

# SEE Perspective

BSN South East Europe Business magazine in English. Year 1.

Featured topic:

*Serbia wants  
to join the EU, but  
**DOES NOT RESPECT**  
its own laws*



Interview:

*Danela Arsovska, President of  
the Macedonian Chamber of Commerce*

*Macedonia on the way of  
**ECONOMIC RECOVERY***



DESIGNING SOLUTIONS AND SUPPORTING  
THE FUTURE WAY OF COMMUNICATIONS.





*Once, not so long ago, there was a political anecdote which can still be somewhat used today. It came up during a survey and it goes on like this: "In the whole world people were asked the same question: What is your opinion on the food shortage in the rest of the world? The results were as follow: in Africa people didn't know what food is. In Western Europe, they didn't know what a shortage is. In Eastern Europe people didn't know what your opinion means. In USA they didn't know what the rest of the world is."*

It seems that in the last few decades, the final point has evolved the least. He who doesn't think so should read this issue's text on the conflict for gas line construction in the Western Balkan countries on pages **21-24**: "Large and small countries: cooperation or confrontation". The text speaks of the current situation concerning the construction of the gas pipeline and shows that the small countries are not "partners" to large ones, but only their executors or "collateral damage".

The main topic of this issue came from the roundtable recently held in Belgrade: "Serbia wants to join the EU, but does not respect its own laws", organized by the Business Support Network (BSN). It concerns the serious issue in accepting foreign certificates and conformity marks for materials, equipment and products imported from the EU countries into Serbia. Why has this blocked a significant part of construction industry in Serbia can be read on pages **12-14**.

All Balkan countries have problems with their railways. This is especially true for Serbia, Bosnia and Herzegovina, Macedonia, Montenegro and Albania. Goods and passenger transfer in the mentioned countries is

almost at a standstill. Trains on many parts of tracks can only move at the maximum speed of 30 km/h. When you, for example, send the goods from Skopje to the Northern Italy, the trip reminds of the adventures of Odysseus. At each border you wait for hours for the locomotives to switch. Safety of the cars and the tracks themselves is far lower than the required norms. How to change all that? These questions were among those raised on October 28th, on a large international conference in Belgrade on the future of the railways in the Southeastern Europe. The product was an initiative of one business association and two German companies on forming a railway cluster in Balkan countries, similar to such a cluster in Bavaria. You can read about this topic on pages **19-20**.

Problems in life, as well as in business, exist to be solved. For if there were no problems, that in itself would be a problem. Exclusively for our magazine, Danela Arsovska, president of Macedonian Chamber of Commerce speaks about the problems facing the Macedonian economy.

November was a month of interesting conferences in Serbia. "Innovations for the World" was the name of the traditional Belgrade Venture Forum (BgVF) which lasted from 5th to 7th November, gathering the most prominent investors from the region, but also the world (pages **27-28**).

The real situation in Serbian metal industry was the topic on the conference organized by the Delegation of German Commerce and Industry in Serbia, and supported by German Federal Ministry of Economic Affairs and Energy on November 18th. Representatives of nine German companies visited Serbia to attend this conference.

Of course, you can read more about this and other topics in the second issue of our magazine.

*We wish you a pleasant read.*

*Your BSN Team*

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## SERBIA

### SERBIA'S FOREIGN TRADE IN THE FIRST NINE MONTHS INCREASED BY 2.3%

***Total foreign trade of Serbia in the January-September 2014 period reached the 19,7 billion EUR, which is 2.3% higher than the same period last year, said the Statistical Office of the Republic of Serbia (RZS). As published in the press release, the foreign trade in the first nine months of 2014 was 26.7 billion USD, that is, 5.4% higher than the same period last year.***

Exports reached the level of 8.3 billion EUR, an increase of 3.1% compared to the same period last year, while the imports were 11.4 billion EUR, a 1.7% increase.

The trade deficit was 3.1 billion EUR, which is a reduction of 1.9% compared to the same period in 2013. The exports are still lagging behind the imports, and are 72.55 of them, which is an increase compared to the period last year, when the ratio was 71.6%.

The foreign trade structure is mainly dominated by reproduction products (52.7% and 60.7%), consumer goods (39.7% and 18.6%), and equipment (7.6% and 10%).

When observing the exports, the main foreign trade partners were Italy (almost two billion USD), Germany (1.4 billion USD), Bosnia and Hercegovina (987.5 million USD), Russia (782.7 million USD) and Montenegro (528.7 USD).

Main countries of origin for imports were Germany (close to 1.8 billion USD), Russia (1.8 billion USD), Italy (1.7 billion USD), China (1.16 billion USD) and Poland (762.6 million USD).

### PUBLIC DEBT INCREASING

***Until the end of 2015. the public debt of Serbia will reach 23 billion EUR, which corresponds to 70% of gross domestic product (GDP). The estimate was given by the Fiscal council in its September report.***

Fiscal council warns that the public debt was 22.6 billion EUR (68.2% of GDP) at the end of September, an increase of 250 million EUR, mainly driven by the increase of USD compared to EUR. Compared to the beginning of the year, public debt has increased by 2 billion EUR and will certainly go over the 23 billion EUR level by the end of 2014. The report states that the consolidated deficit in September was 14 billion RSD, which is a result of temporary increase of public income and of an almost equal, also temporary increase in public spending. Simultaneously, Statistical Office reported that the real GDP reduced by 3.7% in the third quarter of 2014 compared to the same period last year.

### GERMANS PURCHASING ELECTRIC POWER INDUSTRY OF SERBIA (EPS)?

***The contract with the foreign investor concerning a part of EPS, announced by the Prime Minister of Serbia Aleksandar Vučić, could bring at most one billion EUR to the state budget. According to the Serbian daily "Novosti", in the negotiations concerning the largest public company, Serbia can offer up to 31% of the company, which is worth around 4 billion EUR, to the potential minority shareholder. The potential buyers are German RWE, with whom EPS already has joint projects of construction of small hydro-electric plants, EON, but also French EDF, Italian ENEL and CEZ from Czech Republic.***

The investor entering Electric Power Industry of Serbia would have to prepare at least 600 million EUR for one fourth or fifth of the shares in company which is "the bloodline of Serbian economy". Ljubodrag Savić, professor of the Faculty of Economy in Belgrade claims



that rough estimates place EPS's worth between three and four million EUR. He reminds that 14 years the company's worth was estimated around 10 billion EUR, however, the current condition of equipment is questionable. Also, with each cent of increase in the price of electric energy the value of the company is increased by 350 million EUR. The partner entering the Serbian giant will have to pay at most 1 billion EUR.

## SERBIAN AGRICULTURAL EXPORTS ARE CONTINUALLY GROWING

*In the first eight months of 2014, Serbian agricultural exports increased by 26% compared to the last year. The trade surplus increased by 70% of the same period last year, and, if the exports continue to grow at the same rate, by the end of the year they could reach 3 billion USD, which would make a new record. Compared to 2001 the export of agricultural products was increased tenfold – in 2001, the worth of exports was only 317 million USD.*

Agriculture comprises 20% of total Serbian exports. Simultaneously, Serbia imported agricultural products worth 1 billion USD this year, which is 2.9% higher than the same period last year, and comprises 7.5% of total imports. The trends in the foreign trade of agricultural products and foodstuffs in the first eight months show a trending growth of exports, while the rate of growth of imports remains stable. In the first eight months Serbia exported mainly corn – 255.2 million USD, then frozen raspberries – 156.8 million, cigarettes – 70.1 million USD and sugar 64.8 million USD. Currently, largest trading partner is the European Union.

## LARGEST SOLAR PLANT IN SERBIA BECOMES OPERATIONAL

*During November 2014, the Minister of mining and energy of the Republic of Serbia, Aleksandar Antić, opened a largest solar electric plant in Serbia in Kladovo (eastern Serbia). The solar plant was an investment of 3 million EUR by the domestic investor "Solaris Energy".*

In this way Kladovo, a municipality known for the largest hydroelectric plant in SEE "Đerdap", also became a largest producer of solar electric energy. The Minister stated that during the summer months the plant will produce one half of the electric energy needed for Kladovo, whose total population is 9,100 people.

## SERBIA MOVING TOWARD EU MEMBERSHIP

*As reported by "EurActiv", with the approaching December EU summit, the question of whether Serbia will be allowed to open the first chapter in the accession negotiations is asked more and more in Serbia.* The Serbian officials have, during the official opening of the accession negotiations in January, stated their expectations that the first chapters would be open in second half, or at the end of 2014. However, as the time passes, it is becoming more and more certain that this could happen in the first half of 2015. Along the chapters 23 and 24 which, according to the new approach to the EU enlargement, have to be first to open and last to close, a priority in Serbia's case will also be chapter 35, concerning relations with Kosovo. Belgrade hopes that it will soon be able to open chapter 32 concerning the financial control, for which the preparations are practically complete, but there is no consensus among the EU Member States on which chapters will be opened first.



