still favored nations for Germany. The benefit of this affiliation was realized on May 1, 2004, when these countries joined the EU, and overseas investments have been another result of this favorable affiliation.

Serbia, on the other hand, does not enjoy such a relationship with Germany. When Yugoslavia, centralized by Serbia, gained independence at the Paris Peace Conference after WWI, Germany and Austria felt their territories had been wrested away. Therefore, unlike other middle-Eastern European countries that have the backing of Germany, Serbia does not have any specific backing in the international society except Russia. In other words, Serbia does not have a patron who proposes to support it. After WWII, Yugoslavia was fortunate to have successfully developed a planned economy, without such an alliance.

Since most information about the Yugoslavian civil war enters Japan through media outlets such as Reuters, the accepted view is that major industrialized countries merely observed the war and could not stop its expansion. However, there is another view on this subject, different from that of Reuters, which does not reach Japan. It is the view that external pressure from major nations provoked the division of Yugoslavia. The war was a manifestation of the publics' agitation by their leaders, who were doing what was expected of them from the major nations. There are many examples of speech and conduct which support this view, such as the former German Foreign Minister Genscher's claim that Germany would not ratify the EU constitution until the EU recognized the affiliation of Slovenia and Croatia with the

EU.

NATO air strikes against Belgrade were the result of major nations' egos. Although the Milosevic administration collapsed and a democratic government was born, the Kosovo problem is not as simple as the Japanese people would think. Yugoslavia's government has born for Kosovo the fiscal burden of the GDP. Moreover, Kosovo is for Serbs what Kyoto and Nara are to Japanese. Around the year 2000 the ratio of Serbs and ethnic Albanians in Kosovo was 1 to 9, as the expansion of the Albanian population was more active than that of the Serbs. If, for example, foreign workers settled in Kyoto and Nara and their population rapidly increased until they became a majority and asked for independence, would the Japanese people approve their independence or not?

The United States has declared that Kosovo should become independent. But the border cannot be changed freely any longer, as the "border demarcation of each country" is stipulated in the Helsinki Agreement.

Although a solution to the Kosovo problem is in a state of deadlock, revival of the Kosovo crisis will mean opening a "Pandora's box." In a sense, Kosovo may be a time bomb, and only if the fuse is removed carefully, resulting in a satisfactory solution, can a tragedy be avoided. Unless the problem is solved, Japanese companies may run a risk and there is perhaps no need to hurry investment. However, European companies anticipating Serbia's entrance into the EU in 2012 will be eager to invest there.

By bombing Yugoslavia without the approval of UN forces, NATO caused about 2500 civilian and 1500 military casualties. Since it was not confident in the success of a ground war, NATO carried out air strikes but no ground attack. Even though the old Yugoslavia faced NATO air strikes, their air force facilities were hidden underground and were almost unharmed. The small country fought desperately against the power of major nations.

The hypothesis that Yugoslavia's civil war was used as a way to maintain NATO may be proved true, as can the theory that Germany succeeded in restoring the situation to what it was before the Versailles Treaty. Therefore, if the arbitrary act of a major nation causes a regional dispute, NATO's intervention, under the pretext of solving the problem, must be supervised or put under the command of U.N. forces.

The aim of the U.S. is not the acquisition of natural resources in Kosovo, as precious resources such as oil do not exist there. The U.S. is willing to approve Kosovo's independence so as to establish a puppet government, enabling the establishment of U.S. military bases in Kosovo, which will be included in NATO forces.

A British mining company was interested in resources, such as lead, zinc and coal, which are scattered around Kosovo. Through the use of a Serbian company to produce these resources, the British company's costs ran too high, leading it to seek the use of cheap labor from Kosovo. This is because Kosovo's average monthly income of 300 euro is lower than that of Serbia. A college graduate in Serbia working at a financial company earns about 600 euro, a cigarette manufacturer 1200 euro. Advertising agency employees can make 1400-1500 euro, but that is an exception. There is also a wage gap between jobs in Belgrade and those at companies more than 50km away, where wage levels are clearly lower. **

Various state-owned firms continue to exist in Serbia, but their privatization is advancing. Among these is an automobile company, Zastava, which is neither state-owned nor private, but is a so-called semi-governmental company. However, Zastava has become a burden for the Serbian government. The government wants to sell off its management company to the private sector, but this worries the private-sector side of the company. Zastava faces challenges in its present attempts to form ties with Fiat, but the company is likely to survive. If the factory is sold to a private enterprise and the old brand of Zastava is made in Serbia, it will not be successful, and will not compare well with the image of the Zastava of the past.

Previously, Mitsubishi, a trading company with a successful track record, supplied about 3 billion yen for a press metallic mold at Zastava to produce a car called Florida. However, Mitsubishi was obliged to close their Belgrade office with the escalation of the Yugoslavian civil war.

It is quite clear that the Serbian government is intent on disposing of state-owned companies like Zastava. In fact, Zastava holds immense fixed assets, but according to the Serbian Investment and Export Promotion Agency (SIEPA,) even with a loss of 100 million euro, Serbia's government wants to hand over the company. However, foreign companies' reaction to the name Zastava has been cool. If the automaker is to be purchased by a private foreign company, it is necessary to dispatch an investigating commission to analyze the actual condition of Zastava's plant.***

Although the past several years have seen the decline of Serbia's currency, the DIN (Novi Dinar,) it has recently revalued a bit. As of August, 2007, it is valued at about 80 DIN = 1 euro. Serbia's inflation rate in the 2006 fiscal year

was 6.8%. The government replaced the national deficit and trade deficit with earnings from the sales accompanying disposal of state-owned firms. National revenue earned through disposal of state-owned firms amounted to 6.2 billion euro in the 2006 fiscal year, and totaled 2.5 billion euro at the end of August 2007. In the year 2007 the volume of Serbia's external debt amounts to 21 billion dollars.

