

Turkish Investments in Serbia: Business Speaks a Different Language

Introduction

This paper aims to disentangle the currents of change in the bilateral relations between Serbia and Turkey, and to investigate the nature of cooperation mechanisms on the outskirts of the European Union. As Turkish investments have grown in recent years, scholarly analysis of the relationship between the two countries has been critical for understanding the broader political context. Moving away from prevalent conceptualisations of their relationship as “Neo-Ottomanism,” an expression of “Turkish soft power,” and “Turkish involvement with Muslim communities,” the paper will focus on the economic realm of mutual relations, in order to provide more tangible illustrations of Turkish involvement. Focusing on the period between 2009 and 2018, the analysis will seek to assess the scope and nature of Turkish economic influence in Serbia. Given that the main goal of the whole study is to better understand the contemporary political and economic context of Serbia, all interactions with Turkey will be observed primarily through that lens.

2009 was chosen as the starting point of the analysis because it marks the year when Serbia officially applied for membership to EU, after several setbacks related to the prosecution of war criminals. That same year, after an 18-month blockage, the EU unfroze the Interim Trade Agreement of Serbia’s Stabilisation and Association Agreement and liberalised the visa regime for Serbian citizens.¹ Such events contributed toward an improved international image for the country, which many in Serbia hoped would lead to higher credibility and increased foreign investments. In addition, 2009 marks some significant developments related to Turkey as well: a Free Trade Agreement was signed between the two countries and the first visit of a high-ranking Turkish official (then-President Abdullah Gül) to Serbia took place after a break of 23 years.

The timeline between 2009 and 2018 will be divided into two discrete parts: the “thaw phase” (2009-2013) and the “honeymoon phase” (2014-2018). The first period is marked by various diplomatic efforts aimed at a gradual warming of mutual relations, while investments were of

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https://web.archive.org/web/20100108050415/http://www.europeanforum.net/news/791/eu_unfreezes_trade_agreement_with_serbia (Access date: 20.12.2018)

negligible scope during these years. The thawing years almost culminated in a significant step backward, following Erdogan's 2013 visit to Kosovo, during which he stated that "Kosovo is Turkey and Turkey is Kosovo".² However, the crisis was constructively exploited by both sides, moulding the progression of the bilateral relationship in rather surprising ways. By tailoring economic developments to fit Serbian political interests, the number of Turkish investments started growing in 2014, and trade exchange between the countries almost tripled during this second period. In the following portions of this chapter, more detailed data will be presented to further support the division of the research period into these two parts.

Based on data collected through qualitative interviews with Serbian and Turkish government officials and business leaders, as well as secondary data gathered from various financial and other relevant institutions, this empirical chapter will look at Turkish investments in Serbia, in order to define the drivers and patterns of investment. A general overview of economic relations will be offered first, in order to highlight the main features and dominant trends in the relationship. Thereafter, data on five specific case studies will be presented: the Jeanci factory, the Teklas factory, Halk Bank, Sandžak region and the sales-oriented investors. These five were chosen because of their illustrative capacity, as each describes crucial aspects of Turkish economic involvement in Serbia.

First, the Jeanci factory explains how the opening of a relatively small factory became the entry point for more Turkish investment. The opening of Teklas factory was closely related to the Jeanci case, and exemplifies a successful and fast-growing business, affecting the mutual political relations in such manner. Though Halk Bank is a significantly different type of business, its opening shared certain intersections with the Jeanci factory, and subsequently facilitated the arrival of new Turkish businesses. The Sandžak region was chosen as the fourth explanatory case study because of its majority Muslim population, which often causes it to be emphasized as a "bridge between the two countries" on a high bilateral level. By examining strictly the economic side of Turkish involvement there, this case study explores whether investments are driven by particular ideologies. The final case study refers to a slightly different kind of investors, whose arrival in Serbia is not related to manufacturing advantages, but rather with the trend-setting capacity of the capital. As these investors kept their production outside

² <http://www.balkaninsight.com/en/article/davutoglu-erdogan-s-kosovo-statement-misinterpreted/2027/2>
(Access date: 20.12.2018)

of the country and are mainly interested in placing their products on the wider market, they are provisionally called `sellers`.

General overview of economic relations

Tracing the development of Turkish investments throughout the course of ten years (2009-2018), the mechanisms that boosted mutual cooperation and therefore contributed toward change from thawing to honeymoon stage will be further illustrated. The Turkish presence in the region is often mystified and therefore shedding light on the diplomatic and economic tools that were undertaken to enable its growth, deserves particular scholarly interest in a country like Serbia - a committed EU candidate country which flirts with both, East and West, in enabling foreign involvement. There are several indicators that imply clear growth of Turkish economic involvement with Serbia. One of them is the overall trade exchange with Turkey, which tripled over the course of ten years. The following numbers expressed in US dollars express the rising trend:

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Amount in \$	335.924	410.818	588.320	625.503	749881	820.589	815.784	926.972	1.131.178

Table 1: Trade exchange between Serbia and Turkey 2009-2018 expressed in US dollars.³

However, the situation is significantly different in terms of Turkish investments in Serbia. While the number of newly opened factories, retail and other kinds of Turkish companies grew, no bigger Turkish consortiums or holding companies came to Serbia during the designated research period. During 2009-2010 Turkey did not even rank among the top 20 foreign investor countries, and started emerging on that list only after 2011. The following chart expresses the ranking of Turkey among foreign investors in Serbia:

Year	2011	2012	2013	2014	2015	2016	2017	2018
Ranking among top 20	18th	15th	18th	17th	17th	17th	18th	19th

³ National Statistics Agency of the Republic of Serbia, 2018

Table 2: Ranking of Turkey among top 20 foreign investors in Serbia 2011-2018.⁴

The switch from thaw to honeymoon stage is best exemplified within the term of former ambassador Mehmet Kemal Bozay, during whose service the largest change took place (2012-2016). He arrived in Belgrade around the official Turkish visit to Kosovo, which immediately resulted in crisis in the relations with Serbia. Serbian leadership requested an official apology (that was never extended), and subsequently president Tomislav Nikolić withdrew Serbia from the three-lateral meetings with Bosnia and Herzegovina and banned all Serbian officials from attending the annual reception of the Turkish Embassy, organised upon the occasion of their national day. It is sufficient to mention that few years later Prime Minister Vučić did an unprecedented move and organised a special goodbye reception for Bozay, to illustrate the extent of improvement of mutual relations. The current ambassador often states that mutual relations are now in its prime phase, creating favourable conditions for increasing mutual trade exchange in the near future.⁵

Before proceeding to the details of the economic relationship, it is necessary to explain the reasons that drove Turkish investors to Serbia in the first place, as well as the reasons behind their late arrival in comparison to the neighbouring countries. The only significant investment Turkey made in Serbia prior to 2009 was the beer producing factory “Efes Zaječarska Pivara,” which was bought in 2004 and sold to Heineken in 2008.⁶ During the same period Turkish investments already mushroomed in the region: in Bosnia and Herzegovina, Macedonia, Albania and Kosovo, where existing Turkish speaking communities or family ties to Turkey proved advantageous in overcoming language barriers with potential investors.⁷

