

Supporting Trade and Investment: Bilateral Chambers of Commerce Perspective

By Ana Grujovic – Executive Director, Swiss-Serbian Chamber of Commerce

Background Information

SMEs are facing a globalization era full of challenge. The network of trade and investment support institutions (TISIs) comprises a variety of organizations that support business, including national agencies for economic development, chambers of commerce, business associations and international organizations. Within this network, bilateral chambers of commerce play an important role in spurring and facilitating investment and trade by supporting internationalization of private sector companies, and particularly by providing support to MSMEs.

These Chambers are established along bilateral lines and focused on strengthening economic relations between two countries. They are mostly created under private law and registered as non-profit business associations. Representing common businesses' interests in front of governments, their main challenge lies in providing public benefits while also meeting the needs of the private sector.

Creating a New Bilateral Chamber of Commerce

2.1. When to set up a bilateral chamber of commerce?

When making a decision about the establishment of a new bilateral chamber of commerce, the following characteristics of the local market should be taken into account:

- I. Level of economic development
- II. Foreign trade and investment level
- III. Size and needs of the local business community

In cases where significant bilateral investment and trade levels have been achieved, the creation of a bilateral chamber should be considered. Even if a political willingness to support the development of such institutions exists, it is unlikely that this

initiative will succeed without **the active role of a strong local business community.**

Example. Setting up the Swiss-Serbian Chamber of Commerce (SSCC) in Serbia.

Brief overview of Swiss-Serbian economic relations:

- I. FDI: Switzerland has been among top 10 foreign investors in Serbia over the last decade.
- II. Trade: Serbia is Switzerland's first trading partner in Southeast Europe outside the EU.
- III. FTA: The EFTA States Iceland, Liechtenstein, Norway and Switzerland signed a free trade agreement with Serbia in Geneva, Switzerland, on 17 December 2009¹.

Within this economic context, it was only in October 2013 that the economic section of the Swiss Embassy in Belgrade, Serbia, assisted by a local consultant², launched a survey amongst the members of the Swiss business community in Serbia to evaluate the possibility of establishing a Swiss-Serbian Business Association. According to the survey's results, most of the companies confirmed their keen interest to move forward with the establishment of such an association. The Economic section of the Swiss Embassy provided guidance and support until the Swiss-Serbian Chamber of Commerce was officially registered as a private association in the Serbian Agency for Business Registers in March 2014. SSCC was inaugurated in the presence of the President of the Swiss Confederation at the time, Mr. Burkhalter, in April 2014, in Belgrade. Since then, SSCC has been operating as an **independent institution** guided by its member-companies' needs and interests and **managed by private sector representatives.**

2.2. Internal Structure

The membership is open to all companies and individuals who agree to support the Chamber's' goals. Though established by national legislation, SSCC operates on a voluntary membership system. The Chambers' **General Assembly** includes all members who are eligible to vote and run for a Board position.

¹ <http://www.efta.int/free-trade/Free-Trade-Agreement/Serbia>

² The author of this text was acting as a local consultant for the Swiss Embassy in Belgrade

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The Board is responsible, among others, to determine all policy and strategic issues and initiatives, to represent the Chamber, to prepare and approve a business plan and a budget for the Chamber.

The Managing Director is the executive officer of the Board endowed with powers delegated to him by the Board and responsible of daily operations of the Chamber. It is of crucial importance that the managing director is **an independent, experienced professional** in order to **assure equal treatment of all members** and prevent potential conflicts of interest.



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2.3. Financing

Most of bilateral chambers of commerce are self-financed institutions with **membership fees** being the main source of their budget. Another source of income can come from providing **commercial services**. These are business support services, such as market research, trade fair participation, lead generation, B2B meetings, etc. Finally, Chambers can also offer different **marketing packages** to their members to increase their company's visibility within the business community (gold, premium packages, etc).