Also, as Yugoslavia was an "emigration state," with people moving to foreign companies such as Germany to work and sending back their earnings, the euro has been brought into Serbia.

3 Political position of Serbia

Generally speaking, the socialist economic system is managed through centralization and a planned economy. However, Yugoslavia led by Tito had promoted decentralization based on voluntary management as a kind of transformation of the socialist economy.

In the 1980s, a series of U.S. policies, such as Nixon Shock, the Oil Crisis and Reaganomics, produced external debt problems in many developing countries, and the Federal Republic of Yugoslavia was no exception. The Yugoslavia Federation, which had faced a large amount of debt retirement, lapsed into the external debt predicament due to the sharp fall in international primary-goods prices, resulting from the so-called "reverse oil crisis."

After Tito's death, criticism of one-party communist rule under the socialist system increased, and the centripetal force of Yugoslavian politics quickly dissipated and shifted to the multi-party system. As a result of the economic poverty caused by the reduction of total national wealth, and the resulting shrinking of the pie, those who began to follow an independent path started appearing among the leaders of the republics that constituted the Yugoslavia Federation. As leaders of the other republics began to follow in their footsteps, signs of division in the federation began to show.

Slovenia, a member of the federation, had been proud of the remarkable volume of transactions focused on the production of consumer goods. Similarly, Serbia had been proud of the scale of production by major companies, mainly centered on industrial commodities. Talks aimed at preventing the division of the Federal Republic of Yugoslavia were repeated many times. However, decentralization based on voluntary management under socialism, combined with policies aimed at introducing the market mechanisms that constitute a basic philosophy of capitalist society, resulted in the rapid advance of specialization in the Federal Republic of Yugoslavia. Slovenia, a neighbor of Italy, modernized the most with the acceleration of the market economy, carried out the first free elections, and was well prepared for negotiations with the major western nations, and as a result soon declared independence. At the time, the reactions of countries to the west varied. After Slovenia's declaration of independence, U.S. Secretary of State Baker said that Slovenia and Croatia were devising a war against Yugoslavia which aimed at independence.

Soon after, Slovenia's treatment of Serbia suddenly worsened. The terms of negotiation for independence, set up through the intermediation of Belgium, the Netherlands and Italy, were under deliberation. It was proposed that the independent deadline for concluding negotiations be adjourned, and Slovenia and Croatia waited intently for the term to end.

There were, naturally, free elections carried out in each republic before independence, but it was now that nationalism began to have a strong and powerful influence. There were no governing classes, or bourgeoisie, under the former federation. Therefore, race was normally the strongest category to support a national base. But Serbia was an exception, because the Socialist Party won there as a result of the election. Since Serbia had been keeping many Serbs in other areas of the federation, wanting to keep all of Yugoslavia united as such, Milosevic thought that remaining a federation was best.

In Croatia, on the other hand, fascists soon seized the real power. Under U.S. protection, Croatian political refugees had gradually stored wealth and came to believe they would gradually eliminate Serbs from Croatia. Republic self-decision, or the racial self-determination principal, and the desire to decide one's home by oneself increased in both Croatia and Serbia at this time. As a result, independent factions representing ethnic groups won the election. Since Macedonia's government was anti-Milosevic, the U.S. began to support Macedonia in spite of the communist party government.****

Croatia had religious as well as ideological differences, and Serbs living in Croatian territory were obliged to convert from Serbian Orthodox Church to Catholicism. In order to assimilate Serbs living in their country, the Croatians forced a third of them to become Catholics, banished a third, and murdered the rest. Nationalism, as found in Croatia, and

Serbia's federalism, or Yugoslavia principle, were the two choices that existed at the time. Fascist influences, considered similar to the Nazi regime of the past, soon took the real power in Croatia. However, western countries, which until then had been critical of Croatia, now began to change their policies and support it. The stance of Vatican diplomacy was that Croatia was a democratic country, while Serbia was a socialist state. Therefore, the conversion of Serbs who stayed in Croatia was considered to be natural, and a large amount of funding and soldiers were supplied to support the Croatian government. NATO, meanwhile, temporarily kept a neutral stance.

Historically speaking, in the 18th century Austria's policy was to position Serbs as soldiers and farmers as part of its strategy against the Turkish Empire. Also, as a nation that was victorious in World War II, the Yugoslavia Federation had not been in Germany and Austria's favor. These countries supported Croatia in its aim to gain independence from the federation. Although there were some Americans who were concerned about Germany, like Secretary of State Baker, NATO then abandoned the position of neutrality it had held until then. As a matter of course, Germany did not want to accept the existence of the Federal Republic of Yugoslavia, and thought that its disintegration would really mean the direct decomposition of the Versailles Treaty. France's President Mitterrand was perplexed by German Foreign Minister Genscher's comments concerning Croatia, that Germany would only accept Croatia's republican self-decision and that its independence was not in conflict with the Helsinki Treaty. Its confidence strengthened by the success of East and West Germany's rebirth as a unified nation, Germany changed what had until then been a modest policy into a high-handed one. According to a certain diplomat, "for Germany, the decomposition of the Versailles Treaty, which had been the ultimate wish, was of supreme importance, and Germany's national policy was bound to divide the Yugoslavian Federation."