The late arrival can be partly justified by the signing of Free Trade Agreement⁸ between the two countries in 2009, and lifting of the mutual visa regime in 2010.⁹ The considerations of Serbia were often heavily burdened with negative stereotypes remnant from the recent conflictual past with Bosnia and Herzegovina and Kosovo, whereby independent investors often completely avoided the country due to prevalent perception that as Turks/Muslims they

⁴ National Statistics Agency of the Republic of Serbia, 2018

⁵ <http://www.novimagazin.rs/vesti/tanzu-bilgic-cilj-unapredjenje-saradnje-srbije-i-turske> (Access date: 11.07.2018)

⁶ <http://svetpiva.rs/zajecarska-pivara/> (Access date: 13.11.2018)

⁷ Interview TUR2018_3 and Interview TUR2018_15

⁸ <http://www.upravacarina.rs/en/International%20Agreements/AgreementSerbiaTurkey.pdf> (Access date: 07.11.2018)

⁹ https://www.b92.net/info/vesti/index.php?yyyy=2010&mm=07&dd=12&nav_category=11&nav_id=444873 (Access date: 07.11.2018)

would face serious objections. This lingering narrative was partly present in political and diplomatic cohabitations, where one can notice treatment of Serbia as the “problematic piece” of larger regional puzzle, and therefore marginalised amount of attention was allocated in comparison to the neighbouring countries with larger Muslim populations: “It was our mistake to treat Serbia in a package, and often approach it through Bosnia and Herzegovina. We later realised that this is not the way to do things and started treating it separately.”¹⁰ It was in the light of reshaped market dynamics that Serbia became recognised as key actor in the Balkan geography, requiring more comprehensive and direct tools of mutual cooperation.

The empirical data also indicates that improvement of economic relations is highly dependent on the broader political context. A constellation of mutual interests, diplomatic skills and pragmatic fine-tuning acted in synergy to smooth the platform for new investors to arrive and be provided with sense of trust and security about investing in Serbia. During turbulent times, betterment of mutual relations was often initiated by professionals, hence Turkish diplomats who prepared the ground for acting, reported on the necessity for change in approach and subsequently implemented more pragmatic policies. During his term (2010-2012), Ambassador Ali Riza Çolak started meetings with high SNS representatives prior to the elections, which in the culture of informality that both countries share, enabled more favourable position of the Turkish embassy when the party formed the government. After the Kosovo incident, the relations between the two countries were brought to their lowest, but contrary to expectations, wholly new chapter was written after the crisis. During the term of Ambassador Mehmet Kemal Bozay (2012-2016) the relations mark the switch from thaw to honeymoon phase. By building good relations with Serbian leadership, Bozay increased the mutual trust that significantly attracted new investors: “It was very important for us to know that the ambassador has direct communication with Vučić [the Prime Minister] and Ljajić [the Minister of Trade], so in case we have a problem our security is guaranteed.”¹¹

It can be argued that even beyond the above-mentioned reasons, Turkish investors paid far less attention to Serbia until changes on the broader geo-political map pushed them to think differently. Due to the outraging war in Syria, along with other complex developments in the Middle East, Turkish businesses were urged to seek new locations for production and sales of their goods, as well as more viable transportation routes. The economic prospects were

¹⁰ Interview TUR2018_11

¹¹ Interview TUR2018_2

additionally severed with the downing of the Russian military aircraft in 2015, followed by heavy economic sanctions on Turkey.¹² Turkish businessmen of all ranges were the first to feel the impact of such extreme severing, whereby the market dynamics naturally started drifting them toward the more stable neighbourhood.

Serbian economic potential was recognised as of key importance for the region primarily due to its location, namely the relatively easy accessibility and considerably simple transportation routes. As previously implied, the Turkish investors in this study are divided into `sellers` (those who kept their production in Turkey or other countries, but considered Serbia as selling hub) and `producers` (those who came to Serbia to start new production lines). Regardless of their position, all Turkish businesses favour truck transportation. As Serbia is placed in the middle of their easiest access route to EU (Turkey`s biggest trading partner), it is of strategic importance for the investors. The producers benefit most from this situation, since their trucks need to cross only one border before entering the EU, significantly shortening the distribution of goods.



¹² <https://www.bbc.com/news/world-middle-east-34912581> (Access date: 15.11.2018)

Picture 1: Mapping of Turkish producers in Serbia (marked with red dots).

An added value of placing production in Serbia is the tendency of some EU trading partners to avoid travelling to Turkey due to the political unrest of certain stages, whereby they find Serbia as more comfortable place to travel to and place their orders (more common among textile producers).¹³ In such manner the producers decrease their vulnerability to political repercussions in Turkey. These factors largely contribute to the mapping of Turkish production businesses along the main highways, usually in smaller towns on the south which offer cheaper labour and often some pre-existing production facilities.¹⁴ The following factories belong to this group: Jeanci in Leskovac, Teklas in Vladicin Han, Soylemez in Zitoradja, Aster Tekstil in Nis, but also Kardem Orme in Smederevo (not in the south, but very close to highway). Yet all the above-mentioned characteristics must be observed through temporal lens, as on one hand Serbia is relatively small, so the labour/facility paradigm quickly becomes saturated, and prices rise over time; while on the other hand the recent Turkish lira/US dollar crisis eventuated in certain aspects of production becoming cheaper in Turkey.

Another extremely valuable attraction point for basing production in Serbia is achieving the “made in Serbia” label, as it enables the investors to benefit from a list of encouraging trading agreements with EU, Russia, some Middle East countries and even partially with the United States (it is one of the very few countries to share highly favourable trading conditions with Russia). Not all factories manage to meet the threshold of basing more than 51% of their production cycle in Serbia (includes supply of raw materials and other processing phases), but for the ones which do, the size of Serbia becomes relatively unimportant in comparison to the size of markets they have access to, due to these agreements.

Regarding the sellers, the primary goal of their arrival to Serbia is to take advantage of Belgrade`s trend-setting capacity. Such companies are: home appliances company Beko (closed its other offices in the region and opened headquarters in Belgrade),¹⁵ textile company LC Waikiki, textile company Koton, and bakery chain Simit Sarayi. It can be argued that partly due to its post-Yugoslav heritage, but also due to presence of several media houses (widely popular in the region), Belgrade has relative primacy over other capitals from the region, in

¹³ Interview TUR2018_2

¹⁴ Interview TUR2018_15

¹⁵ Interview TUR2018_5

terms of having an image of `regional metropolis.` The Turkish investors who kept their production out of Serbia, but moved their Balkan headquarters to Belgrade, did so not because of Serbia`s buying capacity per se (which is incomparably smaller than Turkey`s), but because of treating it as an entry point to the whole Balkan market: “People from Montenegro, Bosnia and Herzegovina, Macedonia, all look up to Belgrade. If something is popular here, it will sell there too.”¹⁶ The marketing strategies of the sellers usually include opening shops at prestigious locations in Belgrade, and later spreading throughout Serbia and the region.

The arrival of new Turkish companies was facilitated with the opening of Halk Bank in Serbia. Many of the Turkish investors find conducting of particular money transactions easier with a Turkish bank (the ones related to their businesses in Turkey), but that is usually not their single choice.¹⁷ Halk Bank simplifies the provision of credits and loans for them, though not all opt for it. It is interesting to underline here that Halk Bank is majority state-owned bank, and though primarily oriented toward commercial activities, it often provides consultation services for newly arrived investors. Such services do not follow any institutional pattern, but within a strong culture of informality between the Turkish representatives, Halk Bank welcomes the potential investors often directed there by the Embassy.

