

IN THIS ISSUE: *Announcement of three new laws in Serbia*

SEE Perspective

MORE THAN ANALYTICS

BSN South East Europe Business magazine in English. Year 2.



Interview:

Velimir Mijušković, the President of the Chamber of Commerce of Montenegro

Only continuous progress can bring SUCCESS

Featured topic:

Serbia's sale of FAMILY JEWELS





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Every December 31st, mankind ends the previous year. And looks hopefully toward the first of January and the "new beginning". This hope represents belief in the positive outcome of the upcoming events that the "new" year will bring. For centuries, it all reminds of a parrot theorem: we all wish each other the same thing ("successful new year"), hoping that only positive things will occur. However, hope has nothing in common with positive thinking, or with harsh reality for that matter. Businessmen await every New Year with a dose of worry, rather than hope. At the end of 2007 the people also wished "a new beginning" to each other, and in 2008 the banking crisis happened in the USA which created the global financial crisis and left millions of people without a roof over their heads. In the antique times, Pandora also opened her box with great hope. We all learned what happened afterwards.

Instead of baseless hope, it is more practical to rely on analytics of real state of the economy. Exactly like SEE Perspective does. Because, he who reads us will learn what the new business years brings for Serbian market (pg. 28), or Montenegro's market (pg. 35), in an exclusive interview with Velimir Mijušković, President of the Montenegro Chamber of Commerce), or the Macedonian one (interview with Sead Kočan, director of the Transmet company and vice-president of the Chamber of Commerce of Macedonia).



Serbia decided to sell its geese that laid the golden eggs. On the Balkans we call it the sale of "family silver". It refers to the announced privatization of Telekom Serbia, Nikola Tesla Airport in Belgrade, and Electric Power Industry of Serbia. Through the analysis of the operations of these companies our magazine tried to make the decision of the potential buyers easier. For, when you read these texts, you will learn why these companies, even though they are absolute monopolies in their fields, do not operate with significantly better results. Or, why

are they synonymous for the affairs rather than profit.

In this issue we also provide the overview of new laws in Serbia (pg. 44), then show why the "reforms" of

Serbian government in the field of construction and planning brought to huge minus in the treasury and the loss of over 65,000 workplaces in the last three years (pg. 39) as well as the upcoming fairs in the SEE region.

Finally, why rely on the "false hope" based on simple fantasy with minimum chance of realization? Didn't the real business life taught us that it is much better having to deal with a predictable economy?

We wish you a pleasant read of our third issue, and in the future we will happily publish your most interesting comments. So, write us and tell us what you think. After all, a man without his own opinion is a man without ambitions.

IMPRESSUM

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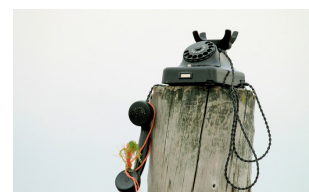
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SERBIA

FOURTH ECONOMIC SUMMIT OF CHINA AND CENTRAL AND EASTERN EUROPE COUNTRIES FINISHED IN BELGRADE

In the mid-December 2014 a large, fourth economic and trade forum of China and Central and Eastern Europe countries was held in the Serbian capital city, attracting numerous government officials and businessmen. At the opening ceremony in Belgrade's "Sava Centar", in the large hall filled with over 4,500 businessmen, Aleksandar Vučić, Prime Minister of Serbia, was the first to address the guests, after whom the guests were in turn addressed by Bohuslav Sobotka, the Prime Minister of Czech Republic, Li Keqiang, Prime Minister of the People's Republic of China and Gao Hucheng, Minister of Commerce of the People's Republic of China. The attendees of one of the numerous panels could become acquainted with the new projects in Central and Eastern Europe where the Chinese companies will participate in. The topics of the conference were infrastructure, energy sector, construction, manufacturing industry, information technologies, agriculture, trade, logistics and tourism.

BELGRADE-ZAGREB AIRLINE REINSTATED

After 23 years, Serbian national airline Air Serbia renewed flights between Belgrade and Zagreb. It was announced that Air Serbia airplanes will fly from Belgrade to Zagreb every day at 7:35 and 18:20, and from Zagreb to Belgrade at 10:05 and 20:40.

In its press release, Air Serbia reminded that the first flight on this line was made by the predecessor of JAT, Aeroput, in February 1928, and that JAT reinstated flights on this route in April 1947, and ran them until August 1991. The route to Zagreb is Air Serbia's fourth route to Croatia.

SERBIA NEEDS 1.6 BILLIONS OF EUR FOR INVESTMENTS IN ENERGY EFFICIENCY

This is conclusion of 4th with CEDEF (Central-European Development Forum) in Belgrade. Nearly 50 managers and representatives of local municipalities discussed about new technologies, modern concepts of public-private partnership and how to make towns in Serbia more reliable in saving precious energy.

Public sector in Serbia must take a better care about energy saving in the area of water supply, communal waste, public lighting, and KGH system. New technologies demands new investors.

Representatives of KfW – German development Bank announced future support programs for financing of public infrastructure in towns and municipalities of Serbia. 30 million EUR is planned from the bank and 4,5 million EUR more from the IPA funds.

The speakers on the Forum were also managers from Sun Energy Balkan and LG Electronics. Interesting presentation was held by Professor Jovan Despotović from Belgrade Building Faculty who said that Belgrade has the second oldest drainage network in Europe.

SERBIA TO RECEIVE 335 MILLION EUR FROM EU FUNDS TO SUPPORT AGRICULTURE AND ECOLOGY

As reported by the Serbian television B92, in the following five years Serbia will receive 160 million EUR for environmental protection and 174 million EUR for agricultural development from the EU pre-accession funds.

This was stated at the meeting concerning the role of municipalities in reaching the European standards in these areas, held in mid-December.

On the 42nd assembly of Permanent Conference of Cities and Municipalities (SKGO), Coordinator of the Office for European Integration, Sanja Knežević Mitrović, said that out of 1.5 billion EUR, which were granted to Serbia as a part of the new IPA cycle, 160 million EUR will be given for the environment projects, 85 millions of which will be given until 2018, and the rest until 2020.

State secretary in the Ministry of Agriculture and Environmental Protection Danilo Golubović stated that the program for the use of 175 million EUR from the IPARD2 pre-accession funds until 2020 are already approved.

State secretary in the Ministry of Agriculture and Environmental Protection, Stana Božović, reminded that the field of environmental protection carries one third of obligations in the accession process and that according to the current projections it will be necessary to invest 10.5 billion EUR in order to reach EU standards.

HENKEL OPENED NEW PLANT IN SERBIA

At the end of November Henkel company ceremoniously opened a plant for the production of its Bref brand in its Kruševac factory. The ceremony was attended by the state officials, and the investment is worth 21 million EUR.

It is intended that Bref products made in this plant will be placed on all Henkel's markets. The new plants employs 220 workers.



SERBIA ADOPTED THE LAW ON EMPLOYMENT OF FOREIGNERS

As a part of numerous reforms, Serbia adopted the Law on Employment of Foreigners that ensures foreign citizens equal rights for work and employment as Serbian residents. According to this regulation, employment contracts with foreign residents can be made for periods no longer than three months in a calendar year, while foreign citizens will be granted a residence permit in Serbia for periods longer than 90 days for family re-

unification. Temporary stay longer than 90 days can also be approved for the purpose of employment, for business or other professional activities, education, scientific research, practical training and international student exchange programs, specialization.