Belgrade, Serbia

## GERMAN KWS INVESTED 30 MILLION EUR IN ITS CORN SEED REFINEMENT FACILITY IN SERBIA

***In late November 2014, German company KWS opened a new production facility in Bečej (northern Serbia), spawning 15.5 acres. The facility is equipped with the latest equipment and technology, and has a capacity of 10,000 tons of corn seed.*** The total investment is 30 million EUR. This company intends to employ 250 workers in this new facility. The goal is to produce high quality hybrids and corn and sunflower crops. The refined seeds

will be intended for the Serbian market, but also for the export to Russia, Ukraine, region and EU Member States. KWS SAAT AG is one of the leading plant breeding companies in the world, represented by more than 60 companies in 70 countries. With 4,500 employees, KWS annual net sales are higher than 1.1 billion EUR. KWS Serbia was formed 11 years ago.

## CROATIA

### 8,965 EMPLOYERS ARE UNABLE TO PAY SALARIES TO THEIR EMPLOYEES

***Croatian tax administration has published a list of 8,965 employers who have not paid salaries to their employees. The total number of employees in these companies is 36,043.*** The list is based on the January - October 2014 data and is available on the tax administration website. There are 7,170 juridical persons that employ 30,641 workers and 1,795 natural persons employing 5,402 workers. The list is comprised of the companies that haven't paid salaries for either three consecutive months, or at least three months in the six months period. The Law on income tax states that the Tax administration can publish the list of taxpayers that do not pay the salaries to their employees.



### UNEMPLOYMENT RATE INCREASED TO 18.7%

***In October in Croatia the unemployment rate increased from 17.7 to 18.7%. The information published by the Croatian Statistical Office shows that this is the second consequential month in which the unemployment rate is increased.*** The growth of unemployment rate to 18.7% is in line with the estimates of macroeconomists surveyed by the Croatian news agency "Hina", who expect the unemployment to continue growing in the following months.

"Lack of recovery, long-term crisis and structural problems are still the main barriers to the improvement of the labor market. Furthermore, it is expected that the unemployment will increase while the number of employees reduce even further because, along with the listed issues, we will encounter unfavorable seasonal trends after

the end of the tourist season", one of the macroeconomists stated in the aforementioned survey.



## MONTENEGRO

### FORMER OWNER OF THE ALUMINIUM PLANT PODGORICA DEMANDS COMPENSATION

*Montenegrin media report that the former owner of Aluminium Plant, Russian company CEAK, increased its original compensation demands to 910 million EUR in the arbitration process against Montenegro.* The media claim there is a possibility of increasing the compensation demands even further in the arbitration process. The original demand was 700 million EUR.

### STANDARD AND POOR'S REDUCES MONTENEGRO CREDIT RATING

*Standard and Poor's (S&P) agency reduced Montenegro's credit rating from BB- to B+ due to the increase of public debt for construction of the highway. Montenegro's stable outlook was confirmed, which suggests that the future rating of this country is based on stable positions, the Montenegrin Ministry of Finance announced in November.*

The reduction in credit rating reflects S&P's attitude that Montenegro is facing growing fiscal risks, caused by the increase of public debt for the highway construction. The debt created by this project, according to the S&P analysts, is increasing the sensitivity of Montenegrin economy and finances to the external shocks and limits the area for adjustment of fiscal policy, considering that Montenegro is characterized by the lack of primary emission and passive monetary policy, due to the country's adoption of the Euro, the Ministry of Finance said.

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## ROMANIA

### FOOD SALES ROSE BY 8% IN THE FIRST NINE MONTHS

*Progressive Newsletter reports that the retail sales of food, beverages and tobacco rose, in the first nine months of this year, by 8.3% as gross series and by 7.9% depending on the number of working days and seasonality, according to the National Institute of Statistics (INS).*

In September, the trade of foods and beverages increased by 7.3% as gross series and by 7.6% depending on seasonality and number of working days compared to September last year. Instead, compared to August, gross sales were down by 6.2%, respectively, by 0.7% seasonally adjusted.

Overall, the turnover for retail trade (except of motor vehicles and motorcycles) in the first nine months reported an increase of 7.4% both as gross series and depending on the number of working days and seasonality, according to INS.

## BOSNIA AND HERZEGOVINA

### EBRD ASSISTS THE DEVELOPMENT OF TRANSPARENCY IN PUBLIC PROCUREMENTS

*According to the Biznis.ba portal, European Bank for Reconstruction and Development (EBRD) and Bosnia and Herzegovina agreed on joint action on the development of transparency and increase of the efficiency of the public procurement process.*

The two sides signed a Memorandum of Understanding, focusing on the development of stable and responsible framework that would provide the integrity of public spending.

The objective of this framework is to strengthen the cooperation between the EBRD and the Bosnian authorities in the field of policy creation, regulation of public

enterprises and natural monopolies and the monitoring of public procurements, including public-private partnerships (PPPs).

Memorandum represents the continuation of the extensive dialogue concerning the policies in the public procurement sector that the EBRD is already conducting, stated the Council of Ministers of Bosnia and Herzegovina.

Since the beginning of its operations in Bosnia and Herzegovina, EBRD invested more than 1.6 billion EUR in more than 110 projects. Biznis.ba portal reminds that EBRD invests in the development of infrastructure, support to small- and medium-sized enterprises, and strengthening of the financial sector.

### **"BINGO" COMPANY TAKES OVER "INTEREX"**

**Largest retail chain in Bosnia and Herzegovina, Tuzla-based "Bingo" company, received an approval from Competition Council of Bosnia and Herzegovina for the takeover of "Interex".** As reported by the "Dnevni avaz" daily, 780 workplaces will be saved through the purchase of "Interex", which can be considered a true accomplishment in the period of economic crisis. First "Bingo" hypermarket will be opened in the "Interex" facilities in New Sarajevo. "Bingo" will conduct product rebranding according to its capabilities, and the operations of "Interex" will be continued as a part of "Bingo".

Currently, Croatian "Konzum" is building supremacy over the Bosnia and Herzegovina retail market, while the Slovenian "Tuš" is withdrawing from the market, leaving numerous suppliers in debt and other issues.

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## **MACEDONIA (FYR)**

### **PHILIP MORRIS BEGINS PRODUCTION IN TUTINSKI KOMBINAT PRILEP**

**According to the Macedonian press ("Utrinski vesnik"), first brand of one of the most well-known company in the tobacco industry Philip Morris International (FMI), will soon be produced in Tutinski Kombinat in Prilep.** The production was started only two months after the creation of a joint company Philip Morris – Tutinski Kombinat Prilep, and after the operation plans have been finalized. The cooperation contract between the two well-known companies, signed in May 2014, represents a continuation of long-term cooperation. It was started in London in 1847, when the first production of the FMI brands in the TKP's production facilities was agreed.

### **INDUSTRIAL ZONE IN KRATOVO WILL BE FINISHED BY MID-2015**

Industrial zone in Kratovo, one of the largest economic infrastructure projects supported by the Government of the Macedonia, will be complete by the mid-2015. This was stated by the Vice Prime Minister and Minister of Finance, Zoran Stavrevski to the Macedonian media in late November.



Ohrid, Macedonia



## FUEL PRICES COMPARISON IN SEE REGION:

	COUNTRY	CURRENCY	95	98	DIESEL
BIH	BOSNIA AND HERZEGOVINA	BAM	2.4	-	2.4
BG	BULGARIA	BGN	2.55	2.73	2.6
HR	CROATIA	HRK	10.61	11.01	10.09
MK	MACEDONIA	MKD	77	78.5	65.5
MNE	MONTENEGRO	EUR	1.34	-	1.23
SLO	SLOVENIA	EUR	1.447	1.466	1.359
SRB	SERBIA	RSD	1.242	-	1.242

Source: tcs.ch

## PRICES OF ELECTRIC ENERGY COMPARISON (IN EUROCENTS) FOR THE FIRST 8 MONTHS OF 2014:

	COUNTRY	CURRENCY	PRICE PER KWH	CHANGE
AL	ALBANIA	ALL	9.68	+81.7%
BIH	BOSNIA AND HERZEGOVINA	BAM	6.83	+27.16%
BG	BULGARIA	BGN	7.06	+32.6%
HR	CROATIA	HRK	9.65	+80.51%
MK	MACEDONIA	MKD	5.87	+9.8%
MNE	MONTENEGRO	EUR	7.78	+45.53%
RO	ROMANIA	RON	7.95	+48.71%
SLO	SLOVENIA	EUR	11.93	+123.15%
SRB	SERBIA	RSD	5.35	+10.9%

Source: Biznis & Finansije

## AVERAGE (NET) SALARY COMPARISON IN SEE REGION:

	COUNTRY	AVERAGE NET SALARY (IN EUR)
AL	ALBANIA	370,00
BIH	BOSNIA AND HERZEGOVINA	390,00
BG	BULGARIA	400,00
HR	CROATIA	715,00
MK	MACEDONIA	380,00
MNE	MONTENEGRO	440,00
RO	ROMANIA	470,00
SLO	SLOVENIA	920,00
SRB	SERBIA	390,00
SK	SLOVAKIA	705,00
HUN	HUNGARY	490,00

# SERBIA WANTS TO JOIN THE EU, BUT DOES NOT RESPECT ITS OWN LAWS

**BUSINESS SUPPORT NETWORK HELD A ROUNDTABLE DISCUSSION CONCERNING THE ISSUE OF RECOGNITION OF FOREIGN CONFORMITY MARKINGS AND GRANTING OF CERTIFICATES OF CONFORMITY FOR THE MATERIALS, EQUIPMENT AND PRODUCTS IMPORTED FROM EU MEMBER STATES.**

*From BSN Team*

*In Serbia there are hundreds, possibly thousands of companies wonder every day why does the process of obtaining certificate of conformity, or the acceptance of foreign conformity marks for the materials, equipment and products imported from the EU, has to be so complicated, bureaucratic and expensive? Why does Serbia obstructs its own economy with a jungle of unnecessary regulations yet again?*

These were the very questions that were spoken of on the recent Roundtable organized by the Business Support Network named "Serbia wants to join the EU, but does not respect its own laws". The name itself implicated that "someone" doesn't do his or her job neither responsibly nor well. And that has went on for years. Representatives of the mysterious "someone", despite the fact that the event was attended by the representa-

tives of numerous domestic and foreign companies, Delegation of the EU in Serbia, Delegation of German Commerce and Industry in Serbia, Ministry of Trade, Ministry of Economy and German organization for international cooperation GIZ, have chosen not to attend. Truthfully, it would be surprising if they did. However, considering that miracles, as they say, do not happen every day, the attendees were not addressed by a representative of the institution that doesn't wish or is incapable of solving these problems for years. That "someone" is named "Ministry of construction, transport and infrastructure".

