

FOREIGN INVESTMENT LAW

I. BASIC PROVISIONS

Scope of Application

Article 1

This Law regulates foreign investment in enterprises and other forms of conducting business for the purpose of making profit (hereinafter: the enterprises) in the Federal Republic of Yugoslavia.

Foreign investments in insurance companies, banks, other financial organizations and free zones may be made in conformity with the federal law dealing with their formation and legal status.

Foreign Investor

Article 2

For the purposes of this Law, a foreign investor shall be one of the following:

1. Any legal entity, the registered office of which is abroad;
2. Any foreign individual;
3. Any Yugoslav citizen who has been residing abroad for more than a year.

Foreign Investment

Article 3

For the purposes of this Law, foreign investment in the FR of Yugoslavia shall be understood to mean the following:

1. Investment in a Yugoslav enterprise on the basis of which a foreign investor acquires an interest in or shares in the authorized capital of that enterprise;
2. Acquisition of any other proprietary rights by a foreign investor, with the means of which it pursues its business interests in the FR of Yugoslavia.

Basic Forms of Foreign Investment

Article 4

Any foreign investor may do the following, either alone or together with other foreign or domestic investors:

1. Form an enterprise;
2. Buy shares of or interests in an existing enterprise;

The basic forms of foreign investment shall be regulated by formation contracts and/or investment contracts made in writing and/or formation decision rendered in writing.

Special Forms of Foreign Investment

Article 5

Any foreign investor may be granted a permit (concession) for the use of a natural resource and a good in general use or for conducting a business of general concern, in conformity with law.

Any foreign investor may be allowed to build, operate and transfer (B.O.T.) a building, installation or plant, as well as infrastructure and communication facilities.

Foreign Investor's Investment

Article 6

A foreign investor's investment may consist of convertible foreign currency, things, intellectual property rights, securities and other property rights.

A foreign investor's investment may consist of dinars, which under the foreign exchange management regulations, may be transferred abroad, including also the reinvestment of profit.

A foreign investor may convert its established receivables into an interest in or shares of its debtor company.

Non-monetary investments shall be expressed in money.

II. GUARANTEED RIGHTS OF FOREIGN INVESTORS

Freedom of Foreign Investment

Article 7

Any foreign investor may form or invest in an enterprise for the conduct of any kind of business for the purpose of making profit, unless otherwise provided by this Law.

National Treatment

Article 8

With regard to its investment, any foreign investor shall enjoy the same status, rights and duties as domestic individuals and legal entities, unless otherwise provided by this Law.

Any enterprise in which a foreign investment has been made shall enjoy the same legal status and operate under the same conditions and in the same way as Yugoslav enterprises in which no foreign investment has been made.

Legal Security

Article 9

Any foreign investor shall enjoy full legal security and legal protection with regard to the rights acquired on the basis of investment.

The rights acquired by a foreign investor at the moment of registration of its investment may not be disparaged by subsequent changes in laws and regulations.

A foreign investor's investment and the assets of an enterprise in which a foreign investment has been made may not be subjected to expropriation or other measures imposed by the state that produce the same effect, except when public interest is determined by law or on the basis of law, in which case a compensation shall be payable.

The compensation referred to in paragraph 3 of this Article shall correspond to the market value of the subject of expropriation or other measure on the date of enactment of such measure. Any change in the value of the subject of expropriation or other measure that may arise because such measure became public knowledge, shall not affect the assessment of its market value, which is to be made for the purpose of paying such compensation.

The compensation referred to in Paragraph 3 of this Article shall be paid without any delay in convertible

currency and the foreign investor concerned may transfer it abroad without any restrictions. In the event of a delay in the payment of this compensation, the foreign investor concerned shall be entitled to statutory default interest.

Conversion and Unrestricted Payment

Article 10

With regard to any payment associated with a foreign investment, any foreign investor may convert domestic currency into a convertible foreign currency without any restrictions.

Any enterprise in which a foreign investment has been made may make payments in the scope of international business relations without any restrictions.

Any enterprise in which a foreign investment has been made may keep foreign currency in a foreign exchange account with an authorized bank and dispose of such funds without any restrictions.

Right to Keep Books

Article 11

Besides the duty to keep books and make financial statements in conformity with domestic regulations, an enterprise in which a foreign investment has been made shall have the right to keep books and make financial statements in conformity with internationally accepted accounting and auditing standards.

Right to Transfer Profit and Assets

Article 12

Having discharged its obligations under domestic regulations, a foreign investor may transfer abroad, without any delay and in convertible currency, all financial and other assets in connection with foreign investment, which applies to the following in particular:

1. Gains stemming from foreign investment (profit, dividends, etc.);
2. Assets due to it following the dissolution of the enterprise in which it has invested or on the basis of termination of the investment contract;
3. Proceeds from the sale of shares of or interests in an enterprise in which a foreign investment has been made;
4. Amounts obtained on the basis of decreasing the authorized capital of an enterprise in which a foreign investment has been made;
5. Supplementary payments;
6. Compensations referred to in Article 9 of this Law.

