



UK Trade
& Investment

UKTI DSO MARKET BRIEF: SERBIA



MILITARY OVERVIEW

The Serbian Armed Forces are organized at strategic, operational and tactical level and into commands, units and institutions. The armed forces are basically constituted of arms, branches, services.

The Arms represent integrated branches and services which have relatively limited autonomy in warfare at land, sea and air. These are the Army, Air Force and Air Defence.

The various branches of the Serbian Armed Forces comprise: aviation, infantry, armoured units, artillery, engineering, air defence, artillery missile units, river units, electronic reconnaissance and warfare.

The General Services of the Serbian Armed Forces comprise: human resources, intelligence, security, communications, informatics, nuclear-biological-chemical, air reconnaissance and reporting, geodetic, legal, financial, and the meteorological and navigational service. Whilst the Armed Forces' Logistics Services comprise: technical, procurement, medical, transport, veterinary, and construction.

DEFENCE & SECURITY OPPORTUNITIES

As with central and eastern Europe generally, Serbia's defence budget is modest, though it is understood that around €40 million has been earmarked for procurement of machines and equipment. Of note is the fact that the US donated 17 Humvee utility vehicles to the Serbian Defence Ministry in September 2012, with a further 4 units to follow.

Serbia possesses arguably the best-developed indigenous defence industry capability out of all the countries comprising the former Yugoslavia. New artillery, radar and missile systems are required, and the procurement of new combat aircraft and transport helicopters is a priority for the Serbian government, as well as modernisation of aircraft currently in service.

On the basis of guidelines for mid-term planning for 2012-2017 (following the Strategic Planning Department Decision of 29th June 2011), RSD 5,631,808,000 (=£41,923,220) has been allocated for investments in 2012. (*N.B. As per exchange rates at 14th January 2013*)

There is no precise data for 2011.

ECONOMIC BACKGROUND

Source: IMF World Economic Outlook Database

	2010	2011	2012
GDP (\$BN)	36.677	43.315	37.199
Per Capita GDP (\$)	4,891.526	5,725.161	4,916.764

DEFENCE ECONOMICS

Defence Budget

Source: British Embassy Belgrade

Year	2011	2012
RSD	82,026,311,000	59,969,733,057
= (\$BN)	0.98	0.71

(Exchange rate between Serbian dinar and US dollar as at 14th January 2013)

THE SERBIAN DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the Serbian defence market. It is not intended to be exhaustive.

Fundamentals Needed to Succeed in the Serbian Defence Market - Routes to Market

Selling into the Serbian market requires a specialised partner, with good business connections and a track record in the defence sector. Most contracts are tenders, and call for extensive product testing and demonstrations, which can only be achieved with a permanent local presence, and a good understanding of the decision-making process (which can be slow). Agents are often used for highly specialised technical equipment.

Distributors are the main sales channel for standard equipment which may require in-country servicing and emergency stocks. Ad-hoc partnerships with systems integrators and general contractors are often used for project-based supplies and services.

As for procurement processes, public administrations and government departments are bound by public procurement rules, and purchase through public or restricted tender. Only minor requirements or exceptional technical projects are purchased through negotiated contracts.

The Serbian Defence Ministry purchases from abroad in line with the following procedures:

- Procurement of public goods, services and work for the needs of the Defence Ministry in line with the Law on Procurement and related by-laws harmonised with the EU regulations;
- Confidential procurement of goods, services and work for special purposes in line with the Decision on special purpose assets. This is conducted in two ways:
 - (i) engaging firms registered in the ministry in charge of foreign trade in controlled goods, or
 - (ii) engaging a Serbian public enterprise for making and signing foreign trade agreements for procurement of 'complex combat systems', as well as for procurement and sale defined as a 'state secret' or 'strictly confidential' by the Defence Minister's decision.
- Procurement in line with special international military cooperation programmes (FMS – Foreign Military Sales, FMF – Foreign Military Financing, GPOI – Global Peace Operations Initiative) with the US Department of Defense.
- Procurement in line with technical agreements and international military cooperation programmes with other countries.

HMG Support

For the Serbian defence market, advice, support and assistance to UK companies is provided by UKTI DSO RD2 in London, the British Embassy in Belgrade, and the Defence Attaché for Serbia based at the British Embassy in Belgrade.

We encourage the companies interested in opportunities in the country's defence and security sectors to contact the UKTI Trade & Investment Team at the British Embassy in Belgrade for advice and practical support.

Serbia Export Controls

UK defence manufacturers must first obtain a F680 licence, in order to be able to export, but should also ensure that none of the items are controlled, or appear on the Military List. This also applies to UK security companies.

For more information, contact the Export Control Organisation of the Department of Business, Innovation and Skills, at <http://www.bis.gov.uk/exportcontrol>.