Due to the abovementioned reasons, representative of the Delegation of German Commerce and Industry in Serbia, Milan Vučković, at the start of his speech implied that Serbia obviously has three largest issue: first is bureaucratized and incompetent administration.





The second is bureaucratized and incompetent administration, and the third is bureaucratized and incompetent administration.

But let us start from the beginning.

Company representatives warned on the high costs concerning the granting of Certificate of Conformity. An overview of average expense for the procedure of accepting the EN Certificate in Serbia are shown in the table below, although costs for certain products can reach up to 7,000 EUR.



ACTIVITY	EXPENSE IN EUR
TRANSLATION OF FOREIGN CERTIFICATE AND ACCOMPANYING DOCUMENTS	600+
OBTAINING ORIGINAL CERTIFICATION DOCUMENTS FROM EU COUNTRIES, DOCUMENTATION CONCERNING CERTIFICATION BODY, REGULATIONS AND STANDARDS, COPYING, ETC.*	200 - 700
COMMISSION FEE	OVER 2.500
FILING A DEMAND FOR NOSTRIFICATION OF NEW CERTIFICATE	18
ISSUING OF DECISION, AFTER THE NOSTRIFICATION IS COMPLETE	170
TOTAL, PER PRODUCT	2.788 - 3.288

\*Depending on the requests of the Serbian certification bodies

Together with high costs, additional problem is that the Regulation on the procedure of recognition of foreign documents and conformity marks is not applied in practice, that is, its implementation is blocked. Companies are waiting for 18 months for the decisions concerning their requests, and the Commission formed by the Ministry of construction, transport and infrastructure is not issuing the decisions on recognition of foreign certificates since July 2013.

Also, another problem identified by the attendees is a non-existence of law or other type of regulation, or implementation of the Regulation 305/2011 of the European Parliament and Council that would force the usage of EN norms and certificates for production systems, as well as the usage of CE mark.

All these factors contribute to the creation of new barriers instead of removal of the existing ones, and limits the free movement of goods, people and funds, which is contrary to the basic principles the EU is founded on.

Finally, producers in Serbia are forced to pay for certification procedures to the domestic certification bodies, but these certificates are not valid in the EU

Member States. This means that the exporters have to pay additional costs and certification for the EU market. The export of certain products to the EU would be significantly improved if they would possess EN certificates and CE marks.

*The consequences are felt by the entire economy, but also by the society. The attendees have stated that:*

- Hundreds of construction objects that require consent of the fire protection services for the build-in systems certified abroad cannot receive inspection acceptance certificate. Thus, significant part of construction industry and the whole chain of suppliers working for is made unable to work.
- Institute for testing of materials (IMS) is given as an alternative for testing, but it is not adequately equipped, so that certain tests have to be performed abroad, which significantly increases the costs.
- Blocking of the application of fire prevention systems and constructing objects without fire protection increases the risks for public safety in case of fire hazard.

- Regulations currently in force are contradictory and outdated, and modern EN standards are not applied due to them not being obligatory, even though Serbia accepted them by adding the SRBS prefix in front of EN.
- Without certified products, the market is filled with untested products of low quality that pose a potential safety hazard.
- By accepting the EN norms for products and systems the increased costs would disappear, and would lead to additional investments and job creation.
- Also, there would be more jobs in Serbia for contractors and suppliers working for foreign investors.
- Double certification for products in Serbia and in EU increases the cost of domestic products on the EU market, making their placement more difficult.
- After the harmonization is complete abolish all other regulation contrary to the results of points 1 and 2 and enable normal functioning for the businesses
- Acknowledge CE mark in Serbia and control product quality in accordance with it, which can be achieved by implementing new laws or other sort of regulation for specific sectors of industry.
- Simplify procedures and introduce a single 15 days deadline for acceptance of foreign certificates in which a certification body can file an objection.
- Reduce needless costs of the procedures for products certified by accredited institutions in the EU which are already registered in the NANDO information system. Serbian institutions can check the product certificates by accessing the database, without imposing bureaucratic obligations on the businesses.



*Finally, the attendees gave their suggestions to the Government of Serbia on how to overcome the current issues:*

- To introduce a Law on construction products and/or technical regulations that would regulate the area of construction materials.
- Establish a 6 months transition period for products authorized for the Serbian market by the national regulation, to be used for harmonization of laboratories and certification bodies with the EU standards.
- For the products that are NOT authorized for the Serbian market by the national regulations (no domestic producers, no threats to the Serbian economy) – publish a list of harmonized EN standards.
- Urgently resolve all requests concerning fire protection systems in the Ministry of construction, transport and infrastructure that are paralyzing the producers, and prevents the investors from obtaining consent from Ministry of Interior concerning fire prevention, and consequently, usage permit. This situation is ongoing for more than a year and a half.
- Introduce tests and accept foreign certificates of fire protection systems by the expert institutions accredited by the Ministry, and not by the commission made of individuals from various backgrounds, that doesn't have conditions to operate. Also, do not put additional charges for the work of the employees of the Ministry, as Serbia took an obligation to apply EN standards through agreements with the EU.

Listed solutions should enable normal business operations in Serbia, remove superfluous bureaucracy, long waiting periods and high costs that paralyzed activities of many companies, causing financial losses and reducing the number of workplaces.

Reform of the product certification and conformity marking is one of the necessary activities for the recovery of the economy and reduction of the unemployment in Serbia.

# SERBIA TAKES AWAY 55% OF THE EMPLOYEE'S MONTHLY SALARY

AS A PART OF A BROAD RESEARCH OF THE SOUTHEAST EUROPE REGION, BUSINESS SUPPORT NETWORK ANALYZED THE TOTAL BURDEN OF AN AVERAGE EMPLOYEE IN SERBIA WITH TAXES, CHARGES AND OTHER LEVIES AND WHAT IS LEFT OF AN AVERAGE GROSS SALARY FOR SPENDING.

From BSN Team

*The research was based on the official information of the Statistical Office that the average net salary in September 2014 was 370 EUR. Considering the salary tax and compulsory social security contributions, the total gross salary of the employee (counting net wage and taxes and contributions by the employee and the employer) during this month was 600 EUR. This amount, earned by the employee, was taken as the starting point.*

After deducting the wage taxes, the average monthly expenses for the value-added tax (VAT) were calculated for purchase of the basic foodstuffs, technical goods, clothing and various services in legally registered shops or companies providing services.

The list also encompassed VAT on communal services, mobile and fixed telephony, electric energy, gas, etc.

Furthermore, the financial costs of various administrative taxes, fees for renewing various documents and other central- and local-level bureaucratic procedures were calculated on a monthly level.

Additionally, average property tax for real estate was calculated on a per month basis.

Finally, average expenses for excise tax for the consumption of these types of goods (coffee, liquors, cigarettes, fuels...) was taken into account. In this way, the calculation was made on how much the state system in Republic of Serbia costs each employed citizen on a monthly basis.

EMPLOYEE GROSS SALARY (SEPTEMBER 2014)	600 EUR
EXPENSES IMPOSED BY THE STATE (PER MONTH)	
WAGE TAX AND COMPULSORY SOCIAL SECURITY CONTRIBUTIONS	229
VAT FOR BASIC FOODSTUFFS AND CONSUMER GOODS	36
VAT FOR COMMUNAL SERVICES, MOBILE AND FIXED TELEPHONY, ELECTRICITY, GAS, HEATING...	11
ADMINISTRATIVE TAXES AND FEES AND OTHER BUREACRATIC COSTS OF CENTRAL- AND LOCAL-LEVEL INSTITUTIONS	17
PROPERTY TAX	4
EXCISE TAX FOR CONSUMPTION OF EXCISE GOODS	6
VAT AND EXCISE TAX FOR FUEL	25
TOTAL COSTS DUE TO STATE (PER MONTH)	328
FUNDS LEFT TO THE EMPLOYEE FOR PERSONAL SPENDING	272

Note: The calculation was done in Serbian Dinars (RSD). Amounts in EUR are given for reference purposes and are not part of the analysis.



The analysis showed that the state takes away 54.87% of the average employed citizen's salary. In other words, such an employee can count on only 45.13% of his earnings.

