



Eurobank EFG Expo 2011 conference

Venue: Hyatt Regency Hotel/Belgrade

Date: March 25, 2011

Your Excellency,
Prime Minister Cvetković,
Mr. Bugarin,
Ladies and gentlemen,

I am very pleased to welcome you today on behalf of our Bank to the “*Eurobank EFG Expo 2011*” conference.

This is actually (and rather surprisingly) the first business conference dedicated to a very important topic – how to stimulate the export orientation of the Serbian economy. This is a critical prerequisite for achieving consistently high growth rates in the coming years and our Bank is fully committed to assisting this effort through various initiatives.

Over the course of the day, a number of distinguished panelists will discuss ways to improve competitiveness, develop a more extrovert economy and create the necessary conditions to attract capital and investments with a positive multiplier effect on economic growth.

According to the recently-announced growth model for the Serbian economy over the next 10 years, the objective is to double the share of exports in GDP from **28%** in 2009 to **65%** of GDP in 2020. In terms of amounts this means going from **8,5bn EUR** in 2009 to **34bn EUR** in 2020, which implies a 13,5% average annual growth.

This is indeed a very ambitious target and there are a number of things that can and must be done in various areas in order to achieve it. These include:

- 1) First and foremost, the continuation and acceleration of the process towards European integration. The prospect of EU accession is a very important anchor for economic policies and in my opinion one of Serbia’s strongest assets in the ongoing competition with neighbouring countries to attract foreign investments.
- 2) The simplification of business conditions and the creation of an even more business-friendly environment that reduces the cost of doing business and thus increases competitiveness.
- 3) The attraction of well-established “transnational” companies with an export orientation that can either make Greenfield investments or technologically update large production companies (FIAT is obviously the best example in this area).
- 4) Significant investments in infrastructure that will allow Serbia to fully realize its advantages in terms of its geographical position. International Financial Institutions (such as EIB, EBRD and the World Bank) and also public-private partnerships can play a very important role here.



- 5) The implementation of monetary and fiscal policies that will prevent a strong real appreciation of the RSD.
- 6) The intensification of the cooperation with the Diaspora (expats are usually very willing to help their home country).
- 7) The provision of informational support to local businesses about export opportunities

In terms of export structure, it is important to grow the share of goods with a higher component of value added. Also, to grow the share of middle technology products (such as machinery and transport equipment) vs. the share of products based on resources.

And finally, in terms of geographical reach, opportunities exist in the intensification of the economic cooperation with the CEFTA region and the ex-Yugoslav republics. Also, with the exploitation of the full potential for exports to the Russian Federation, the Mediterranean countries and the countries in the Middle East and North Africa with which there have been historically good business and trade relations.

Now let me turn briefly to the role of the financial sector – and especially commercial banks – in this effort. I believe that the banking sector is certainly amongst the best functioning sectors of the Serbian economy. This was proven once more during the economic crisis throughout which most banks have remained well capitalized and liquid. It is due to a number of factors, the main ones being the quality of management of the banks (most of which now belong to reputable foreign banking groups) and the regulatory and supervisory framework of NBS which – even though it could be considered in some cases as being too prudent – prevented “bubbles” and overheating in the markets and ensured that banks had ample capital and liquidity buffers when needed.

Therefore the banking sector is now in a good position to assist – as and where it can – in the effort for the aforementioned transformation of the Serbian economy. There are various ways this can be done, such as:

- ensuring the appropriate level of funding to export-oriented companies
- the introduction of specialised products and services in the area of Trade Finance
- the introduction of products that protect exporters from the risk of currency and interest rate fluctuations,
- supporting specialised institutions that promote and support exports such as SIEPA and AOFI but also Chambers of Commerce and other trade organizations, **and**
- leveraging their regional presence and client bases in Central and South Eastern Europe to stimulate intraregional trade relations. In this respect I’m very pleased to announce today another initiative of the Eurobank EFG Group under the theme “*Go International*” which aims to develop regional trade cooperation. The first event took place in Cyprus in February and brought together over 240 representatives from businesses and various authorities from Greece, Cyprus and the Arab world. The second such event is scheduled



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for the end of September in Belgrade where we plan to bring together companies from Serbia, Greece and a number of neighbouring countries including Romania, Bulgaria, Turkey, FYROM, Croatia, Slovenia, Hungary and others.

So as we saw there are many things that can and - I'm sure – will be done in order to grow exports. However, all the aforementioned initiatives are unfortunately not a magic recipe for success only known to us. As I often mention, almost all countries in the region are trying to achieve the same objectives and there is strong competition for both access to export markets and the attraction of foreign investments.

Therefore I believe that at the end of the day it will all depend on **execution**.

This is where the responsibility of all stakeholders – the State, specialised institutions, the financial sector and of course the real sector - comes in.

Today's conference is a first – very important – step towards establishing a regular and structured dialogue amongst all stakeholders.

Before closing I would like to reiterate our Bank's full commitment towards supporting the shift to a more export-oriented Serbian economy through various initiatives such as this one today.

I hope that the proceedings of this conference will provide a lot of "food for thought" and will serve as a first catalyst for the gradual transformation of the Serbian economy over the years to come.

Thank you.