In summary, the Turkish businesses were pushed by larger geo-strategic developments to seek for new markets, which enabled Serbia to capitalise on its geographic and political position. The opening of a small factory tailored to fit Serbian political interests (Jeanci in Krupanj), becomes the entry point for larger Turkish influence as a whole. Soon Halk Bank was opened, and several other Turkish factories followed suit. Over the course of only few years the number of Turkish investments in Serbia grew, and the trade exchange with Turkey was almost tripled. Such developments significantly changed the quality of mutual relations, upgrading them from thawing to honeymoon stage.

- Jeanci Factory –

The textile factory Jeanci can be considered as an ice breaking factor in the arrival of Turkish investments. Its business trajectory is quite an illustrative example showcasing how Turkish investments developed in Serbia. This factory started working in 2013, in Leskovac, a town

¹⁶ Interview TUR2018_10

¹⁷ Interview TUR2018_7, InterviewTUR2018_16 and Interview TUR2018_17

with population of 138.000 on the South of Serbia.¹⁸ The factory owner, Taner Buyukcan did not initially plan to open a factory in Leskovac, but due to pre-existing personal connections visited Kosovo and Montenegro first. Novi Pazar was the next destination, as it was not only geographically close, but also had a strong imprint in Turkish collective memory as the biggest town of the region of Sandžak, mainly populated with Muslims. There Buyukcan met with several local entrepreneurs, who have been mainly running smaller blue jeans productions. During the conversations with them it became difficult to receive comprehensive data on legal regulations, minimal payment rate and other relevant data. Some pointed out that they employ and dismiss people on the basis of production orders. Due to the liberalised EU visa regime, and equally to low employment prospects, many locals occasionally went to the economically advanced countries joining the black labour markets for several months and returned to live upon that income in Serbia, creating significant circulation of people on annual level and therefore impeding the predictions on demographic statistics. It became clear that frequent circumventions of legal provisions and insufficient labour capacities would seriously hinder the prospects for business growth, so Buyukcan dismissed this possibility as well.

Leskovac offered quite favourable conditions, due to its proximity to the E-75 highway and high labour potential (the town had several textile factories during Yugoslav times, but also the data from National Employment Agency spoke in support of easy recruitment of new employees).¹⁹ Additionally, the local representatives Buyukcan interacted with were well prepared, providing a sense of stability and trust:

“Leskovac was the first place where I heard precise answers about the minimal wage rate, people spoke in net and brut values, with detailed explanations about all regulations. Whenever they were not sure about the answer, they would call a lawyer, or a professional from the respective institution, to confirm the details”.²⁰

He also met with the municipality representatives, who explained the demographic structure of the town, namely the existence of considerable young population, the high unemployment rate resulting in worrisome economic emigration, and the necessity for new investment to cope with these hindrances.

¹⁸ <http://rominfomedia.rs/drasticno-smanjen-broj-stanovnika-u-leskovcu/> (Access date: 14.07.2018)

¹⁹ Interview TUR2018_1

²⁰ Interview TUR2018_16

Jeanci was registered in 2010. At that period the state of Serbia was offering foreign investment incentives in the form of 50.000 m² of land for investors who would build 30.000 m² facilities. The land was allocated through public bidding, but the management of Jeanci decided not to explore that option and start at slower pace. They rented the facilities of the old Leteks factory, which was in well preserved state, even contained machines suitable for specific processing of jeans fabrics. The factory started producing in 2013, employing 250 people.²¹ The majority of employees were women, at the age of 18-35, and were all trained by Jeanci prior to starting to work. The factory owner aimed to double the profits and number of employees within a year, which required fulfilment of certain technical conditions first.

For a textile processing to run without difficulties, high capacity water tanks and proportionally high electricity supply are necessary to have. In Serbia these can be enabled through special licences approved by governmental and municipal authorities. While formally all procedures seemed to be taking their ordinary way, Buyukcan could not obtain the licences for eight months. These procedures were taking place soon after the incident with Kosovo, additionally complicating the business environment for Turkish investors.

At that point, ambassador Bozay already dealt with various consequences of the political crisis and losing an investor would have complicated the affairs even further, so he took the issue to the highest leadership. According to one Turkish diplomat: “It was embarrassing to call the Prime Minister for electricity and water supplies, but we had no choice. The investor could not provide them for months and was sincerely preparing to leave.”²² Vučić promised his help under the condition that all legal requirements and regular procedures are fulfilled by the factory. Before very long Jeanci completed all formalities and obtained the necessary water and electricity supplies within two weeks. The business soon began to grow, following the course illustrated on this table:

Year	2013	2014	2015	2016	2017
Number of employees	250	506	792	872	900
Profit expressed in thousands of Serbian dinars	406.148	937.174	1.275.330	1.499.602	1.459.223

²¹ Business Registers Agency of the Republic of Serbia, 2018

²² Interview TUR2018_11

Table 3: Growth of Jeanci factory 2013-2017.²³

Contrary to his initial business plans, Buyukcan soon opened another factory in Serbia. The second factory was initiated upon rather unusual set of developments, which on the other hand opened the back door to higher Turkish economic involvement. In spring 2014, Serbia suffered from heavy floods and landslides, followed by considerable human and material casualties. Many countries rapidly involved in assisting Serbia to deal with the consequences. Ambassador Bozay, together with TIKA officials, soon visited the municipalities of Jagodina and Svilajnac, where they donated drying machines and house supplies. A Donors Conference for Flood Relief of Serbia and Bosnia and Herzegovina was held in Brussels on 16.07.2014, where Turkey committed to provide 1.350.000 euros of assistance.

One heavily devastated place from the floods was Krupanj, a town with population of 17.860 people, situated in the west central part of Serbia. Prime Minister Vučić contacted the Turkish ambassador on several occasions, emphasizing how the already difficult economic conditions pushed many people from Krupanj to migrate, and the floods worsened the situation additionally. The town had a bankrupted textile factory “Krupanjka”, which if bought and re-opened, would create new jobs and decrease the trend of leaving the municipality. The Prime Minister practically asked Bozay to bring an investor to buy the factory, signalling that such act would bring significant change in the attitude of Serbian authorities toward Turkey.²⁴

While difficult to divert an investor toward Krupanj, it was very clearly pointed out to Bozay that the highest Serbian leadership significantly values such an investment. In a period of rickety bilateral relations and recent dismissal of the public bidding for Čačanska Banka (which Halk Bank won, but the two sides could not agree on certain prices), the ambassador promptly contacted Buyukcan, asking him to immediately come to Serbia. Once in Belgrade, Buyukcan, Bozay and Rasim Ljajić (the Serbian Minister for Trade, Tourism and Telecommunications), went together to inspect the business prospects in Krupanj. In “Krupanjka” they came across a gloomy picture of extremely neglected facilities, with machines and materials left over from the 1990s, and business potential that promised little. The ambassador`s argument was that this should be treated as an additional investment that might not be highly lucrative, but will