These results show that the fees are too high for a poor country such as Serbia, which makes it especially difficult for young employed people to form families and raise children. Instead of a system that supports employees and families, like in the EU countries (where parents gain tax benefits depending on the number of children in the household), this taxation policy is de-stimulating and forces young people to leave the country.

The result of such policy is 2 million less people than in 1981. The cause of such a high taxation of employees in Serbia is unreformed public sector and government administration, that have bloated up to twice the size of an average in much wealthier EU countries. Government



is forced to obtain income from employed citizens to finance the bloated bureaucracy, and the political elite does not have clear programs of how to gradually transfer surplus workforce from the public into private sector. Instead, the political party that gains power employs its sympathizers in the public sector and places additional burden on the national economy and the whole society.

Reform of the tax system and financial unburdening of the employees and entrepreneurs is the only way for a long-term sustainable growth.

Looking at the average population age, Serbia is among the five „oldest“ countries in the world, and in addition, has almost 52% unemployment rate among the youth. If the tax system reform does not create an opportunity for increased employment of the young people, large number will continue leaving Serbia, which leads to biological dying out of the nation, loss of territories and increase in poverty.

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# COMPANIES INVITED TO JOIN NEW "INNOVATION ALLIANCE" AT RAIL INVESTMENT SOUTH EAST EUROPE

HOSTED BY SERBIAN RAILWAYS WITH THE SUPPORT OF THE UIC, EUROPEAN RAILWAY REVIEW HELD ITS ANNUAL RAIL INVESTMENT SOUTH EAST EUROPE CONFERENCE ON 28 OCTOBER AT THE BELGRADE HYATT REGENCY HOTEL. THE CONFERENCE BROUGHT TOGETHER THE REGION'S RAILWAYS TO DISCUSS INNOVATION, FUNDING AND REGIONAL CO-OPERATION.

*Author: European Railway Review*

*Addressing a delegation of more than 150 participants, Mr Zoran Anđelkovic, Chairman of the Directors Board for Serbian Railways said "It was time to be courageous, not conservative. Time to take action."*

His words were echoed by the keynote address from Jean-Pierre Loubinoux, Director General of the UIC stating that we needed to be *speculative rather than reflective and responsible to the customers' needs.*

## INNOVATION ALLIANCE

Companies from across the region including HŽ Cargo and Bosnia and Herzegovina Federal Railways, CER, EBRD, European Commission, HŽ Infrastruktura, ÖBB-Infrastruk-

tur, Slovenian Railways, and more than 60 other leading companies were invited to join a new "Innovation Alliance".

Tabled by Dennis Schut, Head of Research and Innovation at the UIC and Peter Verlic, Director of the Institute of Traffic & Transport, Ljubljana, the alliance is aimed at bringing together those wishing to drive forward innovation in all areas of rail across South East Europe.

*With rail productivity taking over the world economy the 2014 conference was at the forefront of discussions on how it takes a longer term political vision, a solid and coordinated rail development policy and above all a strong degree of willingness to ensure that we are collectively building that Future European Railway System, a legacy for the generations to come.*







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# RAIL CLUSTER BALKAN

## SOUTHEASTERN EUROPE – RAILWAY DEVELOPMENTS

### CHALLENGE FOR SERBIAN (AND OTHER BALKAN) RAILWAYS

In the last few years, large developments are happening in the railway sector. Mechanical, electro-mechanical or relay safety signals were used up to several years ago, while today electronic signaling is becoming predominant. The same is naturally valid for railways crossings and other fields of infrastructure technique. Railway vehicles have also seen significant developments. Today,

there are no locomotives or trains without advanced protection systems. Tasks and networking of individual components are becoming more and more complex, and safety demands are increasing. European norms are getting included into the existing systems along the national railway regulation at an accelerated rate.

*The railway companies in former Yugoslav republics are facing large problems that need to be solved – together with the persistent question of financing.*

- Integration of regulations and directives of the European Union into the national legislation, as well as in the internal acts and procedures of the companies
- Application of the interoperability principles in the EU
- Implementation of the safety management systems
- Aimed education of railway personnel for the demands of European railway regulations
- Modernization of railway infrastructure aimed at future creation of sustainable market opportunities in the European railways corridors.
- Affordable replacement of the existing locomotives, as an alternative to purchasing new ones.



## RAIL CLUSTER SEE

### INDEPENDENT AND NEUTRAL COMMUNICATION PLATFORM FROM 2015

*Next to all these questions we shouldn't neglect the importance of constant exchange of experience among all the participants and interested parties in the railway system. Also, it is necessary to realize that such network has to be built from a platform which is absolutely independent and neutral, in order to provide all the participants with the same value and enable railway sector to develop further with innovative and creative ideas.*

Railway clusters established themselves in Europe as such neutral business networks. Such opportunities for independent exchange are still lacking in the Southeastern Europe.

That is why, at the beginning of the next year Rail Cluster Southeastern Europe (Rail Cluster SEE) will start functioning.

This initiative came from BSN – Business Support Network from Serbia and AEbt – Railway Knowhow made in Germany. Further information can be obtained via e-mails: [Vertrieb@aebt.de](mailto:Vertrieb@aebt.de) and [info@bsn.rs](mailto:info@bsn.rs)

## PROFESSIONAL DEVELOPMENT FOR RAILWAY PERSONNEL – WITH EDUCATION TO SUCCESS

### MODERNIZATION OF RAILWAY SYSTEM IS POSSIBLE ONLY WITH HIGHLY TRAINED PROFESSIONAL STAFF.

*The integration into European railway system brings many questions that often remain unanswered:*

- How does a railway company organize a reliable and continued education of its employees?
- How to ensure compliance with current regulation (national and international) at all times?
- What educational institutions can be considered for professional development?

*While answering these questions, a single phrase is constantly getting repeated – “Railway Know How made in Germany”. AEbt Academy, educational component of the AEbt GmbH, European leader in the field of applied railway technology, offers a comprehensive program, including:*

- Safety management in everyday railway practice
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- Interactivity of European and national railway regulations
- Certification in railways
- Content and creation of CMS documents
- Overview of the current situation in TSI
- Certification of workshops for vehicle maintenance (ECM)
- Basics of European railway licensing regulations
- Control of train protection systems (PZB & LZB)
- Control of rail vehicles

All listed topics can be tailored to the individual needs of the clients, and inhouse trainings are available. The contact for these programs is: [Vertrieb@aebt.de](mailto:Vertrieb@aebt.de)



Mokra Gora, Serbia, Romantic Railway

# LARGE AND SMALL COUNTRIES: COOPERATION OR CONFRONTATION?

**HOW DEEPLY INVOLVED ARE THE GLOBAL POLITICS IN CURRENT ECONOMY IS EVIDENCED BY THE ACTUAL DIPLOMATIC, PROJECT AND ECONOMIC WAR CONCERNING THE FUTURE PIPELINE PROJECTS IN SOUTHEASTERN EUROPE. AT THE SAME TIME, IT SHOWED THAT SMALL COUNTRIES HAVEN'T BEEN PARTNERS TO "BIG PLAYERS" FOR QUITE SOME TIME, BUT RATHER, EXECUTORS OR "COLLATERAL DAMAGE". AND IF THEY DO NOT ACCEPT THEIR ROLE – THEY FACE SANCTIONS. SERBIA AND HUNGARY ARE TWO EXAMPLES OF SUCH RELATION.**

*Author: Milan Vučković*

*It was heralded as the most important strategic project in the Southeastern Europe. It was supposed to be a guarantee of energy safety to many countries in this part of the world. The transfer taxes profits from this project were supposed to be shared by a number of countries. Naturally, we are speaking of the "South Stream" pipeline project, whose construction was supposed to involve the economy of numerous European countries.*

On 20th of September 2014, Director General of "Srbijagas", Dušan Bajatović, announced the beginning of works on the "South Stream" pipeline in Serbia, to the

local news agency TANJUG, this time for the end of October and beginning of November. He said that "Bulgaria and Serbia, as well as Hungary and Austria, will construct South Stream as an energy object, and there are no EU rules that would prevent any state from creation of an energy object". However, the works have not commenced, and the Serbian Minister of Mining and Energy Aleksandar Antić states that "we expect further deals and clarifications between Gazprom, that is, Russian Federation and European Commission, in order to remove all the dilemmas and continue with the activities".