As for the Organization for Security and Cooperation in Europe (OCSE,) there was naturally a battle for hegemony inside the E.U. Czechoslovakia was clearly supporting Germany, while Serbia was supporting France. If Yugoslavia was disassembled, there were also other countries that would support Germany.

According to former Japanese Prime Minister Abe, for Japan the "beautiful country" was probably the Japanese Empire before the Potsdam Declaration. For Germany, however, the "beautiful country" could be found by returning to the time before the Versailles Treaty. Secretary of State Baker was staying away from the argument, and a cordial reception was not necessarily to be born of the process of Croatia's independence. Germany was determined to separate Croatia from the Yugoslavia Federation, and the Vatican was aligned with Germany. It was certain that Mitterrand did not want to worsen France's friendly relationship with Germany over something as relatively unimportant as Yugoslavia. France was quite confused by Germany's actions, but France had no choice but to tolerate Croatia's independence.

Western countries could not expect that Yugoslavia would continue to stubbornly resist the independence of Croatia. The civil war between Yugoslavia and Croatia rushed into an unexpectedly prolonged battle. Due to financial difficulties accompanying the birth of a unified Germany, it was difficult for the Germans to give satisfactory support to Croatia. They were obliged to deal with the U.S., giving up on the foundation of the "European Union's army" which they, along with France, had planned to become independent of NATO.

Germany asked the U.S. to support the policy aimed at dissolving Yugoslavia, in return for the stationing of U.S. forces in Germany, and allowed the U.S. to take over solving the problem. The civil war was also a golden opportunity for the U.S. to maintain and develop NATO.

Soon after, the dispute in Bosnia broke out. During the Bosnian conflict, NATO took over the U.N. forces without approval of the United Nations. The Japanese high commissioner of the U.N., Akashi, was quite prudent regarding this problem, although he accepted the actions of the commander level of the U.N. forces. He insisted upon the view that a civil servant should have control over the activity of U.N. forces. The view of civilian control was obliged to be reversed, the scenario which caused the Bosnian dispute to be protracted came to take effect, and finally sparks flew between Bosnia and Kosovo. Until then, Milosevic had been making peace proposals to stop the civil war. It was then unavoidable for him to approach Russia, which aimed to return the solution of the dispute to the U.N., and asserted the necessity of a decision by the U.N. Security Council. Milosevic's dogged resistance began then. He was finally convicted at the Hague International Court as the principal offender of Yugoslavia's civil war, after which he died. Although western countries have been demanding the handover of several leaders as criminals of the war, they have eluded capture.

Concerning Slovenia's independence, it depended neither on ideology nor religion, but on the utilitarian aspect. In Slovenia it is said most of the subsidies accompanying affiliation with the E.U. disappear into the bosom of power in

that country.

When we inquire now of the people of Serbia whether they wish to be affiliated with the EU or not, 50% or more answer "yes." However, if they are asked whether they trust the EU or not, 50% or more answer "no." If Serbia does not join the EU, diplomatic relations between Serbia and the EU will become severe. The EU press Serbia about affiliation with the EU as a litmus test. In Serbia there are people whose relatives are dispersed, and who consent to early affiliation with the EU in hopes of requesting the quick issue of a visa to facilitate a reunion. Once, temporarily, there were also Serbs who believed that the Great Serbia, including Albanian Kosovo, was realizable, and those who thought that, "the U.N. forces operating without the approval of the United Nations" crushed their dream. Now the opinions of Serbs are quite different about Kosovo. There are also those who think secretly that the time will come soon when Milosevic, the war criminal, will be shown to have been right. However, under the present government, those who support Milosevic are a minority. The U.S. strategy, by which unrestricted military domination by U.S.-led U.N. forces is now allowed, and the idea that NATO can take care of everything in Kosovo, is well accepted. The U.S. will also achieve its ambition to build a military base in Kosovo, in view of the domestic political insecurity regarding the U.S. military bases in Turkey and Greece. There are also some among the Serbs who consider Albanian leaders of Kosovo, under the rule of the U.S. forces, terrorists in a sense.

It is true that among the people of Europe there are few who consider Albania a favored nation. But it is quite strange that Japan and Albania are friendly to the U.S. What kind of relationship is there between Japan and the U.S., and between Albania and the U.S.? Although western countries do not favor Albania, those same countries welcome Albania's Kosovo. There are certainly reasons for this exceptional treatment of its independence, and we must research the answers to this mystery. There was once suspicion that Albania made large contributions to the Clinton administration by laundering money from the drug trade.

There was a time when the U.S. did not support Serbia because Milosevic was a communist, although Dr. Kissinger regarded the independence of Bosnia with skepticism, estimating that Bosnia will someday become an Islamic state. "Wreath of Mountains," written by Shigeru Kido (Sairyu Co. ed.) describes the fighting against the Ottoman Empire in 1389 from the historical view of Kosovo standing opposite Turkey. After their defeat, the Bosnian people were forced by Turkey into conversion, becoming a tool of Turkey and governing the Serbs and people of Montenegro. Cushman, who has been the government official of Kosovo, is called a fascist. A supporter of the U.S. and anti-Serbian, it is suspected that about 1500 Serbs were disappeared at his command.