According to the National Employment Bureau, some 2.500 foreigners work in Serbia.

PETROL INVESTED 5 MILLION EUR IN THE NEW LNG REGIONAL TERMINAL IN SERBIA

Tanjug news agency reported that the Slovenian company Petrol opened a regional terminal of liquid natural gas (LNG) in Smederevo, a 5 million EUR investment that will employ 100 workers. It is a greenfield investment in a terminal that has a storage capacity of 3,000 cubic meters of LNG, the Petrol representatives said, adding that it is the most technologically advanced facility of its kind in Serbia.

This will be a central terminal of Petrol company for

the supply of LNG to the southeastern Europe, and will simultaneously contribute to the energy safety of Serbia and improve healthy market competition, the president of Petrol Group, Tomaž Berložnik said. He also said that Smederevo was chosen for this investment due to an excellent geostrategic position, and the key advantage of the terminal is the ability to supply LNG by waterway, over Danube river, railway and road transport, or through the combination of the three methods of transport. Berložnik said that Petrol's vision is to become one of the largest traders of LNG in the Southeastern Europe.

Ambassador of Slovenia in Serbia, Franc But, stated that the Republic of Serbia will also benefit, as the republic budget will receive 2 to 2.5 million EUR per month thanks to the opening of the terminal.

He also added that since the year 2000 Slovenia realized about 400 different investments in Serbia, a total worth of 1.2 billion EUR and that most of them were successful.



FOREIGN INVESTMENTS ARE CONTINUALLY REDUCING

As reported by the Business Magazin, reinvestments are a significant part of total foreign investments in Bosnia and Herzegovina, which are continually reducing since 2011, said Jelica Grujić, director of Foreign Investment Promotion Agency (FIPA).

In the beginning of the roundtable titled „Recommendations and measures for improvement of the business environment in Bosnia and Herzegovina“ she stated that FIPA places a focus of their activities on the existing foreign investors. She specified that the existing foreign investors are important on one hand as the re-investors, and on the other as economic promoters for other potential investors.

“We are aware that the business environment in which the foreign investors operate is not satisfactory and that the problems which they face and long and complicated custom procedures, lack of support for the exporters, no transparency in granting subsidies, labor legislation, as well as unharmonized regulation on all levels of the government“ said Grujić.

She reminded that in Bosnia and Herzegovina on the various levels of the government there are different documents, such as various recommendations, analyses and agreements, which concretize solving these problems, but at the same time, the realization of those activities is progressing slow.

CONFERENCE OF THE ALLIANCE FOR THE SUPPORT OF ECONOMIC AND SOCIAL DEVELOPMENT HELD IN SARAJEVO

“Horizon 2014“ is the name of the conference of the Alliance for the Support of Economic and Social Development (ASESD), held at the end of November. Here was said that the significant economic reforms are necessary in order to reduce the number of unemployed in the country. It was also said that “one of the goals of the

conference is to create joint economic area in Bosnia and Herzegovina“. A total of 17 non-governmental organizations from the whole of Bosnia and Herzegovina formed an Alliance for the Support of Economic and Social Development Horizon 2014 in order to jointly work with the governments in order to conduct economic reforms.



Sarajevo, BIH

Adnan Delić, director of Agency for Labor and Employment of Bosnia and Herzegovina, said that the increase of the number of workplaces is possible through strong and comprehensive reform.

“Without the strong economic development of Bosnia and necessary accompanying social reforms, especially the change of regulation with the goal of reducing the price of labor and other changes, Bosnia and Herzegovina does not have a shiny future. It is assumed, and some statistics show that the informal sector in Bosnia employs around 200 thousand people. Expert analysis could reach an acceptable price of labor for the employers in Bosnia, in order to turn people in gray economy into legal labor market“ said Delić.

Finally, he said that the information that Bosnia has 500 thousand unemployed is incorrect, and that the number is 320 thousands at most: “Labor force survey, the only relevant in all EU countries and developed countries in the world, says that Bosnia has 27.5 per cent unemployment rate, which is 300 to 320 thousands. That is the number used by the World Bank and serious international institutions. I am certain and responsibly claim that Bosnia does not have more than 320 thousands unemployed“ said the director of Agency for Labor and Employment of Bosnia and Herzegovina.

MINE AND THERMAL POWER PLANT

"STANARI" IS THE BEST GREENFIELD

INVESTMENT IN B&H

Agency for promotion of foreign investments of Bosnia and Herzegovina (FIPA) chose mine and thermal power plant "Stanari" for most successful greenfield investment in 2013 in foreign investment category.

Director of FIPA, Mrs. Jelica Grujić said that the best greenfield investments in 2013 in Bosnia and Herzegovina were the investments from Great Britain, Austria, Germany and Serbia. In the first half of 2014 most significant investments came from Russia, Austria and Serbia.

Director of the EFT group, Mr. Zoran Ivković, during the reward ceremony, said that it was a hard task in 2004 when "Stanari" was founded as a first thermal power plant in former Yugoslavia.

The most significant investor in the category acquisition/privatization was G-Petrol (Gazprom-Petrol),

and in category "joint investment" Interwork from Bosanski Petrovac.

Company Napco Beds from Petrovo is awarded for best employing performance in 2013.

TOBACCO FACTORY SARAJEVO TAKES OVER

VAKUF BANK

As reported by the business portal indicator.ba, Tobacco Factory Sarajevo (FDS) recently bought a majority share of Vakuf Bank from the previous largest shareholder – Dutch company BFSE Holding BV, for 1.14 million EUR.

FDS, which previously was the second-largest shareholder of Vakuf Bank, with a total share of 19.7%, increased its ownership to 48% of the shares by buying 123,561 shares (28.3%) owned by the Amsterdam-based company. After FDS, the largest individual shareholders of this bank are Mahmal Investment from UK with 12,7% and HIFA Oil Tešanj with 6,1%.

CROATIA

CRISIS IN CROATIA WITHOUT END

Croatian economy suffered a real drop of 0.5% in the third quarter of 2014 compared to the quarter in the previous year, which is the 12th quarter in a row with reduction of economic activity, as confirmed by the second estimate of the National Statistical Office. This has confirmed the findings of the first estimate, published at the end of the November, and the Statistical Office also estimated that in the third quarter, according to the seasonally-adjusted data the Gross Domestic Product was unchanged compared to the previous quarter, and 0.6% lower when compared to the previous year. This is a lesser drop when compared to the first quarter, in which GDP was reduced by 0.6%, and 0.8% in the second quarter.