Strategic Focus, Positioning and Services Portfolio

3.1. Strategic Focus

In general, bilateral chambers focus on promoting and facilitating better business relations between two countries, representing the mutual interests of member-companies and offering networking opportunities. From a functional perspective, they promote both **investment and trade relations**. Before the Board selects Chamber's service portfolio, a comprehensive research of the economic relationship between the two countries and of their private sector requirements should be conducted.

In case of SSCC, Switzerland and Serbia have different national conditions and are at different stages of development and market economy. Both countries benefit from the bilateral economic cooperation with investment and trade being critical in integrating Serbia in the global economy. *Serbia has experienced dramatic change over the past decade, including recovery from a regional conflict in the 1990s⁴*. Further improvements of Swiss-Serbian economic ties should be managed carefully, especially against the backdrop of perpetual risk from a further appreciation of the Swiss Franc with corresponding effects on Swiss economic development. Also, Serbia's ongoing structural reforms that are critical to its path to European Union (EU) accession should be taken into account.

In depth analysis of Swiss-Serbian, economic relations revealed MSMEs and sectors such as ICT, wood-processing industry and agri-food as crucial for further improvement of economic relations. In addition, a members' survey identified the public-private dialogue as one of SSCC's priority tasks. On the basis of the research results, SSCC strategically focused on the following areas:

- I. MSMEs: increasing the international competitiveness of local MSMEs by sharing good practices and experiences from Switzerland;
- II. Advocacy: improving local business climate through public-private dialogue, and

³ "SSCC Conference on the Swiss-Serbian economic relations" www.ssc.rs

⁴ <http://www.worldbank.org/en/results/2013/04/08/serbia-on-the-way-to-eu-accession>

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- III. Country branding: promoting Serbia as an alternative investment destination (sector-specific approach).

3.2. Strategic Alliances and Positioning

The pre-requisite for the establishment of strategic alliances is a good understanding of TISI network in **both countries**. Identifying potential institutional partners, detecting gaps between needs and supply and checking which services are provided by other TISIs in the country is necessary to avoid duplications and inefficient use of limited resources. Well-established institutional partnerships can lead to the creation of synergies, cost efficiency and successful implementation of the Chamber's strategic objectives.

3.2.1. Strategic Alliances with Foreign Partners

Being a member of an umbrella organization can greatly facilitate the growth of a recently established Chamber of Commerce. For example, back in 1907, **CCI France International⁵** was created in France. This umbrella association gathers 120 French Chambers of Commerce Abroad operating in 90 different countries. Once per year, CCI France International organizes a training course for chambers' executive directors and presents various support instruments at their disposal, including a standardized website, TVA refund, development of commercial services, possibility to share experiences via Intranet, etc. In



Switzerland, Switzerland Global Enterprise (S-GE), Swiss investment and export promotion organization, signs the Service

Performance Agreement with selected Swiss Chambers of Commerce abroad. According to this contract, Chambers receive financial support from S-GE, and in return, the Chamber delivers services and products in accordance with S-GE's specifications and quality standards. For the Swiss-Serbian Chamber of Commerce, three years passed by before cooperation with the **Switzerland Global Enterprise (S-GE)** was established: the Service Performance Agreement was signed only in June 2017. Obtaining S-GE as an institutional partner in Switzerland facilitated SSCC's work not only in terms of finances, but also in terms of achieving strategic goals, such as raising the visibility of the Serbian market in Switzerland, providing initial consultations to Swiss MSMEs, and most importantly, exploring new avenues of future cooperation.

3.2.2. Strategic Alliances in the country

Partnerships with local organizations are equally important. Although the idea to cooperate with public bodies seems plausible and logical, there could be potential problems in coordinating activities and working with staff that could have a different mindset.