Incidentally, it is quite strange that "Doctors Without Borders" always stands on the Islamic side. Many people for whom medical treatment was possible died due to the lack of medical supplies caused by the West's economic sanctions against Serbia. Ironically, when the sanctions were lifted, each western country immediately removed the ban on export of arms.

The problem is not the installation of military facilities in Kosovo by the U.S., but the U.S.'s strategic activities without U.N. approval. Despite the evident illegality of these actions, the U.S. justifies them. However, the Serbian view does not accept this justification, claiming that U.N. approval of stationing U.N. forces in Kosovo is indispensable. Russia shares Serbia's view, and is asking the Security Council to find a solution to the problem. While Serbia hopes to protect international law, the French foreign minister of Sarkozy's government has foolishly declared, "the international law is the law decided in cooperation with the U.S."

4 Hyperinflation in Serbia

The process of hyperinflation in Serbia is as follows :

In 1993, Belgrade was the "hyperinflation capital" in the world. Prices kept growing by the day, for worthless currency. People were buying everything they could find on the shelves. In late 1993, the price of a loaf of bread was four billion Dinara. A liter of milk was 9.5 billion. For an average salary of ten Deutsch Marks there was little one could buy, even less for a pension. These days the Deutsch Marks was worth a thousand billion on the black market and practically became only means of payment. The 33rd serial of 500 thousand billion banknote was issued into circulation. These were the years following the breakup of the former Socialist Yugoslavia. Production was put to a halt. With the war came the economic embargo against the then Yugoslavia.

How did hyperinflation happen to us? It was quite simple. The state budget needed money and turned to the National

Bank. The National Bank supplied the budget with money. From that budget were financed the salaries in the state administration, the army, all military expenses. That money went out, but it was worthless, for there was no production or goods to back it.

That's what Milosevic did. He made money out of thin air. There were critics that say that the money from the primary issue is not being utilized enough for funding production, but rather for financial transaction and manipulation of hyperinflation?

"One would need a lot of time to elaborate on that question, but you have rightfully pointed out to the most painful point of our economy at this moment — the monetary system — and monetary policy," said Milosevic.

The Yugoslav hyperinflation was the longest in the world history. It had lasted 24 months. It also has been the strongest in terms of monthly intensity, in January 1994, the prices rose by 313 million percent. In this villa in Dedinje were stored the contracts that the Dafiment Bank had concluded with its credulous clients.

"I do not offer my promises. My success is reality," one client said. The queues in front of the bank were an everyday scene. They started as early as night before the payment on the interest rates. "I'm waiting from three o'clock in the morning and it's still not my turn. I'm still there in the back. I have seen several women who have fainted in front of me," another client said.

The goal of founders of the pyramidal banks justified the means. The banks had been created and managed by the government top brass. The luxuriously fitted offices of Dafiment and Jugoskandik lured potential rates. Serbia was thrown into a saving frenzy. According to certain estimates, some six billion Deutsch Marks were "coaxed out" of the people's mattresses.

In order for Serbia to become a duty-free zone, all enormous income taxes would be revoked and all the price of all goods would plummet by over 100% overnight. That would be the end of hyperinflation and devaluation. That's how intelligent people in the World would do business. Why not implement that recipe here? They needed to fund the foreign trade deficit and that's why they had invented Dafina.

"There's nowhere I can make that much money, even if I worked three shifts," a resident of Beograd said.

In spite of the fact that ten years have passed since Dragoslav Avramovic in 1994 stopped the unrestricted printing of money, the consequences of the disastrous economic policy can still be felt. The monetary chaos destroyed the economy, but also the society as a whole.

By lending the national currency worthless, Milosevic's regime destroyed all values. The hyperinflation was a planned government project that happened during his rule. Can the hyperinflation happen again? We had that model in Argentina when the banking system collapsed and hyperinflation occurred. The government over there tried too much to please its people forgetting about its obligation toward the IFIS — World Bank and International Monetary Fund. At one moment the gap between the promises made the citizens and those to IFIS was so large that the financial system collapsed. The citizens of Serbia should think about that. For the citizens, the hyperinflation has been one of the most tragic experiences of recent past.*****

5 Conclusion

Which countries could have benefited from the partition of the Yugoslavia Federation? We have to give careful consideration to the civil war if all the members of the Federation are going to be affiliated with the EU.

Supported by the force of NATO, Germany could realize peacefully Hitler's ambition to expand territory. By the operation of NATO, the U.S. also could achieve the installation of the military base in Kosovo to oppose Russia, creating a "powder magazine" in Eastern Europe, while the EU abandoned the plan of possessing an "EU Force."

The US and Germany must not try to evade their responsibility in causing the Kosovo problem. Needless to say, Serbia do not approve the independence of Kosovo. Since the independence was set up by the greedy neo-conservatives of the U.S., at present only about 50 countries recognize the independence.

There's no telling whether Serbia's economy will do well or not, but Serbia opens the door to foreign investment and offers many interesting proposals.*****Unfortunately, Japanese companies have been reluctant to invest in Serbia because of Kosovo, but Chinese companies now have positive plans including some green field investment in Serbia, such as the huge car factory. It is clear that Japanese companies are missing the chance to invest in Serbia.

References and Notes

* Cf. Taro, Tukimura, *Ethnopolitical Leaders in Internal Wars in Croatia, and Bosnia and Herzegovina* (Tokyo University Press), 2006.