WIND PARK CONSTRUCTION NEAR SPLIT TO BEGIN SOON

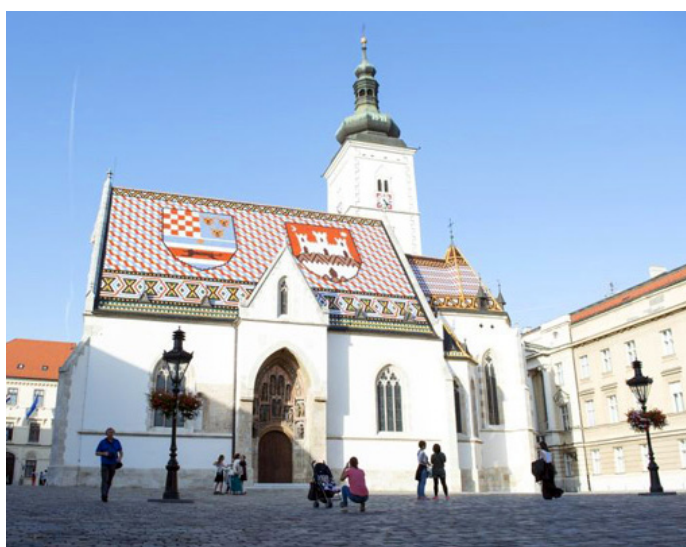
Croatian investment and development business group SN Holding/FEH Investments will soon commence the construction of Ogorje wind park, close to Split on the Adriatic coast. The project was approved by the Austrian Erste Group Bank AG and Erste&Steiermärkische Bank, together with Splitska Bank and French Societe Generale bank, and have granted this renewable energy project a long-term credit worth 47 million EUR.

According to Croatian media, it is planned that the park will be located 25 kilometers northeast of Split and consist of 14 „Vestas“ wind turbines, with an individual strength of 3 MW. Total investment is worth more than 72 million EUR. Ogorje Wind Park will produce 42 MW of sustainable electric energy, enough to supply 27,000 houses, and is expected to become operational at the end of 2015.

CROATIAN AGROKOR SOON TO ENTER THE LONDON STOCK MARKET?

Reuters reports that the largest Croatian private company, Agrokor, hired Rothschild bank as an advisor for listing and public offering. The estimated worth of this company, Reuters reports, could be around four billion EUR. The entire process could be finished by summer 2015.

Major shareholder of Agrokor, founded in 1976, is Ivica Todorić, one of the wealthiest persons in southeast Europe, who is at the same time the president of the management board. During this year the company has underwent a series of acquisitions in food and agriculture industry, and has transformed into a largest Croatian retailer with almost 60,000 employees. In 2013, Todorić said for Financial Times that he is considering to use the money gained from the stock market to finance the company's acquisitions in Russia and Turkey.



Zagreb, Croatia

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CROATIAN ALTERNATIVE FOR SOUTH STREAM

According to EurActiv, after Russia's abandonment of the South Stream pipeline, Croatia revived a decade old idea of construction of import terminal for liquid natural gas (LNG) on the island of Krk, in the Omišalj port, which can be docked by large ships. This is the port through which Croatia is currently importing oil. LNG terminal on Krk would have an annual capacity of 4-6 billion cubic meters of gas and would also supply Hungary, Slovenia, Serbia and other countries. Croatia plans to declare this project of strategic importance, to perform new feasibility analyses and present it to the investors. According to the Croatian officials, this terminal would become operational in 2019.

Previously, the idea of construction of LNG terminal on Krk was abandoned due to the drop in European demand for gas during the global financial crisis, which meant that the project was not interesting for the investors. However, crisis in Ukraine and abandonment of the South Stream forced countries of Southeastern Europe to consider options for reduction of dependence from Russian gas, and to seek the alternatives in the case of cease of supply coming through Ukraine.

Croatia is ready to start new feasibility analyses concerning the Krk terminal with the projected annual capacity of 4-6 billion cubic meters of gas and hopes to gain political and financial support from the EU Member States and Washington. The goal of the Krk project is to supply Hungary, Slovenia, Serbia and the rest of the region with gas. Croatia annually spends around three billion cubic meters of gas, 60-65% of which is covered by domestic production. It is estimated that the Krk terminal would cost around 600 million EUR, a considerable sum for a country which has been in recession for six years straight. Croatia wishes to be the owner of 25% of the terminal, and hopes to draw interest from large European and USA-based companies, as the terminal would open the possibility of gas trade on the EU market.

However, EurActiv reports that the concerns about the financial sustainability of the project are growing due to the fact that LNG from Katar, Africa and North America is considerably more expensive than the gas from Russian pipelines.

ENERGOINVEST COMPANY FROM SARAJEVO WILL BUILD THE PART OF LASTVA-PLJEVLJA TRANSMISSION LINE



Podgorica, Montenegro

Bosnian "Capital" reported at the beginning of December that the representatives of Montenegro Electricity Transport System (CGES) signed an agreement worth 29 million EUR with Sarajevo-based Energoinvest company concerning the construction of the part of Lastva-Pljevlja transmission line.

CGES said that Energoinvest will work on the Čevo (Cetine Municipality) – Pljevlja, a total length of 116 km.

Lastva-Pljevlja transmission line should connect north with the southern part of Montenegro and contribute to the increase of safety of electric energy supply of Montenegro coastal areas, and also to create the conditions for transfer of electric energy through underwater cables.

According to CGES, Energoinvest won the contract in strong international competition, and will lead the regional consortium to construct the transmission line.

MONTENEGRO APPROVED THE CONSTRUCTION OF HIGHWAY FROM BAR PORT TO THE BORDER WITH SERBIA

As reported by BETA news agency, and eKapija news portal, the Montenegrin Parliament confirmed in December, with the majority of the votes from the ruling coalition, the Government's project for the construction of Bar-Serbia highway.

The Assembly confirmed the plan of the Government to start the construction of the first section of 42 km of highway which will mainly be funded by the Chinese, state-owned Eksim bank.

The works are expected to start soon while Chinese investors are announcing the end of the first section in four years. The future highway total length is 169 km. The state took a credit from the Chinese bank for 687 million EUR, while the Government will provide the remaining 120 million EUR. The loan is on 20 years with an interest rate of 2% with the repayment to start in the sixth year.

Majority of economic experts, however, pointed out that the project is expensive and that "it is a bomb for fiscal governmental system" which is forced to increase debts due to highway construction.

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MACEDONIA IS THE #1 IN THE WORLD IN REDUCTION OF TAX RATES

Recently, Paying Taxes 2015 report showed that Macedonia is one of the countries with lowest tax rates in the world. This news was reported by the Macedonian news agency MIA. Out of the total of 189 countries covered by the research, and with the total tax rate of 7.4%, Macedonia took seventh place. However, this year Macedonia held the first place concerning the reduction of tax rate, since it has managed to reduce the 8.2% rate from the last year down to 7.4%. The time spent annually paying taxes in Macedonia is only 119 hours, the best result among the countries of the Southeastern Europe and Central Asia regions.



Skopje, Macedonia

EBRD BUYING STOCKS OF MINE ILOVICA

European Bank for Renewal and Development will buy stocks of project for development copper and gold mine Ilovica in Macedonia. EBRD planned to buy new contingent of stocks from company Euromax Resorts. Before the announcement of this transaction EBRD owned 20 percent of project stocks. Sources from Skopje are certain that this decision of EBRD is reliable sign of future opening of new copper and gold mine. All recent exploring showed that near there are the great reserves of copper and gold Ilovica.