For SSCC, contacting the Chamber of Commerce and Industry of Serbia (CCIS) was the first step toward building local alliances. Since 2014, several joint events were co-organized with CCIS, such as business forums, seminars, etc.⁶⁷



⁵ Formerly known as UCCIFE

⁶ "SSCC S-GE Agreement signing: Thomas Forst and Ana Grujovic" www.sccc.rs

⁷ "SSCC Conference on SMEs" www.sccc.rs

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In January 2017, the new Law on Serbian Chamber of Commerce introduced the **CCIS membership as mandatory** for all business entities in Serbia. The regulation of this legal matter has been modelled after the Austrian chamber system. Members of the Chamber – legal entities pay a membership fee calculated according to the size of the legal entity classified on the date of drawing up a regular annual financial report for 2016 and operating income realized in 2016, all in accordance with the law regulating accounting. Members of the Chamber – newly established companies are exempt from paying the membership fee for one year as of the date of their establishment. The membership fee is paid on a monthly basis.

In return, CCIS offers a number of services to its member-companies, including the following⁹:

- I. Representation of the economy before the Government and other state bodies and institutions.
- II. Support to companies through mediation, consulting, business information, education, etc.
- III. Internationalization through improvement of international economic cooperation, promotion of Serbia as an attractive investment destination abroad, participation at foreign trade fairs, organization of buyers' missions, trade delegations, etc.

- IV. Capacity building in order to strengthen the international competitiveness of the local economy.
- V. Issuing import/export documents, such as certificates of origin of goods, ATA carnets, TIR carnets, etc. as well as qualified electronic signatures.
- VI. Registers and databases, among others.

3.3. Services Portfolio

Considering available resources and the direction of strategic development, SSCC opted for the following services portfolio:

- a) **Market Intelligence.** SSCC aims to facilitate the dialogue between Switzerland and Serbia by providing market intelligence to all Swiss companies interested in developing operations in Serbia as well as to Serbian firms interested in conquering the Swiss market. This includes business contacts, market research, monthly newsletters and other information available on the website or upon request.

Keeping in mind the importance of digital tools in today's rapidly changing global market, SSCC developed a members'-only Intranet page in order to make it easier for companies to obtain needed contacts, advice or accurate information. Also, this tool helped in creating a well-connected, interactive SSCC community by allowing SSCC members to make well-informed business decisions.

- b) **Export Development.** The commonly asked questions coming from the private sector-companies usually refer **to customs procedures and operations.** In order to answer questions about customs procedures, technical requirements, trade regulations and trade facilitation in the best possible way, SSCC organized a seminar in cooperation with the Customs Administration of the Republic of Serbia. The objective of this event was to increase export competitiveness of local small and medium-sized enterprises by enabling direct talks and discussions with the experts from the Customs

⁸ "Speed Business meeting" www.sccc.rs

⁹ <http://www.pks.rs/onama.aspx?idjezik=3>

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Administration Office specialized in the Swiss-Serbian export-import procedures.

- c) Business promotion. Empirical studies revealed that foreign investors still perceived the Serbian market as a risky one due to political and economic instability and uncertainty in the Balkans region in the '90s. Stability is key for any country looking to attract FDIs. In recent years, Serbia has shown commitment to improving macroeconomic figures, undertaking structural reforms and adopting new laws that have improved the business climate. Consequently, SSCC undertook a series of country branding and investment promotion efforts to make the Serbian market more visible and attractive to Swiss companies.

Firstly, several events took place in Switzerland. For example, the seminar "**Serbia as your new business destination**" was held in 2015 in one of Switzerland's oldest cantonal chambers of commerce, "**Chamber of Commerce of Geneva (CCIG)**". The aim of this seminar, which gathered approx. 50 participants, was to enable companies and entrepreneurs from Geneva to start expanding their operations toward Serbia by learning more about the Serbian business climate, tax system and its most promising industry sectors.

Then, a Swiss trade delegation visited Belgrade in October 2015. Composed of a sizable number of Swiss businessmen coming from various sectors, the delegation participated in a Business Forum which was followed by **B2B meetings** with local companies.