²³ Business Registers Agency of the Republic of Serbia, 2018

²⁴ Interview TUR2018_17

nevertheless facilitate the general business circuit for “Jeanci.” In addition to that, it will be extremely valuable for the further development of Serbian-Turkish relations.²⁵

It was very improbable for Buyukcan to start a factory in a town displaced from the main transportation routes and difficult to reach, but he was soon convinced due to its importance for the national wellbeing.²⁶ The removal of old materials, preparation and all other arrangements were arranged by Rasim Ljajić. Year after the floods, the official opening of “Krupanjka” was organised in April, 2015, where under strong media coverage the Prime Minister Vučić joined the ceremony of cutting red ribbons. This was the first job for many employees, totalling a number of 120.²⁷ According to Jeanci’s leadership, the Krupanj factory has between 138-150 employees (the number circulates due to maternity leaves) and it is very difficult to find more workers to expand the business. This facility does not make any considerable profit, and often complicates business developments due to its geographic and other capacity characteristics. The management often treats it as project of “social responsibility.”²⁸ The location of both factories is shown on the following map, where the proximity to the road infrastructures becomes more visible:

²⁵ Interview TUR2018_1

²⁶ Interview TUR2018_16

²⁷ <http://rs.n1info.com/a50041/Biznis/Otvorena-nova-fabrika-u-Krupnju.html> (Access date 15.11.2018)

²⁸ Interview TUR2018_16



Picture 2: Locations of Jeanci factories in Serbia: Leskovac and Krupanj

It is statistically difficult to track the development of the second factory in Krupanj, as the Serbian Business Registers Agency merges the data with the factory in Leskovac and treats them as single company “Jeanci.” Yet the qualitative data indicates that this small factory did indeed open a new chapter in the mutual relations of Serbia and Turkey: soon four other factories were opened (Teklas, Soylemez, Kardem Orme, Aster Tekstil), Halk Bank’s entry was facilitated, along with the registration of the Turkish Cultural Institute “Yunus Emre.” According to the former president of the Turkish Foreign Economic Relations Board (Dis Ekonomik Iliskiler Kurumu, hereafter DEIK), Aleksandar Medjedović: “Buyukcan’s gain from the Krupanj factory cannot be explained in financial terms. It might not be the most lucrative business, but for him it opened all doors in Serbia.”²⁹

- Teklas Factory –

²⁹ Interview SRB2018_2

The factory Teklas is another illustrative example of Turkish production-oriented investment. The factory was launched in Vladičin Han, small town in the south of Serbia, situated close to the main highway connecting to the northern borders.³⁰ Teklas produces auto-motive parts, more precisely components for the fluid circulation systems in car engines. Their customer list includes several car producers: Volkswagen group (Porche, Audi, Skoda, Seat), Daimler, BMW, but also Renault, Toyota, Volvo, Land Rover, Jaguar and General Motors. Over the course of three years Teklas opened three producing facilities within its industrial zone, multiplying the number of employees each following year. The Serbian Prime Minister Vučić participated in the opening ceremony of each producing facility.

Teklas was found in 1971 in Turkey. Besides the home country, it currently has factories in Bulgaria, China, Mexico and Serbia. Factories were opened in Russia as well, but due to extreme currency rate changes, the management decided to withdraw the business. The leading team considered opening a new capacity in the European zone (not necessarily EU) for a while, as they wanted to be closer to their customers (majority of whom are in EU countries) and avoid problems with lengthy delays at the Turkish-Bulgarian border. Due to a close friendship of Teklas leadership with the owner of Jeanci factory, Taner Buyukcan, their attention was diverted toward Serbia.³¹

According to the management, people from the economically more prosperous north of Serbia would have higher income expectations and would hence not be satisfied with the minimal wage standard Teklas could offer to blue collar workers. Though they were aware that finding white collar workers would be far easier in the north, the necessity for the first type of workers prevailed. Furthermore, the Serbian government offered higher incentives for investments in less developed areas, which additionally reinforced the focus on the south. Following the proposal from the Serbian Agency for Foreign Investments and Promotion of Exports (SIEPA), the old furniture factory “Sloga,” was chosen as the most suitable location for starting the business. The agreement with the Government of Serbia was finalized in 2015, whereby Teklas was expected to employ 400 people within three years in exchange for investment subventions in the amount of 4,7 million euros.³² The official opening of the factory took place in April,

³⁰ <http://www.vladicinhan.org.rs/Opstine3/Cir/Siteview.asp?ID=10> (Access date: 01.03.2019)

³¹ Interview TUR2018_17

³² <http://mondo.rs/a891346/Info/Srbija/Aleksandar-Vucic-u-Vladicinom-Hanu.html>

2016, with Prime Minister Vučić and Turkish ambassador Bozay participating in the ceremony.³³

The following chart integrates data from the Serbian Business Registers Agency and illustrate the development of Teklas in terms of number of employees and turnover. Though formally registered in 2015, the factory started producing in April 2016. Data regarding year 2018 will be additionally added by the Agency over the course of 2019.

Year	2016	2017	2018
Number of employees	111	340	*No data yet
Profit expressed in thousands of Serbian dinars	444155	1822572	*No data yet

Table 1: Development of Teklas Serbia (Serbian Business Registers Agency)

As reported by the director of Teklas Serbia, Fikret Aynibal, the company currently employs around 600 people, thereby fulfilling the terms included in the agreement with the Serbian government. The majority of current employees of Teklas come from Vladičin Han, but also from the neighbouring areas: Vranje, Surdulica and Leskovac. Considering the high unemployment and consequential migration from the south, new employment possibilities were greatly appreciated, not only by the locals, but also by the highest governing echelons.

The poor overall investments in the region added value to the competitiveness of Teklas. In comparison to other regions, the employees here “are more disciplined, more eager to work,”³⁴ which was particularly important for a labour extensive industry, applying low or middle level technologies. Sandžak was not considered as an option, due to its marginal position in regard to the main highway, but also to prevalent perception that the working efficiency of the locals there might be insufficient. Moreover, Teklas has comparatively relevant experience from their factory in Kircaelli, Bulgaria, where the majority of people are of Turkish descent, which yet did not prove to be a contributing factor in work efficiency.

³³ <https://www.srbijadanas.com/clanak/vucic-u-vladicinom-hanu-otvorena-fabrika-za-delove-automobila-teklas-automotive-07-04-2016>

³⁴ Interview TUR2018_17

As several other production-oriented Turkish investors, Teklas also allocated critical importance to the satisfactory road infrastructure of the south of Serbia, enabling sound connection to the main transportation route toward EU. Hence this enables relatively easy crossing of Serbian borders and completing of custom operations, which soon places them within the EU zone and shortens the route toward their final destination. In the past, Teklas had frequent delays in transportation due to retention of trucks on the border crossings, stemming from political problems on bilateral level with Bulgaria, or multilateral level with EU. The turmoil in Turkish politics, followed by unpredictability in future endeavours, contributed largely toward seeking alternative locations.