** Regarding salaries and wages, Cf. *Communication*,

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Statistics of Earnings

Salaries and wages per employee paid in September 2009

-Republic of Serbia-

METHODOLOGICAL EXPLANATIONS

The data in this communication are obtained from Monthly statistical survey on employees and their salaries and wages (RAD-1) and from Ministry of Finance (Tax Administration).

The data regarding salaries and wages of the employed in commercial societies, enterprises, institutions and organizations (legal persons) of all types of ownership are collected by statistical survey RAD-1, while the data referring to salaries and wages of the entrepreneurs' employees are attained from the records of Tax Administration.

The salaries and wages are defined pursuant to the Law on Labor ("Official Journal of the Republic of Serbia", no 24/2005 and 61/2005).

The data presentation by activities was carried out pursuant to the Act on classification of activities and the register of classification units ("Official gazette of FRY", number 31/96, 12/98 and 74/99).

This communication presents average gross and net salaries and wages per employee, paid in the respective month, regardless of the referent period.

Starting from January 2009, the Statistical Office of the Republic of Serbia is expanding units coverage. Besides the salaries and wages paid to legal persons' employees, from January 2009, salaries and wages paid to employees working for entrepreneurs (physical persons) have been also included in calculation of average salaries and wages.

Data on Kosovo and Metohia are not included.

*** As regards Zastava, Fiat signed agreement with Serb government to acquire Zastava's Kragujevac plant.
Cf. 2008 memorandum of understanding between Fiat and Zastava

1. Average gross salaries and wages per employee, September 2009

RSD

	IX 2009			I-IX 2009		
	Republic of Serbia			Republic of Serbia		
	Total	Central Serbia	Vojvodina	Total	Central Serbia	Vojvodina
TOTAL	43577	43906	42694	43433	43721	42657
Economy¹⁾	40114	40309	39593	39959	40024	39785
AGRICULTURE, FORESTY AND WATER WORKS, SUPPLY	37672	37545	37754	37422	37499	37372
Agriculture, hunting and service act.	34492	34392	34545	34674	34925	34541
Forestry	45764	44138	48725	45545	42820	50192
Water works, supply	53893	44470	62034	49433	43489	54618
FISHING	30596	13550	35202	26764	17396	30569
MINING AND QUARRYING	61030	59993	71128	59828	58721	70619
Mining of coal	66695	66836	51017	66227	66396	47728
Extraction of crude petroleum and gas	76009	-	76009	75974	-	75974
Mining of metal ores	52645	52645	-	49546	49546	-
Mining of other ores and stone	34891	34417	41066	32209	31971	35609
MANUFACTURING	34930	33899	37370	34418	32884	38062
Manufacturing of food products	38874	38128	39828	39004	37530	40867
Manufacture of tobacco products	83989	79212	109727	95570	92312	113357
Manufacture of textile yarns and textiles	20735	19567	24870	19365	17823	24050
Manuf. of wearing apparel and fur	17571	16838	21925	17315	16973	19243
Manuf. of leather and leather products, footwear	23137	24147	21361	21969	21964	21977
Manufacture of wood and products of wood and cork	21081	20595	22543	20225	19733	21605
Manuf. of pulp, paper and paper products	36242	39920	19825	35351	38629	22728
Publishing, printing and reproduction	43074	48978	31939	38986	43172	30945
Manuf. of coke and refined petroleum products	71270	57374	74409	73672	59784	76764
Manuf. of chemicals and chemical products	45662	43761	47843	51885	46497	57998
Manuf. of rubber and plastic products	37774	38690	35348	35144	36033	32775
Manuf. of other mineral products	37606	35379	41669	35021	31464	42281
Manufacture of basic metals	46433	48176	32688	45274	46757	34051
Manuf. of metal products, except machinery	28612	28959	27472	27875	28166	26945
Manuf. of other machinery and equipment	36603	37175	31479	35879	37005	26285
Manuf. of office machinery and computers	45491	48568	27457	45691	48253	27601
Manuf. of other electrical machinery and apparatus	33877	32514	36769	32891	32372	34044
Manuf. of radio, TV and communication equipment	17364	17315	24884	21318	21302	24337
Manuf. of precision and optical instruments	23897	25489	16966	23781	25531	16214
Manuf. of motor vehicles and trailers	28573	28484	29011	26700	26395	28237
Manuf. of other transport equipment	31232	29711	34653	27270	24242	34208
Manuf. of furniture and related prod.	22699	22305	24166	23338	23326	23384
Recycling	34824	34857	34680	31041	30609	33174
ELECTRICITY, GAS AND WATER SUPPLY	60488	61089	57840	61949	62129	61153
Electricity, gas and hot water supply	71444	71755	69896	72995	73223	71858
Purification and distribution of water	43226	43313	42903	44459	43596	47684
CONSTRUCTION	38427	36255	44994	37558	36056	42017
WHOLESALE AND RETAIL TRADE, REPAIR	31462	32538	28351	32561	33969	28295
Sale and repair of motor vehicles	35113	33728	38415	38791	38189	40258
Wholesale trade and commission trade	46278	49963	33787	47680	51812	33533
Retail trade, except of motor vehicles, repair	25664	26003	24701	26096	26740	24146
HOTEL AND RESTAURANTS	24867	25346	23130	25010	25799	22207
TRANSPORT, STORAGE AND COMMUNICATIONS	51274	52365	47490	51055	52381	46427
Land and transport via pipelines	43153	42705	44662	41899	41623	42832
Water transport	38916	38743	39406	40619	43234	33761
Air transport	86054	88603	53716	83945	85640	57954
Supporting transport activities and travel agencies	64908	72050	40955	66735	74380	41788
Post and telecommunications	59562	60820	55148	60441	61883	55269
FINANCIAL INTERMEDIATION	94011	96360	87989	92313	94450	86915
Financial intermediation	103627	104738	100238	100650	102268	95832
Insurance and pension funding	81108	84143	77132	79468	79175	79847
Other financial intermediation	24703	24851	24394	26302	25078	28908
REAL ESTATE, RENTING ACTIVITIES	45039	46515	39873	46172	47320	42000
Real estate activities	56542	54880	59237	57269	54467	62414
Renting of machinery and equipment	34250	26022	53927	35795	26296	58098
Computer and related activities	41759	38636	53952	45263	40184	59702
Research and development	73149	73449	71275	71405	70722	75449
Other business activities	39109	40622	34146	40445	42051	34842
PUBLIC ADMINISTRATION, SOCIAL INSURANCE	53130	53150	53065	54940	55421	53391
EDUCATION	50233	50723	49073	49926	50336	48947
HEALTH AND SOCIAL WORKI	49971	50469	48611	48780	49367	47179
OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACT.	41976	40971	44893	41890	40716	45391
Sewages, refuse and similar disposal	42407	40191	47298	42762	40214	48514
Activities of membership organization	89992	90213	88901	93265	92665	96152
Sporting, cultural and similar activities	49744	49554	50265	49488	49326	49944
Other service activities	26490	26353	27071	25154	25091	25438