SLOVENIA'S GDB INCREASES BY 3.2% IN THE THIRD QUARTER

According to the information provided by "SEEBiz", Slovenian GDP increased by 3.1% in the third quarter of this year when compared to the same period last year. Simultaneously, yearly GDP increase is 3.2%, Slovenian National Statistical Office reported at the beginning of December. Also, it has published the data concerning Slovenian exports in 2014, which reached a record levels and was directed mainly toward the EU Member States.

The Slovenian exports in the first 10 months were 6.3% higher than in the same period last year, and was worth a total of 19.206 billion EUR, with a foreign trade profit of 369.5 million EUR and 102% coverage of imports with exports.

ROMANIAN UNEMPLOYMENT RATE AT 5.3%

Romanian employment agency announced the current unemployment rate to be 5.3% at the end of October. Most unemployed are in the 40-49 age group. Most of the unemployed are people with secondary education. Also, 6.41% of all unemployed are people with high education.

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HUNGARIAN MOL TAKES OVER RUSSIAN LUKOIL IN CZECH REPUBLIC

As reported by the Belgrade news agency BETA, Hungarian oil company MOL announced that it has successfully finalized the acquisition of business activities of Russian Lukoil in Czech Republic, including the purchase of 44 gas stations.

In the announcement published on the website of Budapest stock market, MOL announced that "this step will significantly contribute to the improvement of its market position and plans to become a regional leader in the sale of fuels and other merchandise".

Hungarian MOL currently owns 192 gas and service stations in Czech Republic, operating under Slovnaft, Pap Oil and Lukoil brands, and the plan is to unify them in 2015 and have them operate under two strong brands.

ALDI'S JUBILEE: 100TH STORE OPENED IN HUNGARY

As reported by the InStore magazine, German Aldi opened its 100th retail store in Hungary on December 4th,

and used the occasion to send the message that, despite the restrictive policy of the government towards foreign investors, it has no plans to ignore this European state.

As a reminder, Hungarian government led by Viktor Orban recently announced the reforms under which starting from 2018 all the traders with an annual income above 50 billion forints (163 million EUR) will be additionally taxed, in the case that they fail to earn profits two years in the row. InStore states that Aldi can be rightfully concerned, since they had a loss of 4.9 billion forints (around 16 million EUR) in the last business period, however, the director of this retailer in Hungary, Tibor Székács, is not concerned, since Aldi operates with a long-term plan in all the markets.

Aldi operates in Hungary since 2006 and has more than 100,000 square meters of retail space, with over 1,500 employees. New store was opened in the space formerly owned by Úttörő Shopping Center, one of the retailers which for a long time served as a trademark of Budapest.

TURKEY PLANS A CONSTRUCTION OF THE BRIDGE OVER DARDANELLES

In the end of November, Turkish government went public with the information that it is seriously planning the construction of bridge over Dardanelles strait, in order to reduce the traffic in Istanbul which poses the serious economic and ecological issue to the city. Currently, Dardanelles can only be crossed via ship or ferry. The idea of Turkish government, according to the Minister of Transport (Lütfi Elvan) is to turn the entire Marmara Sea region into a traffic circuit that would bypass Istanbul, reducing the traffic in the city. In addition to this megaproject,

Turkish authorities have already started the construction of third bridge over Bosphorus, and will construct the new airport in Istanbul, that will, according to the statements from the Turkish government, be "the largest in the world, with a maximum capacity of 150 million passengers per year".

However, the ecologists in Turkey are hard critics of these projects that they claim will endanger the environment, while the opposition claims that these projects only increase the corruption in the governing regime.

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




Zadovoljstvo
u vožnji



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ACTIVE TOURER.**











ZA SVE ŠTO STE ZAMISLILI.

FUEL PRICES COMPARISON IN SEE REGION (EUR):

	COUNTRY	CURRENCY	95	98	DIESEL
	BOSNIA AND HERZEGOVINA	BAM	1.24	1.30	1.24
	BULGARIA	BGN	1.62	1.73	1.65
	CROATIA	HRK	1.64	1.71	1.57
	MACEDONIA	MKD	1.24	1.28	1.20
	MONTENEGRO	EUR	1.51	1.55	1.41
	SLOVENIA	EUR	1.74	1.78	1.65
	SERBIA	RSD	1.22	1.25	1.22

Source: tcs.ch

SOCIO-DEMOGRAPHY:

	COUNTRY	POPULATION 2013	BIRTH RATE 2013	LIFE EXPECTANCY
	ALBANIA	2.773.620	12.30‰	77.35
	BOSNIA AND HERZEGOVINA	3.829.307	8.40‰	76.12
	BULGARIA	7.265.115	9.20‰	74.40
	CROATIA	4.281.000	9.40‰	77.30
	HUNGARY	9.897.247	9.20‰	75.30
	MACEDONIA	2.071.000	11.20‰	74.90
	MONTENEGRO	621.383	12.00‰	76.40
	ROMANIA	19.963.581	8.80‰	74.50
	SLOVENIA	2.050.000	10.20‰	80.30
	SERBIA	7.163.976	9.20‰	74.90

Source: Countryeconomy.com

TRADE COMPARISON IN SEE REGION:

	COUNTRY	EXPORTS % GDP 2013	IMPORT % GDP 2013	TRADE BALANCE % GDP
	ALBANIA	16.06	39.84	-23.78
	BOSNIA AND HERZEGOVINA	30.55	59.33	-28.78
	BULGARIA	55.66	64.69	-9.04
	CROATIA	20.59	36.38	-15.79
	HUNGARY	82.97	76.83	6.13
	MACEDONIA	41.68	64.47	-22.79
	MONTENEGRO	11.66	57.77	-46.12
	ROMANIA	34.85	38.86	-4.01
	SLOVENIA	72.84	71.47	1.37
	SERBIA	34.40	48.36	-13.96

Source: Countryeconomy.com

TELEKOM SERBIA - COMPLICATED TALE WITH NO END

IF THE SALE OF „TELEKOM SERBIA“ IS THE ONLY POSSIBILITY TO STABILIZE THE STATE BUDGET, THE PRICE WILL BE LOWER DUE TO URGENCY OF THE SALE, BUT NOT BELOW THE LEVEL NEEDED TO COVER THE DEFICIT, WHILE THE NEGOTIATIONS WITH THE STATE WILL BE SIGNIFICANTLY MORE DIFFICULT. DUE TO THAT THE FOREIGN INVESTORS INTERESTED IN PURCHASING IT WILL CAREFULLY MONITOR AND ANALYZE THE ECONOMIC DEVELOPMENTS IN SERBIA.

Author: Milan Vučković

One of the last great privatizations that is being prepared by the Serbian government is the sale of majority package of stocks of largest fixed-line operators in Serbia, Telekom Serbia. This company has already been privatized once, during the nineties in the past century, while the wars were being waged in former Yugoslavia. The privatization back then is not entirely resolved even today, even though it has been an object of interest for Italian prosecution, as there were doubts that during the purchase of Serbian company, Telecom Italia bribed certain politicians in both Belgrade and in Rome. The upcoming privatization, however, will have to be transparent. If for no other reason, then due to the fact that the current government is much more sensitive to the critiques from abroad than it was the case with the regime of Slobodan Milošević during the 1990s.