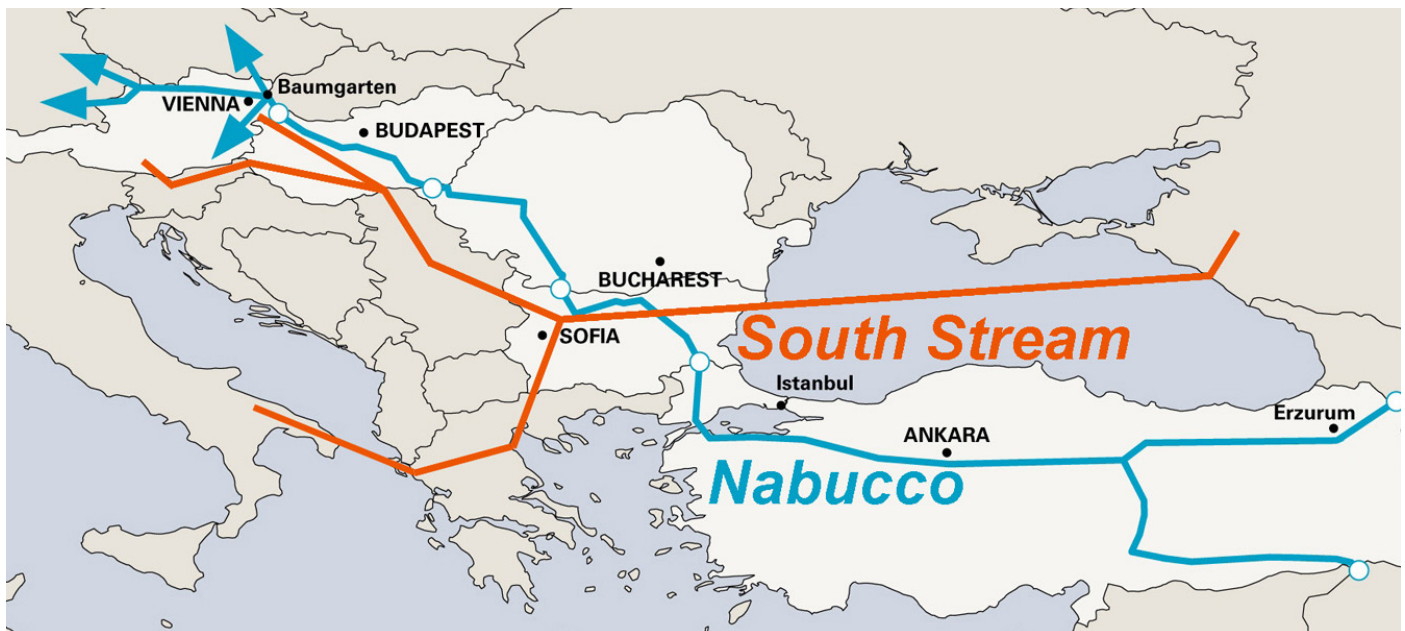


One should keep in mind that the Serbian-Russian energy agreements on the construction of "South Stream" was signed in 2008, and that the feasibility analysis for the part of the pipeline passing through Serbia was made in 2010.

In doing so, Serbia, signatory to an agreement that provides that the longest part of South Stream will pass through this country, has transferred its responsibility to EU and Russia. EU claims this pipeline cannot be constructed because "it is not in conformity with the EU laws". In truth, one should be honest and say it is actually not in conformity with the interests of some of the EU's largest countries, as well as the interests of the United States. And, it is also compatible with the current sanctions of the West toward Russia. That is the reason why many European and US officials visiting Serbia are attempting to pressure

this country to introduce economic sanctions to Russia, which is counter-productive for the whole of the Serbian economy. Indeed, through several months of political and diplomatic pressures, Serbia was exposed to a true blackmail. And not only concerning the imposing of sanctions to Russia, including the blocking of the South Stream project.

It is interesting that the numerous so-called "opposition media" in Serbia often wrote about different interests in the Serbian government itself, claiming that certain structures of the government itself have openly obstructed South Stream project, while the others have interest in its realization. This also speaks of the "autonomy" of the Serbian government when speaking about the decisions which are supposed to be the highest priority for the Serbian economy. The government is as "autonomous" in its work as allowed by the different external influences.



Let us examine what was mentioned as an alternative to this project: no one has ever raised a question in which way Nabucco, up until recently the main rival of the South Stream, can become accessible for all Balkan countries, especially those that belong to the so-called "Western Balkans" region (which is a misnomer of a sort, since no-one ever defined who belongs to the "eastern", "northern" or "eastern" Balkans) in case South Stream isn't realized. That is, in which way can Nabucco attract Balkan countries, which would include higher quality of infrastructure connections, increased stability and energy safety and beneficial economic arrangements in the energy field.

However, speaking of individual EU Member States, they are also completely disunited concerning this issue. Even though they have great economic interest to realize this project, individual countries have frozen the beginning of the South Stream construction in their countries due to political concerns (Bulgaria), while others (Hungary) announced the beginning of construction despite the threats and warnings of several "big players". "Hungary is planning to start with the construction of South Stream section, despite the EU and USA objections, as it sees this project as the only way to ensure supply" the Hungarian Secretary of State for Energy, András Aradszki said to the media.

## Bulgaria suspends South Stream gas pipeline project



Russia holds the largest combined oil and gas reserves in the world.

Bulgaria has again halted work on the Russia-led pipeline project South Stream.

Bulgaria's Minister of Economy and Energy, Vassil Shtonov, suspended work on the 930km-pipeline until it conforms to European Union law.

### Related Stories

Bulgaria halts pipeline after US talks

In an interview to Reuters, he stated that "since after almost ten years of hesitation, Nabucco pipeline will not be constructed, and especially keeping in mind

the situation in Ukraine, we have to act. This is a necessity". He openly said that "everyone points their fingers at Hungary, but we forget that since 2013 Croatia has failed to realize investments that would enable flow of gas from Croatia to Hungary. The same is true for Romania as well".

Reuters has reminded that Hungary, which imports most of its gas from Russia, intends to finish the South Stream section which would enable supply of Russian gas to Europe, avoiding the neighboring Ukraine, by 2017.

"North Stream pipeline was designed in order to reduce the risks concerning Belarus. This is the same situation" said András Aradszki, alluding to the pipeline passing underneath the Baltics and providing Russian gas to Germany. In other words, why is it possible for Germany and not for the small EU members?

Simultaneously, he said that the countries supporting the South Stream project, among them Slovenia, Hungary, Bulgaria and Austria, demanded from the European Commission to overcome the dispute with Moscow concerning the harmonization of the project with the EU acquis, but that their negotiations ended in failure.

## GREEK ACTIVITIES AGAINST "SOUTH STREAM" PIPELINE

*According to the Macedonian news agency "MIA", and later the Serbian "Energyobserver", at the beginning of November 2014, Greek Minister of Environment, Energy and Climate Changes, Jan Maniatis, presented a plan in the American Center for Strategic International Studies that would make Greece the hub for supply of SEE and Central Europe with energy sources. Minister claims that Greece will replace South Stream and deliver the gas through planned route, but also the new Trans-Adriatic pipeline (TAP), passing through Albania and onward to Italy. MIA agency mentions that the plan clearly shows a part of the route passing through Macedonia. On the most important question, where will Greece obtain the gas needed, Maniatis responded that there will be several sources: Azerbaijan, transferred through the planned Trans-Anatolian Pipeline (TANAP), through Georgia, Turkey and Greece. The other source would be liquid*

natural gas carried in tankers from Georgia and Turkey, and later on regasified in Greece.

Greek Minister stated that Greece has 12 key projects, that will contribute to the integration of the Southeastern Europe energy market similar to the Northern Europe model, which includes unified energy network, reducing the cost of energy for up to 35%.

One of those projects, for which Greece is looking for support, is the interconnector to Bulgaria, which would be relatively small with only 180 km in length, but would ensure access to Central and Southeastern Europe, linking all parties that were supposed to participate in the South Stream project, with pipeline supplied with gas from Azerbaijan.

Macedonian agency claims that Greece is intensely lobbying to receive a key role in the future supply of the EU with gas and oil, and assumes that there

are untapped sources in the sea between Cyprus and Israel, which cannot be exploited due to Cyprus situation.

Shortly after that, at the end of November 2014, an intergovernmental agreement was signed in New York by Greece, Albania and Italy for the construction of the aforementioned TAP (Trans Adriatic Pipeline), as reported by the Albanian media quoting Reuters, which in turn quoted the Italian government official. And here, a logical question is raised: Why New York?

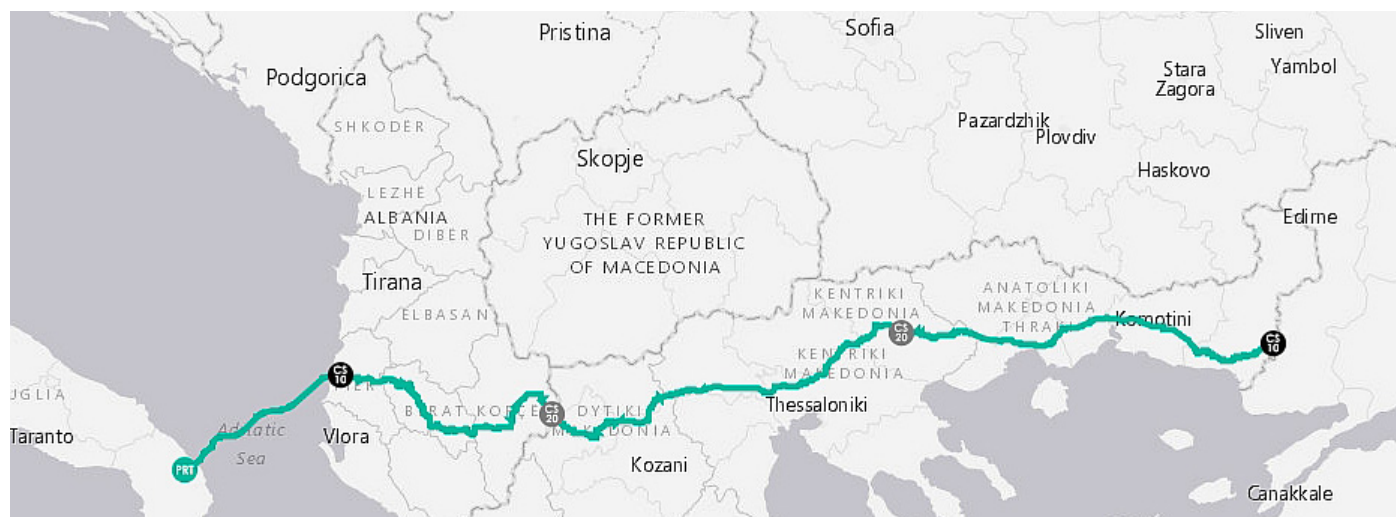
Albanian government gave full support and consent for the construction of ATP, connecting Greece, Albania and Italy. According to the ex Prime Minister of Albania, Sali Berisha, this is a project of great importance for the development of Albania and the improvement of cooperation of Albania with Greece and Italy.