¹⁾ Data on economy will be published only to the end of 2009.

2. Average net salaries and wages per employee, September 2009

RSD

	IX 2009			I-IX 2009		
	Republic of Serbia			Republic of Serbia		
	Total	Central Serbia	Vojvodina	Total	Central Serbia	Vojvodina
TOTAL	31319	31535	30738	31211	31418	30654
Economy¹⁾	28939	29053	28632	28825	28874	28693
AGRICULTURE, FORESTY AND WATER WORKS, SUPPLY	27034	26928	27103	26876	26905	26857
Agriculture, hunting and service act.	24776	24681	24826	24948	25080	24878
Forestry	32789	31650	34861	32607	30686	35883
Water works, supply	38544	31815	44357	35249	31144	38830
FISHING	22033	9802	25338	19292	12579	22018
MINING AND QUARRYING	43549	42730	51524	42644	41776	51098
Mining of coal	47562	47531	51017	47145	47146	47028
Extraction of crude petroleum and gas	54109	-	54109	54099	-	54099
Mining of metal ores	37587	37587	-	35405	35405	-
Mining of other ores and stone	25096	24767	29378	23160	22990	25572
MANUFACTURING	25372	24568	27275	24972	23883	27559
Manufacturing of food products	27978	27461	28639	28149	27099	29476
Manufacture of tobacco products	60215	56318	81216	67401	64672	82300
Manufacture of textile yarns and textiles	15126	14313	18003	14101	13006	17427
Manuf. of wearing apparel and fur	12939	12327	16576	12717	12448	14233
Manuf. of leather and leather products, footwear	17216	17496	16723	16024	15986	16090
Manufacture of wood and products of wood and cork	15437	15107	16428	14791	14439	15777
Manuf. of pulp, paper and paper products	26584	29282	14542	25997	28500	16364
Publishing, printing and reproduction	30899	35067	23039	28000	30965	22306
Manuf. of coke and refined petroleum products	50712	41001	52906	51941	42755	53986
Manuf. of chemicals and chemical products	34370	31361	37824	37764	33276	42855
Manuf. of rubber and plastic products	27321	28012	25494	25548	26215	23770
Manuf. of other mineral products	27264	25786	29960	25742	23472	30378
Manufacture of basic metals	33208	34421	23645	32467	33510	24570
Manuf. of metal products, except machinery	20860	21159	19879	20300	20546	19512
Manuf. of other machinery and equipment	26297	26684	22829	25860	26678	18895
Manuf. of office machinery and computers	32705	34882	19947	32788	34592	20055
Manuf. of other electrical machinery and apparatus	24357	23377	26436	23705	23331	24536
Manuf. of radio, TV and communication equipment	12429	12390	18323	15205	15192	17746
Manuf. of precision and optical instruments	17330	18472	12358	17221	18477	11794
Manuf. of motor vehicles and trailers	21852	22032	20961	20085	20026	20379
Manuf. of other transport equipment	22278	21582	23842	20671	18599	25418
Manuf. of furniture and related prod.	16596	16325	17603	17025	17024	17028
Recycling	24986	24976	25029	22353	22029	23953
ELECTRICITY, GAS AND WATER SUPPLY	42935	43343	41135	44054	44159	43592
Electricity, gas and hot water supply	50646	50866	49549	51853	51998	51132
Purification and distribution of water	30785	30806	30710	31706	31064	34107
CONSTRUCTION	27560	26027	32196	26918	25854	30078
WHOLESALE AND RETAIL TRADE, REPAIR	22854	23637	20592	23619	24634	20543
Sale and repair of motor vehicles	25381	24348	27842	27958	27549	28956
Wholesale trade and commission trade	33459	36158	24307	34387	37355	24226
Retail trade, except of motor vehicles, repair	18720	18965	18024	19031	19496	17626
HOTEL AND RESTAURANTS	18168	18506	16941	18259	18826	16246
TRANSPORT, STORAGE AND COMMUNICATIONS	36808	37568	34172	36690	37681	33228
Land and transport via pipelines	31006	30617	32315	30057	29861	30718
Water transport	28001	27883	28336	29164	31036	24256
Air transport	61079	62871	38348	60499	61750	41323
Supporting transport activities and travel agencies	47369	52736	29371	49081	54976	29843
Post and telecommunications	42495	43381	39388	43132	44157	39459
FINANCIAL INTERMEDIATION	67269	69100	62577	66240	67787	62333
Financial intermediation	74157	75146	71143	72269	73442	68778
Insurance and pension funding	57772	59814	55097	56611	56288	57028
Other financial intermediation	18096	18224	17829	19223	18402	20972
REAL ESTATE, RENTING ACTIVITIES	32454	33532	28682	33342	34166	30350
Real estate activities	40808	40004	42111	41053	39238	44386
Renting of machinery and equipment	24723	18878	38702	25778	19102	41453
Computer and related activities	29994	27787	38613	32472	28920	42573
Research and development	51973	52251	50228	50896	50314	54342
Other business activities	28333	29432	24728	29373	30544	25286
PUBLIC ADMINISTRATION, SOCIAL INSURANCE	37888	37888	37888	39185	39522	38102
EDUCATION	35862	36213	35029	35636	35931	34933
HEALTH AND SOCIAL WORK	35713	36068	34744	34835	35251	33700
OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACT.	30130	29428	32169	30064	29244	32510
Sewages, refuse and similar disposal	30355	28786	33817	30618	28813	34692
Activities of membership organization	63822	63967	63106	66175	65738	68279
Sporting, cultural and similar activities	35605	35482	35945	35402	35298	35693
Other service activities	19312	19218	19710	18370	18334	18534