Teklas produces its automotive components under the “made in Serbia” label. This labelling has not offered them particular advantages in the recent years, but it could eventually gain value in regard to the Russian market and the unpredictable political climate. The current supplies for Russia are provided from the factories in Turkey, as the two countries lately enjoy a close relationship and therefore facilitated customs operations. On the other hand, Teklas closed its factory in Russia several years ago and experienced the consequences generated by the previous crisis between the two countries. Creating an alternative production facility amicable to trading with Russia was another influential factor in choosing Serbia as investment location.

Simple comparative analysis of the investment trajectories of Jeanci and Teklas speaks volumes of the important factors contributing towards facilitated investment in Serbia. One clear commonality is the of close relations to Serbian state leadership, which significantly shaped the further development of Teklas. What is rather different in this specific case is the scale of the investment, as it is an example of a successful international manufacturing business, as well as the environment in which it was brought into fruition. By the time of Teklas` arrival, the bilateral relations were already levelled out, Buyukcan and the Turkish diplomats built a relationship of sincerity and trust with the highest leadership, hence the Serbian side was quite engaged in facilitating the route for new investors. The business was initiated in an atmosphere of favourable synergy, where not only the support from highest levels easily trickled down to all actors involved, but also all sides benefitted from the new developments. The investors managed to complete the procedures and start the production within short time period, applying preferable state incentives and employing cheap labour; the state leadership `created employment possibilities` in areas of high economic migration and hence invested in future electoral prospects; and the diplomats illustrated tangible results of

improving bilateral relations. In such way Teklas proves that close alliance with central authorities is of strongest determinative character in the plethora of factors contributing towards growing Turkish investors.

- Halk Bank –

Before showing interest in Serbia, Halk Bank operated in Macedonia for several years already. In 2012 they opened a representative office whose main goal was to research the market potential for further investment. The main driving force for opening a bank in Serbia was the need for credits of small and medium businesses. Additionally, such bank would provide financial services for Turkish businesses planning to develop here. It was previously explained that Serbia gradually gained more attraction in the business community due to the market dynamics and the country's strategic position on the road toward the biggest trading partner, EU. Besides that, the labour and other operational costs were quite favourable, initiating even higher interest among the Turkish business community.

The Halk Bank management decided to buy smaller bank in Serbia and develop it by themselves. At the end of 2013 they opted for Čačanska banka (specialised in small and medium businesses), and won the public bidding for its sales. One year later the public bidding was nullified - though Halk Bank nominally won it, they could not agree with the Serbian counterparts about the price.³⁵

During the same period, the Serbian Ministry of Finance worked on reforms that aimed at facilitating the arrival of foreign investors. One of those incentives was particularly relevant for Halk Bank, as it enabled companies which won public biddings that were later nullified, to have priority over other companies in the next bidding (their documents would not be checked for the second time), as long as they provide the most favourable price. In May 2015, 76.7% ownership of Čačanska Banka was handed over to Halk Bank. Subsequently the representative office was closed, and the management of Halk Bank was fully established. In 2017 the ownership grew to 99.89% through take-over process and buying shares on the Belgrade Stock Exchange. With increase of capital and buying of additional shares, its ownership increased to 99.94% in 2018.³⁶ The chart below illustrates some growth indicators:

³⁵ <http://ozonpress.net/ekonomija/propao-tender-za-prodaju-cacanske-banke/> (Access date: 15.11.2018)

³⁶ <http://www.halkbank.rs/milestones-of-halkbank-a-d-belgrade.nspx> (Access date: 15.11.2018)

Year	2014	2015	2016	2017
Number of employees	385	377	411	435
Revenues in thousands of Serbian dinars	872.602	1.053.361	1.565.368	1.880.519
Number of ATMs	xy ³⁷	24	35	75
Number of branch offices	23	24	28	32

Table 4: Growth of Halk Bank in Serbia.³⁸

Many Turkish businesses in Serbia conduct their financial transactions through Halk Bank. Though it might not be a determining factor for all, a certain relationship of solidarity and kinship is often shared. Such is the example of home appliances company Beko, which though does its banking with different institution, occasionally asks Halk Bank for assistance with their distributorship customers. Many of them need various bank guarantees and other documents to initiate distributorship. Halk Bank provides support, even in cases when these small and medium businesses are located in Macedonia, or Bosnia and Herzegovina, supporting their cooperation with Beko in such manner.³⁹

The bank also assists potential Turkish investors in Serbia. They are often directed from the Embassy, seeking for more detailed consultancy on the business prospects in Serbia. As formerly explained, language skills represent obstacles for some business people and hence receiving information on businesses regulations in Serbia in their mother tongue becomes very valuable: “there is no loss in translation, they are confident that the information they take is correct. And then we become like a consultant. For everything they need, they start calling us”.⁴⁰

Halk Bank is majority state-owned, fifth biggest bank in Turkey with more than 20.000 employees.⁴¹ Such features boost its position not only as a supporting pillar for the newly arriving investors, but also as a checking point of the investor`s credibility.⁴² In such way, it

³⁷ These data are based on internal records of Halk Bank, which does not contain data on the number of ATMs of Čačanska in 2014.

³⁸ Based on internal data from Halk Bank, as well as the Serbian Business Register Agency.

³⁹ Interview TUR2018_5

⁴⁰ Interview TUR2018_3

⁴¹ <https://www.halkbank.com.tr/5971-aktif-buyuklugunu-2797-milyar-tlye-yukselten-halkbank-turkiyenin-5-buyuk-bankasi-oldu> (Access date 15.11.2018)

⁴² Interview TUR2018_3

simultaneously serves as protection layer of the image of Turkish investors in Serbia. Halk Bank not only abstains from recommending the company, but also informs the relevant institutions, hence the embassy. In cases where doubts are confirmed, they act within their limits to prevent the further development of the business.⁴³

It would be useful to review the general economic developments, to better understand the role of Halk Bank for Serbia. The opening of the factory in Krupanj created a very favourable atmosphere of cooperation between the Turkish ambassador and the Serbian Prime Minister. Subsequently Vučić inquired about the intentions of opening a bank, where Bozay explained that it would significantly stimulate the arrival of new businesses. Indeed, several other factories were opened after the registration of Halk Bank: Teklas, Aster Tekstil, Kardem Orme etc. According to the internal registers of Halk Bank, the year the bank opened there were 138 companies in Serbia whose owners were Turkish private or legal entities, and currently there are 650. Many of them do not count as such in Serbian statistics, as they are registered as Serbian companies, but the bank register shows different data. The trend of growing Turkish investments was the main reason for Vučić to organise special goodbye reception for Bozay, where he openly emphasised: “When he arrived, we had 25 Turkish firms and round hundred employees, now we have round hundred firms and more than eight thousand employees.”⁴⁴

- Sandžak region –

Sandžak is a region at the south-west of Serbia, mainly populated with Bosniaks. In the last few years its largest town, Novi Pazar, became a compulsory stop during Turkish official visits to Serbia. On these occasions lavish ceremonies were organised to greet the officials, where people of all ages gathered. Here one could easily notice a rich display of “winning of hearts and minds” of the locals.⁴⁵ The euphoria can be partially explained through the long-lasting cultural and religious ties among Turkish and Bosniak people, followed by migration waves toward Turkey during turbulent times in the Balkans. Following the Neo-Ottoman conceptualisations, one would expect the majority of Turkish investments to be anchored in this area. However, the empirical data indicates the opposite.