Official Albania claims that the "pipeline has a historic significance and represents currently largest regional investment. It is a largest project in the Balkans in the last 100 years. The effects of this project that will transfer gas from Caspian Sea, through Turkey, Greece and Albania into Italy and Western Europe, are of huge importance for the entire region". According to Albanian Media, the pipeline will change the lives of Albanians, and its construction will be finished in record

time, and will become operational in 2017. The value of the construction of the section passing through Albania will be over 2 billion EUR. It is still unclear where the funds will come from, but it is probably not a coincidence that this agreement was signed in the United States.

In the beginning of December, an unexpected news from Russia traveled the world: Vladimir Putin gave up on the South Stream project. All countries mentioned in this article now have a reason for celebration or more reasons to worry. If Russia didn't have a significant ace up its sleeve, it would not have chosen to act out in this way. Namely, on the same day Putin went on an official visit to Turkey. And Alexey Miller, Deputy Chairman of Gazprom's Management Board, announced the construction of a new pipeline. One that would pass through Turkey. Soon we will have more information and the first insight into this new project. After all, Turkey, as a significant NATO partner, will be able to defend itself from all sorts of political pressures due to intensifying the cooperation with Russia, much better than, for example, Bulgaria or Serbia.

It seems that the Southeastern Europe region is only beginning to see the start of a large rival battle of countries for positioning in gas transit projects, according to the old, well-known saying „Divide et Impera”.



**Greece** The pipeline in Greece will be approximately 545 km long, starting at Kipoi near the Turkish-Greek border and finishing at the Greek border with Albania, south-west of Leropigi.

**Albania** The pipeline in Albania will be approximately 211 km long, starting at Bilisht Qendër in the Korça region, on the border with Greece. TAP's landfall in Albania will be located 17 km north-west of Fier, up to 400 metres inland from the shoreline. The offshore section in Albanian territorial waters will be about 37 km.

**Adriatic Sea** TAP's route across the Adriatic Sea will take the pipeline approximately 105 km along the seabed from the Albanian to the Italian coast.

**Italy** TAP will make landfall in southern Italy, in Lecce, municipality of Melendugno, near San Foca. The offshore pipeline through Italian territorial waters will be about 25 km long while the onshore section will be approximately 8 km. The location was chosen after eleven alternative pipeline route assessments as the most feasible from environmental, safety and social perspectives.



*Exclusive interview with the President of the Macedonian Chamber of Commerce*

## MACEDONIA ON THE WAY OF ECONOMIC RECOVERY

**“DUE TO THE DIFFERENCES IN THE REGULATIONS AND PROCEDURES BETWEEN THE COUNTRIES IN THE REGION WE FEEL THAT THERE ARE STILL NO PRECONDITIONS FOR US TO JOINTLY ATTRACT INVESTORS FOR THE ENTIRE REGION, EXCEPT IN THE TOURISM SECTOR WHERE WE COULD ACT TOGETHER”**

*Ms Danela Arsovska, President of Macedonian Chambers of Commerce (“Sojuz na stopanski Komori na Makedonija”), kindly accepted the offer to talk for SEE Perspective about the current economic situation in her country and about the comparative advantages of Macedonia compared to the other countries in the region.*

**Ms. Arsovska, there is a great competition in the Balkan region concerning the attraction of foreign direct investments. What does the Macedonian economy offer which is not available in the other surrounding markets?**

Foreign investors observe the Balkan region as a single whole. They decide on investing depending on the comparative advantages of the individual countries in the region. Competitiveness parameters of a country are the business environment, infrastructure and workforce. The government of Republic of Macedonia has placed the focus of its reform policy on improving and increasing the competitiveness of the Macedonian economy for the past eight years. The results are evident, and recognized by the renowned global institutions, such as the Doing Business Report of the World Bank, where Macedonia is ranked as 30th country in the world, better than all the other countries in the region and better than most EU Member States. Macedonia is evaluated to have a low risk credit rating. All these parameters give a positive signal and encourage foreign investors to place Macedonia on their maps of potential places they would allocate their production.



*Danela Arsovska, President of the Macedonian Chamber of Commerce*

Macedonia has one of the most competitive tax packages and, depending on the size of the investment, grants benefits to the companies investing in technological development industrial zones. At the same time, state provides concrete external infrastructure for production capacities. An additional stimulus is the decision of local self-governments to offer reduction of communal taxes for construction of objects, depending on the number of newly employed. Speaking of the infrastructure, the capital investments have been increasing for the past five years especially for the construction of highways and regional roads, railway and energy infrastructure, including primary and secondary gasification.

## **What is the current situation with the labor market in your country?**

Concerning the workforce there is certain rigidity to the labor market, but there is an evident progress thanks to the active labor market policies of the National Employment Agency, including training, retraining and support to Startup businesses. Macedonian Chambers of Commerce with its representatives actively participates in the work of state authorities in defining the curriculum, aimed at creation of the labor force and obtaining skills and knowledge adequate to the demands on the labor market.

## **How many new foreign investors came to your country in the past nine months, and in which sectors?**

Foreign investments are predominantly seen in manufacturing, automobile sector, processing, agriculture, but also in the services sector, which is dominated by financial intermediaries in insurance and ICT. Some of the investors such as Johnson Matthey and Johnson Controls have already decided on and realized additional investments outside of the capital city, and the investors such as Dräxlmaier, Kromberg & Schubert or KEMET Electronics Corporation are increasing their production according to their business plans. In 2014, 25 foreign companies decided on investing in Macedonia. We expect the realization of these investments during 2015.

## **Macedonia is the only country in the region that has a positive result in foreign trade with Germany. How did it come to that, considering that such developments are dreamed of by your neighbors?**

European Union is the main trade partner of Macedonia, and 77% of Macedonian exports go into the EU Member States. Germany is traditionally the largest trade partner of Macedonia. Macedonian exports are dominated by products from metal, agricultural and textile sector. In the past five years the situation has been significantly improved due to foreign investors who are dominantly oriented toward the automobile sector and export final product to German manufacturers.

## **What sectors of industry offer the best perspective to your country to improve further expansion and increased economic growth?**

Like in the most other countries in the world, in the period of economic and financial crisis, Macedonia also has the need for more dynamic and sustainable development. In the first two quarters of 2014, Macedonia has second-highest growth in Europe, 3.9%, and according to our analysis and predictions we will end the year positively, with the growth of 3.5%. We expect the GDP growth to accelerate in the next year and reach 4%. The Macedonian Chambers of Commerce considers that the private sector can and should be the originator and bearer of the increased and sustainable economic development, by focusing on products and services with greater added value, that is, what we need is restructuring of the economy and transfer to strategy based on innovations. By that we primarily refer to innovative sectors of agriculture, energy efficiency and renewable energy sources, tourism, high-capacity flexible industrial capacities, financial and insurance mediation and ITC services.

## **What do you feel are the main issues in the economy of your country and are you pleased with current business environment?**

Even though the business environment is relatively favorable, we feel that the continued work on its improvement is still necessary.

## **Can our region be more attractive to foreign investors if we present it together, considering that it consists of a number of small markets?**

We think that in the current phase it is more beneficial if we join forces on the large markets in the fields of construction, ICT and tourism. Due to differences in the regulations and procedures between the countries in the region we feel that there are still no preconditions for us to jointly attract investors for the entire region, except in the tourism sector where we could act together.

# BELGRADE VENTURE FORUM: TOP REGIONAL INVESTMENT FORUM HELD IN BELGRADE

**FOR THIRD TIME IN A ROW, BELGRADE VENTURE FORUM (BGVF) - THE BIGGEST REGIONAL INNOVATION AND INVESTMENT FORUM TOOK PLACE IN BELGRADE'S METROPOL PALACE HOTEL, FROM 5TH TO 7TH OF NOVEMBER, WITH A MOTO - INNOVATIONS FOR THE WORLD.**

*During three days BgVF hosted more than 400 guests from 15 countries, most of them successful entrepreneurs, investors, industry experts, and partners. The Forum was opened by Minister of Economy, Mr. Željko Sertić and HE Ambassador Michael Devenport, Head of EU Delegation to Serbia, with speeches from representatives of US Embassy and German GIZ. Based on messages heard during the Opening Ceremony, some breakthrough in fields of venture capital and alternative financing may happen in 2015.*



Forum provided an opportunity for 27 startups and innovative companies from 10 countries, to pitch directly to more than 50 prominent investors from all around the Globe. Those companies were carefully selected based on proven industry criteria, from more than 130 applications from Central and Eastern Europe. Investors, who participated at the Forum, are managing over 1 billion euro in funds, and they are interested to invest from 25000 to few millions per company.