The last attempt of sale of majority of the stocks owned by the state happened several years ago during the government of Mirko Cvetković. At that time the state demanded 1.4 billion EUR for 51% of stocks, while the best offer was only about 1.1 billion EUR, including the planned investments. For that reason, the sale of stocks owned by the state was postponed until some “better times”, when the desired price could be achieved.

The government of Aleksandar Vučić recently decided that the “better time” is now, and that this time

Telekom Serbia could be sold on good market terms, even though few years ago his political party and him personally announced a submission of appeal to the Constitutional Court of the Republic of Serbia versus

Democratic Party (DS) and its leader Boris Tadić for merely mentioning the idea. However, times change, and the poli-

ticians, at least in the Balkans, are known to frequently change their opinion. Political pragmatism is most often learned after one has come into power, as a primary technique of staying in power.

Considering that Serbia, in the meantime, has entered into even deeper recession, and that the world's economic outlook hasn't drastically improved either, it is questionable if the government's current optimism concerning the prospects of privatization of Telekom Serbia is grounded in reality.

It should also be mentioned that it is not entirely known what would the state do with the money obtained from privatization. The government has so far persistently denied the rumors that the money would be used to cover the budgetary deficit which is uncontrollably rising. Considering the fact that the possibilities for further loaning of the already overly indebted Serbia are mostly exhausted, it is doubtful if the Serbian government will be able to invest the planned one billion EUR (if that price is even achieved) in concrete projects.





If the sale of “Telekom Serbia” is the only possibility to stabilize the state budget, the price will be lower due to urgency of the sale, but not below the level needed to cover the deficit, while the negotiations with the state will be significantly more difficult. Due to that the foreign investors interested in purchasing it will carefully monitor and analyze the economic developments in Serbia.

Despite the difficult situation in Serbia, Telekom is a highly profitable investment and the state's stocks could be sold on good market terms, leaving the foreign buyer still satisfied. Telekom possesses fixed-line and mobile telephone network and the following subsidiaries: Telekom Srpske AD from Banja Luka (Telekom Serbia owns 65% of the company), M:tel doo in Podgorica (83%), FiberNet doo from Podgorica (100%), Telus doo in Belgrade (100%), HD-WIN doo from Belgrade (100%) and TS-NET B.V. in Amsterdam (100 %).

Telekom Serbia is a joint-stock company not signed in the Central Securities, Deposits and Clearing House (CSD). By the decision of the Government of Serbia, published in the Official Gazette 41/2012, it was decided that 15% of stocks will be divided among citizens of Serbia, 4,821,887 of them, while 6.94% of stocks belong to the employees and former employees, 39,856 of them.

Telekom Serbia in its primary company for fixed and mobile telephony had 9,073 employees at the end of 2013, and a total of 13,229 employees including subsidiaries in Serbia and abroad. As a comparison, Telenor which is a mobile operator has only 1,095 employees,

while VIP Mobile, also a mobile operator, employs 958 individuals.

In Serbian mobile telephony market in 2013, Telenor achieved 42,4 billion RSD (368 million EUR, 41.96% of the market), Telekom's income was 36.0 billion RSD (314 million EUR, 36.65% of total market), and VIP Mobile achieved 22.6 billion RSD of income (197 million EUR, 22.39% of the market). In Republic of Srpska (Bosnia and Herzegovina) and Montenegro, thanks to the ownership of the parts of their mobile operators, Telekom achieved an additional 18.8 billion RSD (164 million EUR) of income.

A total profit in the primary company was 15.3 billion RSD (133 million EUR), and the previously mentioned subsidiaries provided only an additional 370 million RSD (3 million EUR). Total assets of Telekom and its subsidiaries at the end of 2013 was 239,431,999,000 RSD (2,088,517,211 EUR), which is a reduction of over 15 billion RSD (130 million EUR) when compared to 2012. On December 31st 2013, Telekom has 18,450,634,000 RSD (160,941,172 EUR) of undistributed profits.

Telekom Serbia is suffering the same ailment that is affecting all companies owned by the state – the management doesn't have a full mandate, but it rather makes all the decisions depending on the instructions of parties in power. The decision on who gets to run which publically-owned company is an example of a classical backroom deal between the ruling parties that make the government at a certain point in time. They place their

own persons on the leading positions in the companies, who then use various methods to drive a part of gains toward their party's cash register.

That is why, in 2012, which was the election year in Serbia, while Telekom's income increased over five billion RSD compared to the previous year (the turnover in 2012 was 119,422,935,000 RSD – 1,041,702,262 EUR, and 114,096,820,000 RSD – 995,243,632 EUR in 2011), their profits fell down to mere 12,285,600,000 RSD (107,164,820 EUR). The difference went into "investments", through which the money needed for the election campaign of ruling political parties at the time was laundered.

The buyer in the privatization, however, would not have such problems, and could easily reach and surpass the record profits from 2011. Even if the average profits remained at the level of 16 billion RSD per year (approximately 150 million EUR), the investment for majority of company's stocks would return to the buyer in less than ten years.

From the above it can be clearly seen that the management of the future owner will have a primary task of rationalizing operational expenses, and they are not limited to simply discharging the excess employees. For example, it is strange that Telekom, despite possessing commercial real estate in the highest quality locations in Serbia, pays up to 37.4% of annual profits on rent. It is evident that a part of those funds are also "laundered" for the accounts of certain individuals.

As the total income of all three mobile operators in Serbia was about 101 billion RSD (approximately 880 million EUR), the battle for Serbian market, private and business

customers and republic and local institutions and organizations is still going on strong. VIP Mobile is continuing to gain the market share. If Telekom Serbia continues wasting its funds on unnecessary things as it has done so far and falls back in the development race, Telenor company will too come into the position to improve its market share, while Telekom Serbia's market share will be significantly reduced, as it is already pressured in the fixed-line market by its competitors Orion and SBB, who were not able to significantly challenge it so far. Up to now, the state has successfully managed to postpone the adoption of regulation that would enable fair competition between all three fixed-line operators, but the future owner of Telekom should not hope for the continuation of such practice.

Due to the bad business results and drain of quality high-skilled employees, the experts do not predict bright future to Serbian Telekom if it remains owned by the state. For all the reasons mentioned, last analyses show that the state could sell 50% of the ownership for only 700 million EUR, which is almost half a billion EUR less than the amount previously offered to the government of Mirko Cvetković.

In any case, Telekom Serbia needs fundamental changes in its business model, and Serbia should better first make a serious reform of this company, which is also a regional leader, and then sell it at a higher price. The final decision of the current Prime Minister and his cabinet and advisors will soon be known. But, who knows, perhaps the government changes its opinion yet again, since Telekom Serbia is one of the very few publicly-owned companies that provides certain income to the budget.