Visit Security Clearance

This is obtained from the UK Ministry of Defence's (MoD) International Visits Control Office, which is located at Abbey Wood in Bristol.

Further guidance and the required forms are at: <http://www.mod.uk/DefenceInternet/AboutDefence/WhatWeDo/SecurityandIntelligence/DESPSYA/InternationalVisitsControlOffice.htm>

ARMED FORCES - MILITARY STRENGTH

Source: IISS and the Military Balance 2010

Active: 35,000, including 10,000 professional soldiers and 1,000 voluntary conscripts per year.

Reserve: up to 2,000

SECURITY ISSUES

Accession to the EU – and ultimately joining the Schengen Convention – is a key priority for the Serbian Government, which has taken practical steps to improve security measures to this end. For example, over 2 million new biometric passports and 2 million ID cards have been issued as part of the effort to meet the visa liberalisation conditions. The Ministry of the Interior recently signed an agreement on strategic co-operation with Europol to create a legal framework for strengthening co-operation between Serbia and all EU member countries in combating terrorism, organised crime and cross-border crime.

It is understood that Serbia is a transit country for trafficking of drugs, illegal weapons and people.

Although the emergency services are relatively well-equipped, there is an identified need for modern equipment, effective command and control systems and high-level training.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

The Serbian defence industry comprises 6 commercial entities with a major state capital share:

Zastava oružje (located at Kragujevac) produces automatic rifles of 7.62x39mm and 7.52x51mm, M21, sniper rifles, machine-guns, grenade launchers. Products have been exported to over 40 countries, the most important external partners being: Unifrance, Frankonia, African Outdoor Sports, European-American Armory Corp, etc. A Memorandum of Understanding with the US Sporting Goods for Remington was signed in 2005 (www.zastava-arms.rs).

Sloboda Company (located at Čačak) produces chemical and biological defence devices, military and market co-operation, pyrotechnics, anti-aircraft ammunition, ammunition for aircraft, grenade launchers, artillery ammunition, etc. (www.sloboda.co.rs)

Milan Blagojević (located at Lučani) is a chemical company, producing a wide range of specialised products which can have military applications (www.mbnamenska.com).

Prvi Partizan (located in Užice) Manufactures shooting ammunition of all calibres for the military and police. (www.prvipartizan.com)

Prva Iskra (located in Barič) produces explosives such as TNT, DNT, FX-5. (www.prvaiskra-namenska.com)

There are three additional commercial entities that do not belong to the Serbian defence industry group, but which have a state capital within its structure:

Utva (located in Pančevo) Manufactures primarily training aircraft such as the Lasta (of which 20 were sold to Iraq), plus spare parts. The company has also co-operated with SONACA, and produces tools for EMBRAER aircraft, etc.

Prva Petoletka (located at Trstenik) produces hydraulic components, pumps, hydro-engines, vents, compressors, etc. It also specialises in the design, development and production of different hydraulic, pneumatic and servo components and other devices for military and civilian market (www.ppt-namenska.rs).

Teleoptik-žiroskopi (located in Zemun) manufactures electro-optical devices, inertial sensors, aviation instruments and equipment (ziroskopi_fin@ptt.rs).

There is also the state-owned public enterprise Jugoimport SDPR, representing a manufacturer, defence industry integrator and the biggest

exporter of armament and military equipment. Jugoimport manufactures the Nora B92 155mm self-propelled artillery device, Soko 122mm self-propelled howitzer, 105mm modernised howitzer, armoured combat vehicles, helicopter weapons system with fire control system, CIS or joint tactical units, etc. (www.yugoimport.com)

Armament and defence equipment manufacturers with major private capital share are:

Ballistic Protective Systems (located in Zrenjanin) (www.baps.co.rs)

Vlatacom (location: Belgrade) (www.vlatacom.com)

EI Test – (location: Niš) (www.eitest.com)

Elektromikron – (location: Kraljevo)

Faculty of Electronics Located in Niš, it produces command information and geographic systems (www.elfak.ni.ac.rs)

Evrokomerc (location: Brus) (eurokomerc@ptt.rs)

Zastava Kamioni (location: Kragujevac) (www.zastava-kamioni.co.rs)

INSA (location: Belgrade) (www.insa.rs)

Inex Luss Equipment (location: Belgrade) (www.inexluss.com)

Institut Mihajlo Pupin (location: Belgrade) (www.pupin.rs)

Imtel Komunikacije (location: Belgrade) (www.insimtel.com)

Iritel (location: Belgrade) (www.iritel.bg.ac.rs)

IRMA (location: Valjevo) (irma02@ptt.rs)

Kodžić & Co Located in Belgrade, it manufactures pilot's leather flying jackets (kodzic@sezampro.rs)

DEFENCE IMPORTS & EXPORTS 2007-2012

Identified Serbian Defence Import Procurement:

Total: RSD 187,296,246 (= £1,394,235)

Identified Country Suppliers/Market Share:

RSD 655,615,564 (= £4,880,407)

(*N.B. As per exchange rates at 14th January 2013*)

Identified Serbian Defence Exports:

Source: Various Open Sources

Various	Small Arms	\$30M	Zastava Arms	2010
Iraq	Military Equipment	\$235M	Serbian Government	2007

COMPETITORS

Russia is the main competitor operating in Serbia. China may become a more active competitor in the market, building on their Strategic Partnership agreement [2009], which identified military co-operation (including defence industrial co-operation) as an area to expand. The Ukraine and Serbia have a Treaty of Military Co-operation that may lend itself to defence exports both ways.