More Favorable Treatment

Article 13

The Yugoslav law shall apply to foreign investment in the territory of Yugoslavia.

If an international or bilateral agreement signed by a foreign investor's country and Yugoslavia provides more favorable treatment for a foreign investor or its investment than that provided by this Law, the treatment provided by that agreement shall be applied.

III. INCITEMENTS TO FOREIGN INVESTORS

Unrestricted Importing

Article 14

The things that make up a foreign investor's investment may be imported without any restrictions, on condition that they comply with regulations dealing with environmental protection.

Tax and Customs Facilities

Article 15

Any foreign investor and any enterprise in which a foreign investment has been made may enjoy tax and customs facilities in conformity with law.

Exemption from Customs Duty

Article 16

The equipment imported on the basis of a foreign investor's investment, with the exception motorcars and amusement and gambling machines shall be exempt from customs duty and other import charges.

The right referred to in paragraph 1 of this Article may be exercised in accordance with the established investment schedule, until completion of the facility involved or start up of the business in which the investment has been made, and if investment is being made on the basis of profit reinvestment, for the duration of contract or decision.

The exemption from customs duty referred to in paragraph 1 of this Article may also be enjoyed by any enterprise in which a foreign investment has been made, up to the amount of foreign investment in money, within two years from the foreign investment registration date.

IV. SETTLEMENT OF DISPUTES

Courts and Arbitration

Article 17

Any dispute arising over a foreign investment may be settled by competent courts in Yugoslavia or by stipulated domestic or foreign international commercial arbitration institution.

V. SPECIAL RULES

Environmental Protection

Article 18

In the conduct of its business, any foreign investor shall always act in conformity with the regulations dealing with environmental protection.

Right to Minority Share in Special Fields and Regions

Article 19

No foreign investor may form, either alone or together with another foreign investor, an enterprise in the Federal Republic of Yugoslavia in the field of armament production and trading, as well as in a region that has been declared a prohibited zone pursuant to law.

A foreign investor may form an enterprise in these fields and regions together with a domestic legal entity or

invest in such enterprise, on condition that it does not acquire the majority share in the control over that enterprise.

In a case referred to in paragraph 2 of this Article, the foreign investor concerned shall obtain the approval of the federal authority in charge of national defense for its participation in the formation of the enterprise or investing in it.

In the approval-granting procedure, the authority referred to in paragraph 3 of this Article shall take into account particularly the quality, kind and volume of the foreign investment involved.

The authority referred to in paragraph 3 of this Article shall render a decision on any application within 30 days from receipt thereof. Should a decision not be rendered within this term, the approval shall be deemed granted.

In the event of the approval being denied, the authority referred to in paragraph 3 of this Article shall render a reasoned decision to that effect.

A complaint against a decision referred to in paragraph 6 of this Article may be filed with the Federal Government within 15 days from receipt of the decision.

An administrative lawsuit may not be instituted against a final decision referred to in paragraph 6 of this Article.

Acquisition of Title to Real Estate

Article 20

Any foreign individual and legal entity may acquire the title to real estate in the capacity of foreign investor, in conformity with law.

VI. FOREIGN INVESTMENT REGISTRATION AND RECORDING

Foreign Investment Registration

Article 21

The foreign investments referred to in Article 3, item 1, shall be registered with a competent court, in conformity with the law dealing with the status of companies.

The registration of foreign investments in other forms of conducting business for the purpose of making profit shall be carried out in conformity with the laws dealing with their status.

Any foreign investor in the domains and regions referred to in Article 19 shall obtain the approval referred to in paragraphs 3 and 5 thereof for the purpose of registering the foreign investment with a competent court.

Foreign Investment Recording

Article 22

The court of registration shall notify ex officio the federal authority in charge of foreign economic relations of any registered foreign investment, for recording purposes.

The authority referred to in paragraph 1 of this Article shall present to the court of registration the list of countries with which reciprocity exists, for each calendar year in advance.

VII. TRANSITIONAL AND CONCLUDING PROVISIONS

Application of this Law

Article 23

This Law shall be applicable to all foreign investments that have not been registered with competent courts prior to the effective date of this Law.

Termination of Other Regulations

Article 24

The validity of the Foreign Investment Law (Sluzbeni list SRJ, Nos. 79/94 and 29/96) shall be terminated on the effective date of this Law.

Effective Date

Article 25

This law shall come into force on the eighth day upon its publication in the Sluzbeni list SRJ.