

An Overview of Investment Opportunities in South-East Europe

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Investments from the Middle East surfaced as a hot topic in South-East Europe (SEE) during the years when the global economic crisis was consistently generating negative GDP digits in the macroeconomic charts of local economies. Given that the EU, as the largest economic partner of the SEE countries, was at the time struggling to maintain its own economic growth, local officials envisaged collaboration with governments such as those of the UAE, Kuwait, Saudi Arabia and Turkey as a promising opportunity for economic revival.

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Bosnia and Herzegovina

Cultural and historical ties are perceived as being important in motivating businesspeople from the Middle East to consider the SEE region for new ventures. This has proven true in the case of Bosnia and Herzegovina (BH), a country with a sizeable Muslim community, which both tourists and investors from the Middle East find attractive. BH particularly welcomed investors from the real estate sector, which resulted in successful projects such as the Sarajevo Resort Osenik and the Al Jazeera residential neighbourhood both being constructed near Sarajevo. This trend was expected to continue further in 2016, with the launch of the EUR 2.5 billion Buroj Ozone project. However, despite fanfare, this large real estate venture is still waiting for construction to begin.

The legal system in BH has several tiers, which creates certain bureaucratic challenges for investors. Property registries are still not complete and reliable, which causes a level of legal uncertainty. However, the country has rather liberal laws on the acquisition of ownership of immovables by foreigners. Its taxation and free trade zone policies, as well as its stable currency, are pro-investment.

Free trade agreements with regional non-EU countries (CEFTA), with Turkey, with EFTA countries and with preferential export regimes (with, inter alia, Russia, the USA, Kazakhstan, Japan and Iran) attract investors wishing to capitalize on having access to these important markets. National FDI legislation, as well as BITs concluded with a large number of countries (including India, Iran, Jordan, Qatar, China, Kuwait, OPEC – FOND, Pakistan and Turkey), give potential investors in BH a level of comfort.

Montenegro

Alongside BH, many investors from the MENA region perceive Montenegro as another welcoming destination, especially those investors interested in the tourism sector. This is a natural turn of events considering the experience of Arab World investors in hotel and resort businesses, and the prediction that Montenegro will distinguish itself as one of the fastest growing global tourist destinations in the next ten years. The Egyptian Samih Sawiris must have shared these views when in 2013 he decided to invest EUR 1.1 billion in the Lustica Bay resort project. Another notable deal coming from the Arab World was the purchase of Porto Montenegro for EUR 200 million by the Investment Corporation of Dubai. Montenegro has just recently enacted new, liberal, legislation on real estate development. The planning documentation has been simplified and expropriation has been made more efficient. Most importantly, the new law has made procurement of construction and operational permits a thing of the past for most real estate development projects. With the exception of complex engineering structures, such as energy facilities, heavy industry facilities and facilities which might endanger the environment, having a construction permit is no longer a condition for the commencement of construction work, and having an operational permit is no longer a condition for usage of the property. This means that residential and commercial buildings, villas and hotels are under the permit-free regime, so an investor may start construction once the main design has been audited and the commencement of work has been reported to the competent authority. The facility may be put into use upon the completion of construction and registration in the cadastre.

Montenegro has over 20 BITs, including with Azerbaijan, Israel, Qatar, Turkey and the United Arab Emirates. It has free trade agreements with the Russian Federation, CEFTA countries, Turkey, Ukraine and EFTA countries. It is an EU candidate country, with the Stabilization and Association Agreement having been in force since 2010.

Serbia

Serbia is another market that has been heavily penetrated by investors from the MENA region. The symbol of MENA business activity in the Serbian real estate market is the pending construction of the Belgrade Waterfront, promoted by Serbian officials as an investment worth EUR 3.5 billion upon completion. BWF is a joint venture between the Serbian state and UAE-based Eagle Hills, the company of Mohamed Alabbar, the real estate magnate who stands behind the new Egyptian Capital. Besides Arab investors, Israeli real estate funds are also very much present in the Serbian residential and commercial real estate market (in particular, shopping malls). Some of the best known projects of Israeli investors in Serbia are: Skyline Belgrade (EUR 200 m), Rajiceva Shopping Mall Belgrade (EUR 80 m), Central Garden Housing Complex Belgrade (EUR 120 m) and BIG Fashion Mall in Belgrade (EUR 150 m). Notable investments from the Middle East outside of the real estate sector include the participation of Etihad Airways in the Serbian national airline Air Serbia, where Etihad holds a minority but controlling stake.

Serbia's construction legislation has seen radical changes over the past few years. The construction permit process has been simplified and expedited, with the introduction of e-permits in early 2016. The property registration system is also experiencing significant changes towards quicker and more reliable registration procedures.

Serbia has a generous system of state subsidies for green field and brown field investments.

Free trade agreements exist with the European Union, the Russian Federation, Belarus, the USA, Kazakhstan, Turkey, South East Europe and the EFTA members. Serbia has more than 50 BITs, including with Azerbaijan, Egypt, Iran, Israel, Kazakhstan, Kuwait, Turkey and the United Arab Emirates. Just like Montenegro, Serbia is an EU candidate country and has signed the Stabilization and Association Agreement with the EU (in force since 2013).

Business players from the Middle East, particularly in the real estate sector, have therefore recognized the attractiveness of Bosnia and Herzegovina, Montenegro and Serbia as investment destinations. The implementation of several large projects by investors from the Arab World coincided with the decrease of the effects of the global economic crisis in BH, Montenegro and Serbia. These developments may be taken as an indication that the regulatory improvements described at the beginning of this article are meaningful and will result in more investments from the Middle East in the future.

With its in-depth knowledge of the SEE jurisdictions and considerable experience in all sectors, the full-service law firm BDK Advokati advises corporate and institutional clients on their business ventures in BH, Montenegro and Serbia. The firm was established in 2004 and quickly grew into top-tier law firm in all three jurisdictions, comprising more than 30 lawyers. The firm is distinguished for its focus on premier cross-border work.