Belgrade Venture Forum was an event consisting of couple of program elements. First, there was a Pitching Competition, where selected companies had a chance to present their innovative business projects

directly in front of investment juries in a format of 8 minutes pitch and 7 minutes feedback and Q&A session. Audience is always following pitching sessions with great attention, because juries are providing very precise feedback on strengths and weaknesses of products and business models, which is showing up to be of great value for pitchers as well as for audience.

The overall winner of this years' Pitching Competition is Slovenian-Serbian company "Prospeh" with their product OriginTrail, which is allowing consumers and brands to trace food and dairy products from farm to retail shelf, thus increasing consumer confidence and loyalty to brands.

Beside Pitching sessions, Belgrade Venture Forum hosted a business conference with six panel discussions, three workshops and 11 presentations and lectures, of some of the world class guest speakers, investors and partners. Keynote speaker at the conference was Mr. Luigi Amati president of "Meta Group" - one of the most successful venture capital fund management companies in Europe, with 8 funds under management, 223 investments and 98 successful exits since its beginning in 1990's. Mr. Amati is also a vice president of Business Angels Europe, major network of angel clubs in EU.





During the conference there were few exclusive presentations and announcements of new venture capital funds available for Serbia. Also, some topics which are rarely covered on business conferences in Serbia, such as intellectual property rights protection, strategies for scaling up the business and expanding on global markets, and future of health care technologies and industries, were also on conference agenda.

Finally, Belgrade Venture Forum hosted Enterprise Europe Network business to investors matchmaking event, organized in partnership with National Agency for Regional Development. More than 60 registered participants realized over 100 business meetings.

For three year in a row, Belgrade shows that it needs a critical mass event which is celebrating entrepreneurship, innovation and which attracts large number of active investors from Europe, Russia, Israel and

USA. Regional entrepreneurial ecosystem is getting traction and more and more good and investible projects from IT and other innovative industries are emerging and becoming investment ready. Investors are starting to get more interested in projects from Serbia and this region, as Belgrade Venture Forum and other commu-

nity building and education initiatives are setting up the ecosystem which will yield in profitable investment and businesses very soon.

Belgrade Venture Forum is event with great number of partner organizations and companies, and it successfully

showcases that some of the biggest multinational and local companies are actually very interested in supporting small business, entrepreneurs, talent and innovation. This year BgVF was supported by partners such as Microsoft, Samsung, Erste Bank, IBM, Coca Cola, Bambi, Nestle, StartLabs Fund, and many others, as well as the Embassies of USA, Israel and German GIZ.

## SERBIAN VENTURE NETWORK

**ADDRESS |** *Graničarska 11, Belgrade, Serbia*

**EMAIL |** [partnership@seven.rs](mailto:partnership@seven.rs)

**WWW.seven.rs**

# METAL INDUSTRY CONFERENCE HELD IN BELGRADE

## REPRESENTATIVES OF NINE GERMAN COMPANIES VISITED BELGRADE TO PRESENT THEIR CAPABILITIES AND NETWORK WITH DOMESTIC COMPANIES

*Author: Milan Vučković*



*Under the patronage of German Federal Ministry of Economic Affairs and Energy, a conference titled "Metal manufacturing industry in Serbia 2014" was held in Belgrade on November 18th, 2014, organized by the Delegation of German Commerce and Industry, attended by multiple companies and guests from Germany.*

During the one-day conference German companies - Petrofer Chemie H.R. Fischer, Wagner Maschinen und Vorrichtungsbau, Gebr. Heller Maschinenfabrik, Vertriebs Factory, Excelsior & Schwarz Blechverarbeitung, BLG CarShipping, Drägerwerk AG, Linde material Handling, Fachhochschule Bielefeld and em&s, presented their modern products and services to the Serbian public. It is interesting that among the companies was a representative of vocational high school from Bielefeld. Vocational schools and apprenticeships in Germany are main generator of human resources for the German economy, and thanks to them and the educational system, which is completely in line with the needs of the businesses, Germany has one of the strongest industries in the world.

Experts from Germany and Serbia attending the conference gave an overview of current situation in the

metal manufacturing sector of industry, which suffers greatly due to the global economic crisis, but also due to important market events.

**Ulrich Vild**, director of the "em&s" company, presented the program of support for market entry into the foreign market used by the German Federal Ministry of Economic Affairs and Energy, for whom he works as a consultant. He stated that German government thinks how to support its small/ and medium-sized companies and their business abroad. Through the program, visits are organized for 82 interesting markets, and on this occasion they had an opportunity to become familiar with the situation in Serbia. The fields of interest of German metal sector, he said, are manufacture of machinery, automobile industry, environment and construction.

"Serbia has a long tradition of machine engineers and creating quality engineers in this region through schooling" said the Dean of Faculty of Machinery in Belgrade, **prof. Milorad Milovančević**.

However, he sadly stated that the last decades were hard, for the industry, Faculty of Machinery, and the country as a whole. Serbia's production capacities





Ulrikh Vild, "em&s"

have begun to collapse with the appearance of the first crisis at the beginning of the eighties of the last century, he said and reminded that in 1980s there were 446,000 people employed in manufacturing in Serbia, while in 2009 their number was reduced to 22,000. He said that currently 3,380 students are attending the Faculty of Machinery, however, out of 600 newly-enrolled students only 240 graduate on average. This is, he added, linked with many problems of the Serbia's education system. However, four years in a row Faculty of Machinery sees a trend of increasing number of new students, which is good for the manufacturing industry.

"Serbs are good and fair people who desire work, and we can offer quality engineers and huge experience" he said and called German companies to invest.

Professor of High Professional School in Bielefeld **Dragan Vučetić** stated that it is clear that the new government is willing to change the situation, but he also pointed to the issue of superfluous state administration and the necessity of increasing investments in development and education. He pointed out the importance of dual education system in Germany saying that in the machine manufacturing industry of the country not only engineers are needed, but also craftsmen. Machine manufacturing as a pillar of industry is endangered today, even in Germany, primarily because of brain drain, product copying and high production costs.

**Ljubiša Obradović**, secretary of the Association for metal and electric industry and metal mining and refinement in the Serbian Chamber of Commerce said that there are great potentials for cooperation of domestic metal manufacturing industry with partners from Ger-

many. Automobile industry, according to him, is very important for the development of Serbian economy, where "Fiat" is the largest exporter, but also a largest importer. The problem is that a small number of domestic cooperants cooperates with this factory, he added.

Serbia's metal manufacturing industry is at a crossroad right now, Obradović claimed, reminding that these days a fate of a large number of Serbian companies in restructuring is being decided, and many of the companies from this sector, unless they are privatized, will be declared bankrupt. This is the reason that the Government of Serbia is looking for foreign strategic partners for those companies, and the outcome will show if Serbia will start with reindustrialization.

The Serbian economy is, according to him, in the phase of revitalization, and the sectors having potential for future growth are automobile industry, information technologies, electronics, agricultural machinery and food industry.



German companies attending the conference took part in the cooperational market and discussed business opportunities with representatives of domestic companies organized by the Delegation of the German Commerce and Industry in Serbia. However, they also received an opportunity to gain relevant information on the Serbian market from representatives of governmental institutions and other organizations.

As a reminder, Serbia currently has around 400 active companies founded by German residents who employ over 25,000 people. Since the year 2000 up to now, German companies have invested around 1.8 billion EUR, and the turnover in trade between the two countries reached a level of almost 3 billion EUR, while Serbian exported more than one billion Euro (1.2 billion) into Germany for the first time.



## TWO PROBLEMS OF THE SERBIAN AGRICULTURE

**THE SERBIAN MINISTRIES FOR AGRICULTURE MUST DECIDE HOW TO ENLARGE INCOME OF AGRICULTURE PRODUCTION IN SERBIA. BUT, THEY DON'T HAVE A REAL ANSWER HOW TO CREATE PROCEDURES TO ENLARGE AVERAGE LAND PROPERTIES WHO ARE NOW 1 OR 2 HECTARE AND HOW TO SOLVE DEFICIT OF TURNOVER CAPITAL OF DOMESTICS FOOD AND DRINK PRODUCERS.**

*By BSN Team*

*Serbia has great potential in developing of agriculture production – traditional and organic. But, large parts of arable land are divided to smaller pieces of land.*

The Serbian farmers are small farmers and this is a heritage of the past, when only big state-owned agriculture companies had a wide agriculture production. In these conditions is very difficult to organize large-scale agricultural production. This tradition of many smaller pieces of land also means higher per-hectare cultivation and irrigation costs. One outcome of this is that a raw material for food and drink industry

is being imported because the local product does not meet the standards required for industrial production.

On other hand, there is a great space for foreign agriculture investors if the Government in Belgrade does something to solve this problem. Big investors don't want to assimilate a many little land properties because this is very complicated in the practice. The Serbian national Cadastre of landowning is also problematic when some middle or large company won't to buy small pieces

of land from local owners. Complicated procedure, waiting for papers, hidden costs of whole process can easily irritate investors. Some of them give up when they faced a wall of bureaucratic barriers.