⁴³ Interview TUR2018_3

⁴⁴ Interview SRB2018_2

⁴⁵ <https://www.youtube.com/watch?v=UKzJAfHEhFc> (Access date: 16.11.2018)

It was very difficult to identify Turkish investments in Novi Pazar apart from Halk Bank branch office and a baklava shop. Not even these in the surrounding smaller towns. This immediately raises the question of Sandžak being “the bridge of cooperation between Serbia and Turkey”. The socio-economic and infrastructural characteristics of the region diverted many Turkish investors (some of who initially thought of launching their businesses here) to seek for more favourable environments.

The core problem of Sandžak, and one that generates many others, is the poor road infrastructure. The distance of approximately 260km from the capital takes at least 4 hours on a jarring road, even longer during winter weather. This is particularly discouraging for truck traffic, while the insufficient railroads and the non-existence of nearby airport do not provide transportation alternatives. Some newly arrived investors were enthusiastic to start from Sandžak and were advised to visit the area and experience the conditions themselves first. The next address usually became towns along the main highway, connecting Serbian south with the EU countries on the north.

Even if the road infrastructure were of secondary importance, some other factors additionally undermined investments in Sandžak. The high unpredictability of available working force, resulting from poor official registries, but also from high fluctuations due to seasonal economic migrations, had major influence over the decisions of the investors. Namely due to the EU visa liberalisation, many locals go to the richer European countries, where they work in the black markets until the maximum of 6 months of stay is fulfilled. They return to live on the earned remittances and stay in Serbia until having the same opportunity next year. Many local entrepreneurs do businesses in a fashion that tends to avoid official books, creating an overall negative impression for the rule of law in the region.

Some interviewees even pointed to the local mentality, explaining that an average Novi Pazar person would rather run their own small business than work for a factory salary of 200 euros.⁴⁶ Buying of larger piece of land or facilities also proved difficult, due to unsettled property rights among several owners. In addition, the area is among the very few ones in Serbia where one can opt to pay in euros for any kind of purchase, whereas other towns would insist on the national currency, Serbian dinars. Such situation indicates a more general code of conduct

⁴⁶ Interview TUR2018_1

where people, goods and revenues circumvent the official registries, and the state turns blind eyes to such developments.

From the very beginning Turkish officials were quite aware of Sandžak's burning problem with the road infrastructure. During his first visit to Sandžak in 2010, then Prime Minister Erdoğan promised assistance with road construction. Upon this occasion the Serbian Minister for National Investment Planning, Verica Kalanović, signed a Memorandum of understanding for constructing a section of the road between Belgrade and the South Adriatic (Corridor 11) with the Turkish Minister of Foreign Affairs, Ahmet Davutoğlu. Kalanović signed a separate Framework Agreement for Reconstruction of the State Road M8 connecting Novi Pazar with Aljinovici (connecting three towns in Sandžak), with several Turkish companies.⁴⁷ None of these projects was brought into fruition during the forthcoming years.

Though keen on supporting the construction of corridor 11, connecting Belgrade to the Montenegrin port town of Bar, Turkey could not match the prominently favourable rates offered by China. Therefore, its construction was taken over by Chinese Exim Bank in the amount of 300,37 million dollars, and 33,7 million dollars support from the Serbian state budget.⁴⁸

The reconstruction of local M8 linking Novi Pazar, Sjenica and Tutin proved considerably complex, changing arrangements on several occasions. At the beginning the news caused many positive reactions among local people, raising their expectations from the Turkish representatives. Initially, a budget of 45 million euros was proposed for M8 road construction. While the Serbian side hoped for a concessional loan,⁴⁹ the Turkish representatives were reluctant to commit to such arrangements and approved a loan with the Turkish Exim Bank in 2010. Simultaneously, the Turkish side committed to allocating 10 million euros for the reconstruction of Kraljevo airport runway.⁵⁰

In order to clarify the stalling of the M8 reconstruction, which subsequently affected Turkey's image in the country, ambassador Bozay arranged meetings with the state secretary of the Serbian Ministry of Finance, Ivica Kojić, and the representatives of Exim Bank in 2013. As

⁴⁷ <https://www.blic.rs/vesti/politika/tadic-erdogan-pocela-nova-era-u-saradnji/zhfjj6h> (Access date: 16.11.2018)

⁴⁸ <https://www.blic.rs/biznis/privreda-i-finansije/na-deonicama-koridora-11-zavrsono-80-odsto-svih-radova/0x4gm1h> (Access date: 16.11.2018)

⁴⁹ Concessional loan is type of credit provided by certain states, where the interest rate and general crediting conditions are more favourable than commercial loans provided by banks.

⁵⁰ <https://www.blic.rs/biznis/potpisan-sporazum-o-donaciji-turske-za-aerodrom-morava/6ws9md0> (Access date: 16.11.2018)

certain officials expressed doubts with the quality of the previous feasibility studies, a new study costing 350.000 euros was launched. The new one indicated higher total budget of the project, surpassing 60 million euros.⁵¹ Soon it became clear that conducting the project with Exim Bank imposes a threshold of 85% of the total work performance to be imported from Turkey (materials, machines, even labour). Considering the difficulty of meeting such credit conditions, the Exim Bank loan was soon discarded, and the financing was changed into a concessional loan.⁵² Nonetheless, the re-arrangements did not commence early implementation.

Erdoğan's visit in 2017 brought the Sandžak road back to the spot light. However, a new road project attracted far bigger attention. Calling it a "peace road," Erdoğan committed to support the construction of highway connecting Belgrade to Sarajevo. Such road would not only facilitate the transfer of people and goods and therefore contribute to improving relations between the two countries, but would additionally strengthen the regional potential for EU integrations.⁵³ At that instant the Serbian minister of Construction, Transport and Infrastructure, Zorana Mihajlović, with the Turkish Minister of Transport, Maritime Affairs and Communications, Ahmet Arslan, signed a Letter of Intentions for promoting cooperation between Serbia and Turkey in the field of transport and infrastructure.⁵⁴ This document laid the ground for further developments addressing the construction of both roads. Though previously dismissed as disadvantageous solution, financing through the Turkish Exim bank was seemingly re-introduced. It is difficult to precise the exact mechanisms of financing at this stage, as the negotiations for financial arrangements of both roads are still ongoing.