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BELGRADE AIRPORT: HOW TO OPERATE AT A LOSS WHILE HOLDING A MONOPOLY

PRIVATISATION OR CONCESSION OF BELGRADE AIRPORT, ONE OF THE THREE “INHERITED TREASURES” AMONG THE PUBLIC COMPANIES, IS PLANNED FOR 2015. ALTHOUGH IT IS PROFITABLE, AIRPORT IS SUFFERING FOR YEARS UNDER BAD MANAGEMENT (THREE OF ITS DIRECTORS ENDED UP IN COURT), POLITICAL PARTY INFLUENCE AND UNCOLLECTED RECEIVABLES FROM OTHER PUBLICLY-COMPANIES (5.6 BILLION RSD). ON THE OTHER HAND, SALE OF NATURAL MONOPOLY ALWAYS PRESENTS A RISK FOR THE STATE, AS WELL AS FOR THE PASSENGERS.

Authors: Olivera Bojić and Miloš Obradović

Public companies and state-owned companies are a greatest problem of Serbian economy. From 2013 they are also a highest burden on the central budget, considering that the amount of guarantees for the credits taken by those companies reached two billion EUR.

“New Economy” has also analysed different aspects of business operations of public companies in Serbia and their influence on the overall economy and public finance. Belgrade Airport “Nikola Tesla” was

analysed in November issue. It is a company majorly owned by the state (Airport has turned from a public company into a joint-stock company in 2010, and the part of the shares were divided among the citizens and employees in 2011).

Even though the Belgrade Airport is formally speaking not a joint-stock company and not a public-sector company, the major shareholder is the state (83.15%), and all mechanisms of functioning of public-

sector companies in Serbia can clearly be seen. Also, even though the Airport is one of the few publically-owned companies that continually operates at a profit, it is not without its share of problems. For example, in the last 10 years this company was a source of multiple

affairs, and one minister and three Directors General of the Airport ended up in front of court. In addition, company management was placed by deals between political parties, and there is an obvious

political influence in tolerating the debt of largest client, Air Serbia (previously JAT Airways), which significantly reduces the business results of this company. Finally, it is a natural monopoly, privatisation of which is a sensitive issue everywhere in the world, especially in light of the recent statement of the Prime Minister that a concessionaire for the Belgrade Airport will be sought in 2015.



NUMBER OF PASSENGERS (MILLIONS OF) IN THE REGION				
AIRPORT	COUNTRY	2013	2012	2011
BELGRADE	SERBIA	3.54	3.36	3.12
LJUBLJANA	SLOVENIA	1.32	1.20	1.37
ZAGREB	CROATIA	2.30	2.34	2.32
SOFIA	BULGARIA	3.50	3.46	3.47
BUDAPEST	HUNGARY	8.52	8.50	8.92
BUCHAREST	ROMANIA	7.64	7.12	5.00

**Only Belgrade is not in a EU Member State*

The chances that someone will find it profitable to build a new airport in the Belgrade area are rather slim, making "Nikola Tesla" Airport a natural monopoly, similar to the electric transmission lines, railway infrastructure or water system.

"Except the airport, there is no treasure". This is how the Prime Minister Aleksandar Vučić responded to the critiques that the state is selling its treasure, when the sale of Airport, Telekom Serbia, parts of Electric Power Industry of Serbia and "Dunav Insurance". According to him, "currently for a concession we can get, and will look to get in the next year, 500 to 600 million EUR, plus one billion in investments, with a cancellation clause". Currently, Airport is worth about 245 million EUR on the Belgrade Stock Market.

If we would observe ratio of market capitalization and EBITDA (earnings before interest, taxes, depreciation, and amortization) as an indicator of company value, Belgrade Airport total value is 7.9 times higher than EBITDA. In other words, the investment in purchasing this airport would return in approximately 8 years, if the profits from 2013 remain stable. On the other hand, Vienna Airport's value is 5.8 times EBITDA, Istanbul Airport's indicator is 5.5, and Ljubljana Airport is 10.7, showing that it is rather overpriced.

However, considering the growth of traffic and the number of passengers (31% growth in the first six months of 2014, the second-highest growth in Europe), as well as the prices reached during the privatisations of some of the airports in the region, we can conclude that the real worth of Belgrade Airport is much higher than the numbers would suggest.

In the beginning of November 2014, the privatisation of Ljubljana Airport was finished, with German company "Fraport" as the buyer. The German company paid 177.1 million EUR for 75.5% ownership of the airport. According to the announcements, Fraport intends to purchase the remaining shares for 57 million EUR, which would make the total price of the airport 234 million EUR, close to the current stock market value of Belgrade Airport. If we keep in mind the fact that the Slovenian airport served 1.32 million of passengers in 2013, while Belgrade airport served 3.54 millions, it is clear that the price should obviously reflect that.

There could also be another privatisation of an airport in the vicinity – Vienna. Allegedly, Australian fund "IFM Investors" is interested in the "Flughafen Wien" company, which operates the Vienna Airport. According to Bloomberg, they seek to purchase between 20 and 30 per cent of share in the company for 502 million EUR. In the last year, 22 millions of passengers went through the Vienna Airport.

In the times when it is difficult to find a stable, long-term investment with solid returns, airports are highly sought after. Some of the largest transactions in this field happened in the past two years, including multiple billion offerings for the Rio de Janeiro and Sao Paulo airports, as well as the new airport that is yet to be constructed in Istanbul.

Considering that the "Nikola Tesla" airport is planned to be given under concession, at least according to the announcement of the Prime Minister of Serbia, and since that the Airport did not have any information they could share with us, we can look into the Zagreb

International Airport (MZLZ) which was given under concession to the consortium led by French operator “Aéroport de Paris” in the late 2013.

In exchange for 30 years of exploitation of Zagreb Airport, the French consortium will construct a new terminal worth 243 million EUR, while spending an additional 88 million EUR for the upkeep of existing airport infrastructure. They will pay an additional concession fee, which has a fixed and a variable component, and the Croatia hopes to gain around one billion EUR in the 30 years period. Last year, Zagreb Airport served 2.3 millions of passengers.

However, only three months after taking over the airport, the concessionaires increased the airport taxes. The air traffic security charges were more than doubled, from three to 6.5 EUR, while international passenger service is 15 EUR, instead of previous 10 EUR. The domestic passenger service is seven euros, instead of four.

The talks of privatisation of Belgrade Airport started immediately after the Prime Minister’s exposé during the inauguration of new government (March 2014), when the privatisation of the most important public companies was announced. Since then the public is un-

officially speculating that there are interested parties for the privatisation of Belgrade Airport. The European Bank for Reconstruction and Development (EBRD) has publically expressed an interest. As a rule, EBRD only becomes a minority shareholder, but there are also a mention of some German and Arabic companies.

“Airport should not be privatized unless there are large investments necessary, such as new cargo center or the runways, which can not be financed by the Airport alone, and for which the state would have to provide guarantees. Even now, Airport is operating solidly, has profits, and the only thing that probably should be done is improve the management. The same is valid for the concession, as well. In that case a very precise contract with the concessionaire should be made in order to prevent the misuse of monopoly. Especially if the concessionaire would come from Arabic countries and linked to Etihad, as it would mean an absolute monopoly in air traffic” Milojko Arsić, professor of Belgrade Faculty of Economics said for the New Economy, stating that such contracts can function in developed countries with developed democracies, while it is questionable how it would look in Serbia, where anti-monopoly institutions are undeveloped.