It is necessary to establish programmes, under

state patronage, for enlarging land properties on the basis of cooperatives, but it is also important to focus on education of small companies with limited liability and their connection with food industry. Enlarging land properties will decrease costs of primary agriculture producers and the food

industry will get cheaper raw materials. This will mean products that are more competitive in price and quality on both domestic and foreign markets.

The Serbian agriculture policy also has a serious lack of strategy for creating of area of pure organic production in Serbia despite of many natural predispositions for this kind of production. Some regions of Serbia are the natural resorts of great importance for the country, but the organic production in this area depend of the





god will of persistent individuals and don't have any sign of systematic approach. On the contrary, Government insist that a possible areas with great agriculture potential like Smederevo region retain a steel production in the country who don't have iron as an raw material, with old technologies and long transport distance from the buyers on the European and world market. It's the same in other part of the Serbia.

On other hand it's very encouraging that more and more individuals, on there small land properties, try to establish some kind of minimalist organic agriculture production. They are not seriously supported by the state, but they working very hard to improve there position on the market and develop new organic products. One of the good examples of successful efforts is the

company Foodland on the southwest of the Serbia. This company developed original recipes for organic production of fruits and vegetables and they firmly held position not only on the local market but further in the Europe and United States. And then they struck the wall like other successful companies in Serbia. There turnover capital was too small for further developing of the company on the foreign market. They solve this problem by selling company to the one of the biggest Croatian food corporations, but another similar agriculture producing companies in Serbia are often in the rift in between domestic burdening policy and lack of investment and turnover capital. This is a clear example of many deficiencies of Serbian agriculture developing policy.



# REDUCTION OF INFORMAL ECONOMY AND LEGALIZATION OF ILLEGAL CATERING FACILITIES

**THE LATEST RESEARCH OF THE INFORMAL ECONOMY IN TOURISM AND CATERING SECTOR IN SERBIA SHOWED THAT NUMEROUS UNREGISTERED ACCOMMODATION CAPACITIES IN THE MAIN TOURIST CENTERS ARE THE SERIOUS THREATEN FOR LEGAL HOSTELS, HOTELS AND VILLAGE ACCOMMODATION FACILITIES.**

*Author: BSN Team*

*The owners of the private accommodation capacities (hotels, hostels, renting apartments, pensions, restaurants, motels...) claim that the number of unregistered accommodation facilities increased in last few years, as did the percentage of unregistered domestic and foreign tourists. Many Internet portals and newspapers ads offer this kind of chip accommodation for people from abroad and also for domestic guests. Such disloyal competition threatens the business of legal companies from this sector because they cannot compete with a grey area that offers 20-30 percent cheaper accommodation and meals.*

In the same time tourism inspection visit only registered companies from this branch and gray zone companies stayed intact. Some legal companies in the Vojvodina region tray to found a joint movement for informing of inspections about cases of this phenomenon on the field, but inspections often miss to react.

The opinion of tourism and catering companies is that rigorous measures should be introduced in cooperation with the Ministry of Interior Affairs and Tourism Inspection. For successful reaction it would be very helpful if change of legal regulations would bring stricter penalties for all unregistered accommodation and catering facilities. The previous penal policy was weak and for companies who operating in it was very easy to operate outside of the law because the sanctions were very symbolic. Authorities in Serbia in past ten years endure this kind of behavior and often excuse for that is the opinion that gray zone is not so significant and hers market



share is too little for any serious red light.

On other hand, companies who have disloyal competition seek that amounts of penalties for working in gray zone should be considerably increased. Some of them ask from the government that state take a hard position and confiscate property of the people who don't respect laws and moral obligations. They also won't sharpen prison sentences for more severe cases. These kinds of sentences are needed to influence those individuals who work outside of the law to register their businesses and avoid the risk of being prosecuted. If the state has sincere wish to reduce informal economy in



the tourism and catering sector she must take a different measures from today's passive policy. This is good for state itself, not only for legal companies in the tourism and hospitality branch. The results of this action of the inspections and other relevant institutions shall increase income from VAT, wage taxes and contributions and other local fees, and



it would create a more stable business environment, with equal opportunity for all competitors on the market.

In last few months' representatives from the government, some business associations and US AID BEP programme announced finish of preparation for inspections reform. But, it's likely unknown how will announced reform manage too increase efficiency of tourism inspection. For successful work on the field this inspection must

have a strong cooperation with communal police, local tourism organizations, associations of legal companies from tourism and catering branch, other local institutions. All outlined entities must have a permanent exchanging of information and activities on the local level. First question is who would give an initiative and second who will coordinate all activities.

Like in other cases of "reforms" in Serbia, claims on the paper are one and practical work is another side of the coin.

One is shore, tourism and catering companies must unite their strengths if they won't to take destiny in their hands. They must, beside their regular everyday jobs, continue to remind government officials on all negative aspects of tourism and catering gray zone.

## BUSINESS SUPPORT NETWORK

*was formed by managers and consultants who have worked for years in different business associations in Serbia, as well as in private sector companies. Their experience makes them some of the most knowledgeable in Serbia's business climate.*

*The NETWORK'S vision is an increase in the number of successful investments in Serbia, as well as an increase in the number of residential companies which export and successfully compete in the EU single market.*

*The NETWORK has a permanent open communication with the media in Serbia, providing analyses and information concerning the business environment and the reality of doing business in Serbia.*



## SUPPORT FOR INVESTORS

- Company registration
- Legal counseling and necessary business services
- Audit of company's legal acts (Due Diligence)
- Predictive legal analysis
- Tax counseling
- Legal support to expatriates in Serbia
- Legal support to foreign investors (during realization of the investment, choice of location, obtaining permissions, negotiating state grants, etc.)
- Selection of legal representatives in all sort of court cases
- Engaging court expert witnesses and interpreters
- Collective bargaining with Trade Unions and workers' representatives
- Other services to companies and individuals

# FAIRS IN THE SEE REGION, JANUARY AND FEBRUARY 2015

## TURKEY (ISTANBUL AND ANTALYA)

ISTANBUL	ISTANBUL KIDS FASHION	15 - 18 JANUARY	  
	DOOR FAIR TURKEY	15 - 18 JANUARY	
	CFBME TURKEY CHILDREN BABY MATERNITY EXPO	15 - 18 JANUARY	
	AGRO EURASIA, AGRICULTURE TRADE FAIR	21 - 24 JANUARY	
	ISMOB FURNITURE FAIR	27 JANUARY - 1 FEBRUARY	
ANTALYA	ANFAS HOTEL EQUIPMENT	21 - 24 JANUARY	
	ANFAS BEVEX (BEVERAGE INDUSTRY)	21 - 24 JANUARY	
	ANFAS FOOD PRODUCT	25 - 28 FEBRUARY	

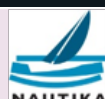
## SLOVENIA (LJUBLJANA):

LJUBLJANA	INFORMATIVA, EDUCATION AND CAREER FAIR	23 - 24 JANUARY	
	BUSINESS INFORMATIVA, CROSSROADS OF BUSINESS AND PROFESSIONAL EDUCATION	23 JANUARY	
	ALPE-ADRIA: TOURISM AND LEISURE SHOW	28 - 31 JANUARY	
	FAIRS OF TASTES GASTEXPO	28 - 31 JANUARY	

## BULGARIA (SOFIA):

LJUBLJANA	BALKANICA WEDDING EXPO	24 - 25 JANUARY	
	OPEN DOORS EDUCATION FAIR	24 - 25 JANUARY	

## CROATIA (ZAGREB):

ZAGREB	INTERNATIONAL NAUTICAL FAIR	18 - 22 FEBRUARY	
	INTERNATIONAL FAIR HOTEL GASTRO TECH	18 - 21 FEBRUARY	

## SERBIA (BELGRADE, NOVI SAD AND PRISTINA):

BEOGRAD	INTERNATIONAL TOURISM FAIR	19 - 22 FEBRUARY	
	INTERNATIONAL BEOWINEFAIR	27 FEBRUARY - 2 MARCH	
NOVI SAD	INTERNATIONAL EDUCATION FAIR	28 FEBRUARY - 4 MARCH	
	INTERNATIONAL BOOK FAIR	28 FEBRUARY - 4 MARCH	
	INTERNATIONAL ART FAIR ART EXPO	28 FEBRUARY - 4 MARCH	

## ROMANIA (BUCHAREST):

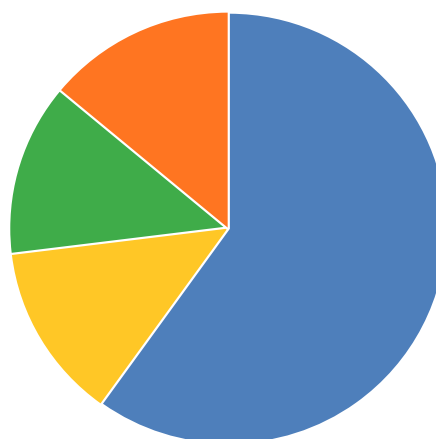
BUCHAREST	WORLD EDUCATIONS FAIR	21 - 22 FEBRUARY	
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- Politics
- Society
- Culture

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*Merry Christmas and  
Happy New Year*

Joyeux Noël et Bonne Année

FROHE WEIHNACHTEN UND EIN GLÜCKLICHES NEUES JAHR