Regarding the "peace road", the three countries worked for several months on potential road design in an area that allows limited span of options due to its geographical features. Both, Bosnian and Serbian side, were very much concerned with the final outcome, as each wanted to benefit most from it.⁵⁵ The Bosnian side insisted on the road passing through Tuzla, which would take 70% of its length through the Bosnian Federation. To the contrary, the Serbian side requested connections through Višegrad, which would not only direct 75% of the road length

⁵¹ Interview TUR2018_17

⁵² Interview TUR2018_1

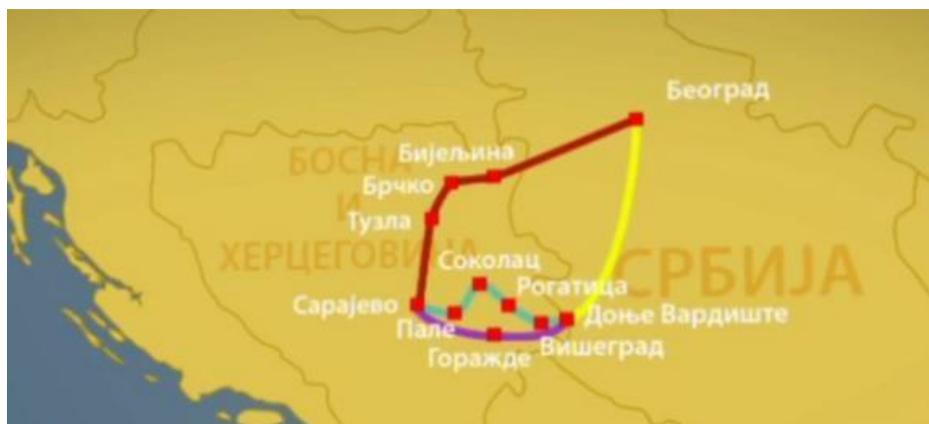
⁵³ Interview TUR2018_17

⁵⁴ <https://www.blic.rs/vesti/ekonomija/mihajlovic-potpisala-dva-ugovora-turska-se-ukljujuje-u-projekat-autoputa-beograd-gz8r1lx> (Access date: 16.11.2018)

⁵⁵ Interview TUR2018_1

through Republika Srpska, but would also pass nearby Sandžak. In meantime, a technical delegation from Turkey conducted pre-feasibility studies in the region.

The Turkish leadership assigned immense importance to this “confidence building project.”⁵⁶ In January 2018, Bakir Izetbegović, Aleksandar Vučić and Recep Tayyip Erdoğan held joint meetings in Turkey. At the meeting Erdoğan bridged the two positions by proposing the construction of ring road, which would include both options and connect the two countries even more closely. On the Serbian side, the section of the road connecting Višegrad will be extended from the existing route of Corridor 11, one from Preļjina to Požega in the length of 31km, and another from Požega to the border with Bosnia and Herzegovina in the length of 60km. The preliminary calculations indicate a budget of 830 million euros for this section of the road.⁵⁷ The Bosnian side of the same road section includes two options: one passing through Goražde (which belongs to the Federation) and another through Sokolac and entering through East Sarajevo (mainly populated by Serbs).⁵⁸ The Federation and Republika Srpska have contradictory attitudes regarding this issue, which prolongs the negotiations of the road as a whole.⁵⁹



Picture 3: Map of the “peace road” connecting Belgrade to Sarajevo.

In May, 2018, the Serbian President Vučić paid a visit to his counterpart in Ankara. On this occasion, a Serbian – Turkish business forum was organised, where Minister Mihajlović signed a Memorandum of Understanding with the Turkish civil construction company Taşyapi. According to this document, Taşyapi is expected to prepare the financial and technical

⁵⁶ Interview TUR2018_17

⁵⁷ <https://www.radiosarajevo.ba/vijesti/regija/mihajlovic-turska-se-ukljucuje-u-izgradnji-puta-beograd-sarajevo/277386> (Access date: 16.11.2018)

⁵⁸ <https://www.blic.rs/biznis/kuda-bi-sve-auto-put-beograd-sarajevo-mogao-da-prolazi/4swb27b> (Access date: 16.11.2018)

⁵⁹ Interview TUR2018_13

proposals for rehabilitation of the Sandžak roads, as well as the construction of both sections of the Belgrade- Sarajevo highway located on Serbian territory.⁶⁰

Taking into consideration that regardless of promises, the implementation of the Sandžak road project did not take place in the previous years, it is difficult to make future predictions on the implementation of these two roads. Many interviewees hesitated to provide concrete information, especially regarding the peace road, as the negotiations have not been completed yet, nor has the Bosnian side agreed on the final design of the road. The extent up to which Turkey would be a donor/creditor is not clear either. Another confusing reality is the role of Exim Bank – though dismissed as inconvenient solution the first time, now it seems to be re-introduced as model of financing. The level of closeness between the two leaderships and the consequent deeper interaction on political and economic perspective does provide wider space for concrete actions to be conducted within particular time periods. Only time could prove whether Turkey is realistically capable to undertake the financing of such large infrastructural projects and therefore confirm its legitimacy of powerful regional player, or if this is yet another example of `overstretching,` where the Turkish leadership projects mighty ambitions, but cannot deliver proportionally.

- Sales-oriented Turkish investors –

There are several Turkish investors who kept their production outside of Serbia and are predominantly interested in the country as sales and branding point. Such are: LC Waikiki, Beko, Koton, Simit Sarayi. These companies have no production capacities located in Serbia, nor are interested in similar future endeavours. Unlike the majority of production-oriented investors, who mainly sell their goods to EU markets, the sellers are focused on Serbian and other Balkan customers. Many of them have placed their headquarters in Belgrade, coordinating the business with other representative offices in the neighbouring countries from there. This preference is largely influenced by the trend setting capacity of Belgrade, as the biggest city in former Yugoslavia, hosting several powerful media houses that significantly shape the popular culture of the wider region.

⁶⁰ https://www.b92.net/eng/news/business.php?yyyy=2018&mm=05&dd=07&nav_id=104100 (Access date: 16.11.2018)

The sellers import their products mainly from Turkey, using also truck transportation, but have no strategic interest in concentrating on the south. The central position of Serbia in the Balkan peninsula is favourable to their logistics, but they prefer penetrating the market through Belgrade and later opening chain stores throughout the country. Some of them treat the capital not only as entry point for Serbia, but actual ice breaker for entering the Bosnian, Montenegrin and other regional markets. Due to the size of the country, Serbia has smaller buying power compared to Turkey, but many sellers aim for the region as a whole and hence accord strategic importance to Serbia.

Beko is home appliance company, subsidiary of Arçelik, and hence part of multinational holding group KOÇ. It started trading with the Balkans in 2002 directly through Arçelik from Turkey. It had several distributors and various economic structures, which eventually became unstable and complicated. At that point the management decided to place itself as direct subsidiary of Arçelik, withdrew the previous alternatives and opened its headquarters “Beko Balkan” in Belgrade, in 2015. Beko Balkan has its list of subsidiaries in Bosnia and Herzegovina, Montenegro, Kosovo, Albania, where goods are further sent to distributors from the Belgrade hub. The company explores transit traits for all other countries except Serbia, i.e. invoices products without actual getting in touch with them and saving warehouse costs in such manner. Beko has its own warehouse in Serbia. The goods placed on the Balkan market are imported from Turkey, Romania or eventually Thailand. According to internal statistics of the company, the market share rose to 6% during the second year and later to 16-18%, with the tendency of growing.⁶¹

In terms of cooperating with other Turkish investors, it is necessary to mention that though Beko is banking with a different entity, they have positive examples of mutual support with Halk Bank. These connections become very valuable in cooperation with customers in Serbia or other neighbouring country where Halk Bank has its branch offices. Namely some distributor customers necessitate bank warranties and other kind of banking support to initiate their business with appliances. On several occasions Beko directed them to open accounts in this bank and explored personal relations with the management of Halk Bank Serbia, to facilitate the process of granting the necessary bank support.