CARGO (IN TONS)				
AIRPORT	COUNTRY	2013	2012	2011
BELGRADE	SERBIA	3.54	3.36	3.12
LJUBLJANA	SLOVENIA	1.32	1.20	1.37
ZAGREB	CROATIA	2.30	2.34	2.32
SOFIA	BULGARIA	8.52	8.50	8.92
BUDAPEST	HUNGARY	3.50	3.46	3.47

Another reason why the contract with potential concessionaire should have to be rigorous is the possibility that the new operator of the Belgrade Airport does not invest in the maintenance or the improvement, but only exploits the existing infrastructure. Also, there is a possibility that, like in the case of Zagreb Airport, the new operator seeks the growth of profits through increase in service fees. The goals of concessionaire do not have to be aligned with the state, which should

strive to have as much traffic as possible and become a main hub for the region.

Belgrade Airport needs to construct a third terminal sooner or later, especially since the contract of the Republic of Serbia with Etihad stipulates that this company will be granted one terminal for exclusive use. Also, should the economy improve, there would be a need for an additional cargo center, and the Belgrade Airport is one of the few airports in Europe that does not have a ho-

tel, adequate parking and railway connection to the city.

New owner or operator of the airport should also keep in mind the needs of its largest client, Air Serbia. The current management of the airport states that in the following period "Nikola Tesla" Airport will follow the development of the Serbian national air company and increase investments due to its needs.

As an additional argument for the necessity of the new investments is the fact that in the first nine months of 2014, more passengers passed through the Belgrade airport than in the whole of 2013. In 2014 it is expected that the number of passengers increases to over 4.5 million, which is why the budget was changed to add an additional 2.1 million EUR of investments in the traffic and infrastructure.



FINANCIAL ANALYSIS

Belgrade Airport continually operates with profit, but the drop in profits is seen in the last three years. In 2010 airport had 1.94 billion RSD of profits, which reduced by 18.4% in 2011 to 1.58 billion, which was again halved in 2012 down to 730 million, ending the last year with mere 16.2 million RSD in profits.

How is that possible, considering that the number of passengers is growing every year, and in 2014 it is expected to reach a level of 4.5 million, more than the number of passengers of Ljubljana, Zagreb and Sarajevo airports combined?

The answer is in debts of JAT Airways and Air Serbia. According to the annual report of Belgrade Airport for 2013, the uncollectable accounts receivable were 4.3 billion RSD, 4.28 of which (37.8 million EUR) were from Air Serbia.

The policy of not charging for services to Air Serbia continued in 2014 as well. In the first six months of the current year the debt of Air Serbia reached 5.14 billions of RSD, and the total uncollectible accounts of the Airport reached 5.6 billion RSD.

With the main client that is supposed to provide 30 to 40% of income pays almost nothing, it is a miracle that the Airport is making any profits at all.

"If Air Serbia would pay for the services, the airport's profits would be around two billion RSD. However, airport is not behaving rationally, but rather as a part of state mechanism which is currently providing support to Air Serbia. Whoever purchases or takes over the Airport will want clean accounts and the government will either have to pay for the debts of Air Serbia, or, which is more probable, deduct them from the price" says Nenad Gujanić, economist in "Vise Broker".

Despite the drop in profits, in 2013 the income continued to rise, although not as fast as the expenses. During 2013, sales revenue increased by 200 million RSD, while the operational expenses increased by 550 million RSD. The first move of the new management of Belgrade Airport would have to be reduction of expenses for three million EUR, with an additional reduction of services currently ordered through public procurement process for eight million.

From a liquidity standpoint, Airport is doing great. Liquidity ratio was 5.11 in 2013, 6.94 in 2012, and 10.46 in 2011.

Looking at the debt, Airport is also very good. Total debt of the Airport is 1.6 billion RSD (less than 15 million EUR), 1.1 billion in long-term debt and 509 million RSD in short-term. Debt ration was only 0.1 in 2013, 0.12 in 2012, and 0.08 in 2011.

JAT AIRWAYS MELTED THE AIRPORT'S PROFITS

From profitability standpoint, Airport was performing great until 2011. Return on Assets (ROA) in 2011 was 6.35, while Ljubljana airport's was 4.09% and Vienna Flughafen was 1.52%. Return on Equity (ROE) in the same year was 6.96%, 4.31 in Ljubljana and 3.8% in Vienna. However, with only 16.2 million RSD (less than 145.000 EUR) of profits in 2013 these numbers fell down to only 0.1%, far less than the competition. That is the reason why we provided

a comparative overview of the data from 2011 (while JAT was still paying for its services), when the Belgrade Airport had a profit of 15.8 billion RSD (15.5 million EUR).

It is positive that the investors expect the profits to grow in 2014 to approximately 950 million RSD, or 8 million EUR. The projections even show that in 2015 the net profit could reach two billion RSD, of course, if the air-companies regularly pay for the airport's services.

FINANCIAL INDICATORS (EUR MIL)				
AIRPORT	COUNTRY	2013		
		INCOME	EBITDA	NET PROFIT
BELGRADE	SERBIA	58.7	23.2	0.14
LJUBLJANA	SLOVENIA	31.3	10.65	5.2
VIENNA	AUSTRIA	645.8	241.5	73.3

It can be seen that in 2011 Belgrade Airport had higher profitability than Ljubljana Airport, and was much more profitable even when compared to the airport in Vienna. Also, Belgrade airport was very liquid and had very low debt, unlike the one in Vienna, where long term debts were higher than the capital, and short-term debt higher than the working capital.

LIQUIDITY, DEBT AND PROFITABILITY INDICATORS				
2013	CURRENT LIQUIDITY RATIO	DEBT RATIO	ROA*	ROE**
BELGRADE	5.11	0.1	0.1%	0.1%
LJUBLJANA	9.07	0.05	4%	4.2%
VIENNA	0.32	1.14	3.7%	8%

LIQUIDITY, DEBT AND PROFITABILITY INDICATORS				
2011	CURRENT LIQUIDITY RATIO	DEBT RATIO	ROA*	ROE**
BELGRADE	10.46	0.08	6.35%	6.96%
LJUBLJANA	8.33	0.05	4.09%	4.31%
VIENNA	0.69	1.65	1.52%	3.87%

*ROA: Return on Assets ; **ROE: Return on Equity

Like no other public company, Airport Belgrade affairs shook the public and the courts. The consequences, however, were missing. The largest affair concerning the Airport were the abuses during the renovation of Terminal 2, and especially the furnishing of VIP lounge, due to which in 2004 the Marija Rašeta Vukosavljević, the former Minister of transport and telecommunication in the government of Prime Minister Zoran Đinđić, DG of Airport Branislav Vitasović and several other persons were arrested and indicted. They were charged for embezzling 2.8 million EUR of the airport's funds, while benefiting 776,000 EUR from the arrangement. The original plan for the furnishing of the VIP lounge was 1.2 million EUR, while 2 million were actually spent. There was information concerning art pictures that were paid 3.7 million RSD instead of 700,000 coffee spoons that were bought for 625 RSD instead of 25, the trash can was more expensive than 1,000 EUR, and the furniture was thirty times more expensive than the market price. Furnishing of the VIP lounge costed 4,440 EUR per square meter, about five times the cost of furnishing of the VIP lounge on London's Heathrow Airport. After multiple years of court stalling and financial and construction expert witnessing, the prosecution raises new charges for misuse of position, but with far lower amounts, only 19,000 EUR. In the end, in 2012 the court freed the former minister and the other defendants from the charges due to the lack of evidence. The result: The defendants did not have any unlawful gains, and the airport suffered no financial damage through their actions.