¹⁾ Data on economy will be published only to the end of 2009.

“Fiat Group Automobiles (FGA) unit has signed a memorandum of understanding with the Serbian government for the acquisition of Zastava's Kragujevac plant on 7 May 2008. The memorandum of understanding foresees a new company being set up in which the Italian group would have a 70% percent stake and the Serbian government retaining 30% percent. The new company would make a total investment in the region of 700 million euro, with the government contributing 200 million euro to this. The Zastava plant will produce two new Fiat models, rejecting recent reports the plant could produce the 500 compact city car.”

**** Cf. Taro, Tukimura, *op. cit.*

***** Source: Hyperinflation 1992-1993, National Bank of Serbia

***** Serbia offers the following interesting proposals.

Financial Incentives

Table 1

Financial Grants Overview				
Eligible Sectors	Automotive, Electronics, IT	Manufacturing	Services	R&D
Grant Amount	Up to 25% of the total investment	€2,000 - €5,000	€2,000 - €10,000	€5,000 - €10,000
The Minimum Investment Amount	€ 200 mn	€1 mn - €3 mn	€0.5 mn	€0.25 mn
The Minimum Number of New Jobs Created	1,000	50	10	10

“State grants are provided for Greenfield and Brown projects in all industries, except for Trade, Tourism, Hospitality, and Agriculture. Eligible companies are those involved in manufacturing activities, internationally marketable service sector, and research and development. In addition, a special package of state subsidies is designed for large-scale Projects in the Automotive, Electronics, and IT sector.”(Serbia Investment and Export promotion Agency: SIEPA *Investment Incentives in Serbia*, 2009, p.3)

Program Criteria

“For large-scale projects, the amount of grants is determined by the Government, depending on the investment’s importance, value and term.

For other projects, state funds are awarded upon the scoring based on the following criteria:

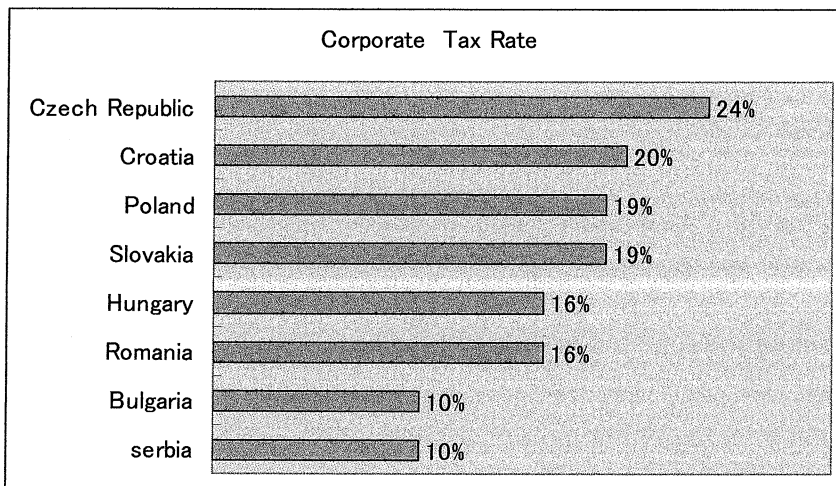
- investor’s references,
- participation of domestic suppliers in the final product and the investment effect on local companies,
- investment sustainability,
- effect related to R&D,
- effect on human resources,
- environmental impact,
- the value of international turnover for investments in the services sector,
- effects on the development of the local community, and
- municipal support related to deduction of local fees”(ibid.p.4)

Exceptional Corporate Tax Rate

“One of the key advantages of doing business in Serbia, compared to the majority of other CEE countries, are operating costs.” (Serbia Investment and Export promotion Agency, *Invest In Serbia*, p.3)

One of Europe’s lowest corporate profit tax rates set at 10%(Europe’s Second Lowest Corporate profit Tax Rate after Montenegro.)