Also, in the framework of SSCC-S-GE agreement, SSCC submits sector-specific reports¹⁰ which are then published on the official website of Switzerland Global Enterprise and easily accessible to interested Swiss firms.

Finally, SSCC undertook a series of marketing actions. The interviews with Swiss companies which have successfully operated on the Serbian market for several years, such as Nestlé Adriatic, Novartis and SR Technics, are being published on SSCC's website and local business portals as well. The rationale behind this is that satisfied Swiss investors can be good Ambassadors of the Serbian market in Switzerland.

- d) Advocacy: As one of the world's most competitive country, Switzerland can serve to offer examples of best practices – how to do things in the most efficient way. Concrete examples of the "Swiss model" of economic development and the role of the Swiss Government in fostering a business friendly economic environment are being regularly showcased on SSCC's conferences. This annual event provides a platform for direct talks between business and policy makers about topics that are relevant to the further enhancement of the Swiss-Serbian economic relations.

For example, in 2016, SSCC held the 'Conference on Small and Medium-sized Enterprises SMEs' with the objective to contribute to the strengthening of local SMEs' competitiveness. With SMEs being the backbone of the Swiss economy and accounting, together with entrepreneurs, for a large part of the total number of active enterprises in Serbia, SSCC recognized the importance of the SME sector. Aiming to effectively prepare the Conference, internal workshops were held to identify key issues to be addressed during the panel discussion. Subsequently, SSCC members agreed that access to finance, labor productivity and public administration efficiency should be among key topics for the panel discussion.

The Conference was attended by approx. 100 participants who discussed about opportunities and challenges related to SME establishment and growth through an exchange of experiences and lessons learned. Participants from Switzerland presented various ways in which Switzerland provided support to the SME sector, showcasing instruments such as "*SECO Start-up Fund*" and "*SEAF*" as good examples of Government's support to SMEs' access to finance. Finally, SSCC submitted recommendations to the Serbian Government which contained the main conclusions of the panel discussion and suggestions on how to further improve the competitiveness of local SMEs on the basis of Switzerland's best practices.

By providing this interactive platform for a public-private dialogue, SSCC aims to fulfill its strategic objective to act as the Voice of the Swiss-Serbian business community, raise the awareness about major issues affecting businesses and advocate for solutions that would foster

¹⁰ For example, a report on the Serbian ICT sector was published in Y2017: <https://www.s-ge.com/en/article/global-opportunities/20181-ict-opportunities-serbia>

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the development of a more business-friendly environment in Serbia.

Future Challenge: Sustainability

Over the last four years of work, SSCC has achieved the following results:

- I. Well-connected SSCC community composed of 70 member-companies.
- II. Established partnership with Switzerland Global-Enterprise.
- III. Recognized as a reliable partner by the Serbian Government.
- IV. Provided opportunities for capacity building and networking to its members.

Still, the Chamber's critical challenge lies in the ability to maintain sustainable levels of resources needed to deliver quality services to the members. SSCC's future focus could be on providing more capacity building opportunities, increasing the use of digital tools within the SSCC community, promoting the concept of "Swissness" on the local market and assuring members' active participation in the development and implementation of SSCC's activities.

The final impact of the Chamber's work on bilateral investment and trade levels is difficult to measure. There is still room for further improvement of the Swiss-Serbian economic relations and it is only through coordinated and focused work with all relevant stakeholders that investment and trade levels between the two countries could be increased.



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One of the most important objective remains to be the constructive dialogue with SSCC members. For example, in 2016, SSCC decided to support the initiative of one of its members which led to the signing of the reciprocity agreement on the TVA refund between Switzerland and Serbia. Also, other members' initiatives allowed SSCC to take active part in the alignment of the local legislation with the EU *acquis communautaire*.

¹¹ "Grand Tour of Switzerland exhibition in Belgrade" www.sccc.rs