PROCUREMENT ORGANISATION

Defence procurement is carried out by the Supply Department of the Sector for Material Resources, and Procurement and Sale Directorate of the Serbian Defence Ministry.

KEY PERSONALITIES

<u>Defence Minister</u>	Aleksandar Vučić
<u>State Secretaries</u>	Aleksandar Nikolić, Zoran Djorjdević
<u>Armed Forces</u>	Chief of General Staff – Lt-Gen. Ljubiša Diković Deputy Chief of General Staff – Maj-Gen. Milan Bjelica Commander Land Forces – Lt-Gen. Aleksandar Živković Commander Air Force – Brig-Gen. Ranko Živak
<u>Minister of Interior</u>	Ivica Dačić
<u>State Secretary</u>	Dragan Marković

Further Information:

If you require further information/clarification on anything in this Fact Sheet, please contact:

UKTI Defence & Security Organisation
BD Market Analysis
1st Floor
1 Victoria Street
London SW1H 0ET
Telephone: 020 7215 8209

E-mail: dso.businessservices@ukti.gsi.gov.uk

Next steps - How UKTI can help

British companies wishing to develop their business in the Serbian market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in Serbia, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Slovenian market
- Establishment of interest of such contacts in working with you
- Presentation of companies' products/services hosted either at the Embassy or at HM Ambassador's residence
- Business lunches, dinners or receptions with targeted top management from Government and/or private entities

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office.](#)

Other Useful Contacts:

Serbia Desk, UKTI Defence & Security Organisation

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UKTI Defence & Security
Organisation
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London SW1H 0ET
T: +44 (0)20 7215 8153

RD2, Desk Officer for Central &
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UK Trade & Investment Defence &
Security Organisation
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London SW1H 0ET
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Serbian Embassy London

Embassy of the Republic of Serbia
28 Belgrave Square
London SW1X 8QB
Tel: 020 7235 9049
Fax: 020 7235 7092

E-mail: None; electronic enquiry
form only, on website.
Internet: <http://www.serbianembassy.org.uk/>

British Embassy in Serbia

British Embassy Belgrade
Resavska 46
11000 Belgrade
Tel: 00381 11 3060 900
Fax: 00381 11 3061 059
mina.knezevic@fco.gov.uk

Internet:
<http://ukinserbia.fco.gov.uk/en/>

Other Useful Websites

Government of the Republic of Serbia:

http://www.srbija.gov.rs/?change_lang=en

Ministry of Defence: http://www.mod.gov.rs/index_eng.php

The Military Intelligence Agency: www.voa.mod.gov.rs

Military Security Agency: www.vba.mod.gov.rs

Military Technical Institute: www.vti.mod.gov.rs

Military Geographical Institute: www.vgi.mod.gov.rs

Strategic Research Institute: www.isi.mod.gov.rs

Kragujevac Technical Overhaul Institute: www.trzk.co.rs

Cacak Technical Overhauling Institution: www.trzcacak.rs

University of Defence: www.uo.mod.gov.rs

Military Medical Academy: www.vma.mod.gov.rs

Military Academy of The Republic of Serbia: www.va.mod.gov.rs

Technical Test Centre: www.toc.vs.rs

PRISMA: www.dpk.mod.gov.rs

Ministry of the Interior: http://www.mup.gov.rs/cms_eng/home.nsf/index-eng.html

Customs procedures: <http://www.mfa.gov.rs/Visas/custom.htm>
<http://www.upravacarina.rs/en/Pages/default.aspx>

Serbia Travel Advice

Travel information and general Embassy contact details can be found at:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/serbia>

<http://ukinserbia.fco.gov.uk/en/>

Foreign Consular Offices in Serbia

Media, travel, careers, business and state links/information can be found at:

<http://www.b92.net/eng/>

<http://english.blic.rs/>

<http://www.tanjug.rs/index-e.aspx>

Tourism: <http://www.serbia.travel/>

Visa Services and Links

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/serbia>

(UK Nationals do not require visas for Serbia unless for visits of more than 90 days' duration)

BBC Country Profiles

<http://www.bbc.co.uk/news/world-europe-17907947>

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