Fig. 1 Corporate Tax Rate



Source: PricewaterhouseCoopers

Table 2 Salary Tax Rate

Country	Salary Tax Rate
Serbia	12%
Bulgaria	12–24%
Croatia	15–45%
Romania	16%
Slovakia	19%

Source: PricewaterhouseCoopers

Favorable Income Tax

“Personal income tax is payable by individuals on different sources of income. The rate

Is 12% for salaries, while other personal income is predominantly taxed at the rate of 20%. Non-residents are taxed with respect to income generated in Serbia.”(Serbia Investment and Export Promotion Agency, *Investment Incentives in Serbia*, 2009, p.16)

Annual Income Tax

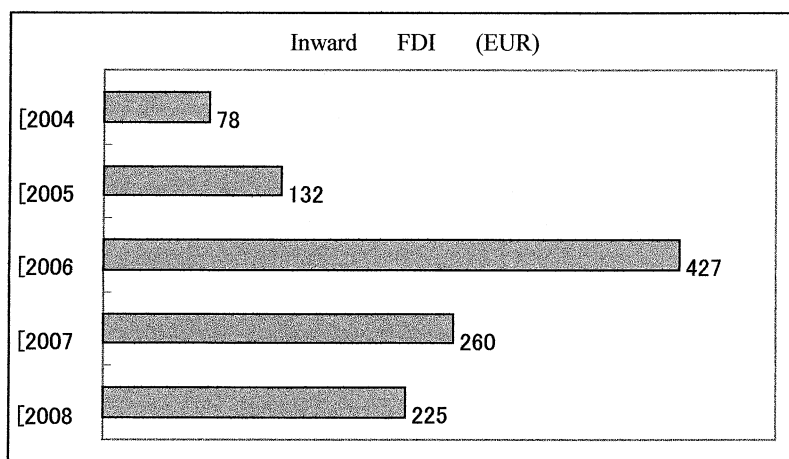
“**10-15% Annual Tax** for non-Serbian citizens, the annual income is taxed if exceeding the amount of fivefold the average annual salary in Serbia. The tax rate is 10% for the annual income below the amount of 8 times average annual salary in Serbia, and 15% for the annual income above the amount of 8 times average annual salary. The taxable income is further reduced by 40% of an average annual salary for each dependent member of family. The total amount of reductions can not exceed 50% of the taxable income.”(*ibid.* p.18)

Inward Foreign Direct Investment (EUR million)

“Since the onset of economic reforms in 2001 Serbia has grown into one of the premier emerging investment locations in Central and Eastern Europe. To date, FDI inflow in the country has exceeded €12 billion, while in the past three years alone, Serbia attracted over €9 billion of inward foreign direct investment.”(SIEPA, *Invest in Serbia*, 2009, p.7)

“By exploiting Serbian potentials and advantages, potential investors may benefit from the rising economy, boost their profits, expand their businesses and serve their customers with the same quality at lower cost.”(*ibid.*)

Fig. 2 Inward FDI



Index of Serbian economic conditions

Currency : Dinar (CSD) 1 EUR=93.11CSD 1 USD =62.27CSD (as of Oct.15,2009)

Source: Statistical Office of the Republic of Serbia

	Aug. 2009 (million dollars)	Aug. 2009 (Ratio of Aug. 2009 to Aug. 2008)	Jan.-Aug.2009 (million dollars)	Jan.-Aug.2009 (Ratio of Jan.- Aug. 2009 to Jan.-Aug.2008)
Trade Balance	-528.2	63.63%	-4569.9	80.9%
export	677.9	▲30.5%	5190.1	▲32.6%
import	1206.1	▲34.4%	9760.0	▲38.9%
	Jan.-Aug.2009 (dinar)	Aug. 2009 (Ratio of Aug.2009 to Jul. 2009)	Aug. 2009 (Ratio of Aug. 2009 to Aug. 2008)	Jan.-Aug.2009 (Ratio of Jan.- Aug. 2009 to Jan.-Aug.2008)
Average Wages(net)	31338	▲3.7%	6.4%	10.5%
(gross)	45397	▲3.8%	6.3%	10.5%
	Sept. 2009 (Ratio of Sept..2009 to Aug.2009)	Sept. 2009 (Ratio of Sept..2009 to Sept. 2008)	Sept. 2009 (Ratio of 2009 To 2008)	Jan.-Sept. 2009 (Ratio of Jan.-Sept. 2009 to Jan.-Sept. 2008)
Consumer price index	▲0.3%	7.3%	9.1%	8.9%
	Sept.2009 (ratio of Sept..2009 to Aug.2009)	Sept.2009 latio of Sept.2009 to Aug.2009)	Sept. 2009 (Ratio of 2009 To 2008)	Jan.-Sept. 2009 (Ratio of jan.-Sept. 2009 to Jan.- Sept. 2008)
Retail price index	0.3%	9.5%	11.5%	9.8%

Supplement

The following currencies were issued during 1993-1994 in the days of hiperinflation.