⁶¹ Interview TUR2018_5

Another sales-oriented company in Serbia is the clothing brand LC Waikiki. They came to Serbia in 2015 and have opened 24 retail stores throughout the country. Serbia was a natural choice for them, as it is geographically close and therefore people share similar climate and culture, hence have similar clothing preferences. This is very relevant for the production supply chain (centralised in their case), and therefore no changes or additional investments were necessary to re-adjust the production supply chain for Serbia.

One of the main driving forces for Waikiki's coming to Serbia were also the characteristics of the capital. Belgrade has a population of almost 2 million people, it is easily accessible and well connected with Skopje, Zagreb, Podgorica, Tivat, Tirana. It enjoys a positive legacy from former Yugoslav time, in terms of being perceived as the most prestigious city in the region. Its size and business potential in the regional can be paralleled to Athens or Bucharest. "It is like a geographical, cultural capital of the region... We knew about it, it is not a secret. And it is a good market as well."⁶² The size and population of Serbia, ranking among the highest in the Balkans, were also taken into consideration when starting the business.

In summary, the sales-oriented investors share several commonalities: they keep their production outside of Serbia and are predominantly interested in Serbian customers and their buying power. Each of them launched the businesses in Belgrade, capitalising on its trend-setting capacity and its larger influence over the region. These investors were well aware of the prestige of Belgrade, but also of the relatively bigger size and better business prospects of Serbia in comparison to the neighbouring countries. The easy accessibility, central geographical position and convenient human resources of the country additionally shaped the decisions of the investors. Such features induced several companies to base their headquarters in Belgrade and coordinate the regional retails businesses from there.

Conclusion

Serbian-Turkish relations followed a very dynamic curve during the period 2009-2018. The empirical data reviewed in this paper reveals that economic relations have progressed over the decade, particularly intensifying after 2014. This is most visible in the growing amount of mutual trade exchange, which not only tripled already, but shows signs of further increase going forward. However, assessing the investments is crucial for gaining a fuller view of

⁶² Interview TUR2018_10

overall Turkish involvement in Serbia. Starting from very low figures in 2009, Turkish investments have also grown over the examined period. They have diversified both in terms of their main economic activity in Serbia (divided into producers and sellers), and in terms of the goods produced and sold. The greatest share of the investments is concentrated in textiles (Jeanci, Aster Textil, Kardem Orme, LC Waikiki), automotive parts (Teklas), financial services (Halk Bank), home appliances (Beko) and bakery chains (Simit Sarayi). A broader examination of the overall foreign investment picture in Serbia indicates that while Turkish investments have certainly grown, they are barely keeping pace with the expansion in investments from some other countries. For example, Turkey's highest ranking was as the 15th largest foreign investor in Serbia in 2012 - a rank that dropped to 19th by 2018.

The main driver of Turkish foreign investment is the geographical position of Serbia, enabling easy access and central location on the strategic Turkey-EU connection route. This becomes particularly salient in the choices of the producers, the majority of whom are located in the vicinity of the main highway connecting southern and northern Serbia. More precisely, the producers are grouped throughout the south, where high unemployment among younger generations, together with cheap labour prices and pre-existing production facilities, serve as strong driving forces. The wider political context enables even deeper understanding of such mapping – producers generally launched labour-intensive businesses in municipalities with high economic emigration. The majority of them are entire smaller municipalities and as such are very valuable in the electoral system. The votes of these people have the same weight as the votes in richer, more densely populated cities, where people would not accept work for the salaries (of roughly 200 euros) offered in these factories. The highest Serbian leadership directed many of the newly arriving investors toward this area and rarely missed the chance to promote positive personal images at opening ceremonies of these facilities, often followed by heavy media coverage. These producers were significantly incentivized to obtain the “made in Serbia” label, as it enables them to benefit from many favourable trade agreements that Serbia concluded with several countries with larger populations.

Sales representatives are mainly anchored in Belgrade, using the capital city as entry point and coordination hub with other distributors/shops throughout the larger region. As they also favour truck transportation, Serbia's central position and good infrastructure is also an important stimulus, but the popular image of Belgrade, namely its trend-setting potential, proved to be of special importance.

The mapping of Turkish investors (including their avoidance of Sandžak) shows that Turkish investors are driven not by ideology but by profits, as they seek proximity to main highways, cheap labour, and reliable connection with local and central authorities. These findings significantly challenge the pre-conception that Turkey`s main interests are focused on Muslim communities. And while individual investors do conceptualise their businesses differently, Turkish state actors are concerned and act toward prevention of “potentially losing Sandžak”.⁶³ Though no final conclusions can be made about ongoing arrangements, the efforts involved in the construction of the regional highways indicate that Turkish leadership is significantly invested in signposting their presence here as well.

One of the most striking findings of this research is the extent of agency that Serbian state leadership exercise in moulding Turkish influence in the country. When the Jeanci factory faced serious obstacles on the municipal level, the problem was solved through the highest echelons of government. As empirical data have already illustrated, this and many other aspects of the economic relations were managed mainly by Belgrade. Such a strong negotiating position can be partly explained through some of the temporal and geographic features of the country, but also through the inheritance of well-embedded post-Yugoslav institutions and structures, reflected in developed bureaucratic system and diplomacy skills. As one Turkish diplomat observed: “Whatever work you do in Serbia, you encounter a very strong presence of the state. This is not the case in many neighbouring countries”.⁶⁴ T

However, the recently growing authoritarian regime is of the highest importance. The strong concentration of power around Aleksandar Vučić significantly facilitates navigation through the system for all those who can afford a close relationship with him. Under those conditions, opening of new factories or fulfilling complicated bureaucratic requirements is managed with greater ease, while the final results serve both ends of the relationship.

In the end, some attention should be given to the personal efforts of officials from both sides, especially diplomats. Turkey learned along the way that Serbia requires tailor-made approach, different from its neighbours, as the national-formative narratives and the consequent suspicion were very powerful. The new approach was initiated from high diplomatic levels, where diplomats not only urged greater caution in interactions with Muslim representatives, but also pursued meetings with SNS representatives, who still formed the opposition during the earlier

⁶³ Interview TUR2018_4

⁶⁴ Interview TUR2018_12

part of the examined period.⁶⁵ By the time the SNS became the government, the mutual relations experienced some tension due to the Kosovo incident, reinforcing existing doubts about Turkish intentions in the region. Nonetheless, it was after this crisis that both countries reinvented their manner of cooperation, basing it on what ambassador Bozay calls “working in separate files.”⁶⁶ The problematic issues of disagreement, as well as sensitive topics regarding the Muslim communities, were deliberately circumvented, while emphasis was directed toward stronger economic cooperation. Pan-Islamist thinking, *i.e.* ideologically motivated acting, lost momentum in this period and pragmatism became the driving force of bilateral relations.

Overall, these results suggest that Turkish investors discovered Serbia late due to negative perceptions, but also due to wider geo-political developments. Soon Serbia’s geographic position and favourable infrastructure became strategically important for investors, as Serbia occupies a central position on the routes to the EU. The variety of trade agreements that Serbia signed with a number of economically powerful countries also attracted investors to produce under the “made in Serbia” label. Nonetheless, although the number of Turkish investments grew after 2014, their overall scope did not place Turkey even among the leading 15 investors in Serbia (except for year 2012).

⁶⁵ Interview TUR2018_12

⁶⁶ Interview TUR2018_1