Bojan Krišto became well-known throughout Serbia when it was found out in 2008 that he, as a DG of Belgrade Airport paid huge bonuses to himself and the management, violating the government-approved business plan.

According to the analysis of budget inspection, sent by the Ministry of finance into this company, between January and October 2008, employees of "Nikola Tesla" Airport, 462 of them, without the company management (10 directors) were given a 12.9 million RSD gross stimulation (158,000 EUR). The company management

were paid an annual stimulation of 8,620,117 RSD (approx. 105,000 EUR) gross. By doing so, Krišto increased salaries in the company by 6.3 million RSD (77,350 EUR) than was originally planned by the government. As a reminder, 2008 was a first year of global financial crisis. Krišto was placed on this function as a candidate of G17+ political party, and as a proposal of its leader and Minister of economy at the time, Mlađan Dinkić.

After Krišto, in 2008 Velimir Radosavljević became the DG of the Belgrade Airport, also a candidate of G17+. In July 2014 he was arrested, charged that he misused his position and damaged the airport for 1.8 million EUR, for personally leading the negotiations with the representatives with a Hungarian low cost company Wizz Air, and granting a 20% discount on passenger fees from 2010 against the procedures. Instead of 12 euros, which is the price of passenger fee, Wizz Air was paying 9.6 euros, saving this company 1.3 million EUR in three years.

The Wizz Air's response to these allegations was that the passenger traffic on Belgrade airport increased by more than 800% between 2010 and 2013, while the total airport traffic increased by 31%.

"This makes Wizz Air the main driver of passenger traffic. Unfortunately, users from Serbia now have to stand aside and watch their choice gradually reduce to a single company that wishes to gain a monopoly, that is Etihad/Air Serbia" – Wizz Air claimed.

It is interesting that this affair coincided with the takeover of 49% of JAT Airways by Etihad. In the part of contract between Etihad and the Republic of Serbia relating to the Belgrade Airport it is said that the company will receive a discount "equal to one of the following amounts:

- Any discount that the Belgrade airport has ever granted (now or in the future) to any airline company;
- 50% of standard fees charged by Belgrade Airport".

This means that Etihad/Air Serbia will receive 2.5 times greater discount than the one received by Wizz Air, for which Radosavljević was arrested.

ELECTRIC POWER INDUSTRY OF SERBIA

EPS PLANS OWN, AS WELL AS JOINT INVESTMENTS AND STRATEGIC PARTNERSHIP WITH FOREIGN INVESTORS FOR CONSTRUCTION OF NEW PRODUCTION CAPACITIES IN SERBIA

Author: Miodrag K. Skulić

Currently, the Electric Power Industry of Serbia (EPS) is organized in 13 subsidiaries, which are:

- ***Đerdap Hydro-Electric power plant***
- ***Drina-Lim Hydro-Electric power plants***
- ***Power plant Nikola Tesla***
- ***Power plants and Mines Kostolac***
- ***Kolubara Mines***
- ***Panonske Thermal power plant – Heating Plant***
- ***EPS Supply***
- ***EPS Renewable Energy Sources***
- ***Five distributor companies.***

Electric energy transfer is in a separate system Electric Network of Serbia (EMS). EPS doesn't have actual authority over three of the companies on Kosovo and Metohija (Thermal Power Plant Kosovo, Surface Mine, and Obilić distribution company, situated in Priština).

EPS also possesses one half of the shares in three companies, which are:

- ***Moravske hidroelektrane doo, Beograd*** ((Morava Hydro-Electric power plants, Belgrade) (for the construction of five HE power plants with total power of 150 MW together with Innogy GmbH /RWE, Germany)

- ***Ibarske hidroelektrane, doo, Kraljevo*** (Ibar Hydro-Electric power plants, Kraljevo) (for the construction of ten cascade HEPPs, total capacity of 103 MW, together with Seci Energia, S.p.A. Italy)
- ***Energija, doo, Novi Sad*** (Energy, Novi Sad), together with the City of Novi Sad.

EPS has 31,569 employees. In 2013, Hydro-Electric power plants produced 28.66% of total electric energy, while thermal power plants produced 70.89%, while the Novi Sad heating plant produced only 0.45% of energy.



PRODUCTION OF ELECTRIC ENERGY, PER POWER PLANT IN 2013:		
POWER PLANT	GWH	SHARE (IN % OF TOTAL)
TPP NIKOLA TESLA A	10,120	27.03
TPP NIKOLA TESLA B	8,658	23.13
TPP KOLUBARA	753	2.01
TPP MORAVA	533	1.42
TPP KOSTOLAC A	1,983	5.30
TPP KOSTOLAC B	4,489	11.99
TOTAL TPP	26,537	70.89
HEPP ĐERDAP 1	5,412	14.46
HEPP ĐERDAP 2	1,476	3.94
HEPP VLASINA	129	0.34
HEPP PIROT	80	0.21
HEPP BAJINA BAŠTA	1,685	4.50
PSH BAJINA BAŠTA	650	1.74
HEPP ZVORNIK	523	1.40
HEPP ELEKTROMORAVA	50	0.13
HEPP POTPEĆ	211	0.56
HEPP BISTRICA AND HEPP KOKIN BROD	322	0.86
HEPP UVAC	61	0.16
TOTAL HEPP	10,729	28.66
TPP-HP NOVI SAD	167	0.45
TPP-HP ZRENJANIN	-	-
TPP-HP SREMSKA MITROVICA	-	-
TOTAL TPP-HP	167	0.45
TOTAL GWH	37,433	(100)

A record production of coal in the Kolubara and Kostolac mines was reached in 2013. The total production for the year was 39,514,000 tons, followed by 110 million cubic meters of overburden.

VALUE OF TOTAL ASSETS – 9,5 BILLION EUR, TOTAL INCOME AND NET PROFIT IN 2013

In the consolidated balance sheet for 2013 Public company „Elektroprivreda Srbije“ (Electric Power Industry of Serbia) had assets whose total value was 9.5 billion EUR, covered by 7 billion of own capital (72.98%). Total liabilities on December 31st 2013 were 2.58 billion EUR, 792 million

of which is in deferred taxes. Not counting the deferred taxes, EPS has long-term and current liabilities worth 1.8 billion EUR. With liabilities making a 27.02% of total assets made this company is not overly in debt, especially since total liabilities are lower than annual income.

With 1.9 billion EUR of annual income and 16.9 million EUR of net profit in 2013, and considering the price of electric energy in Serbia is one of the lowest in Europe, we can say that EPS had a successful business year, although the net profit is only 8.57% of total income, and the net return on assets is 2.35%. However, the 2012 results, when EPS had 12% lower income and had a net loss of 11 million EUR, show that this system is vulnerable.

EPS plans own, as well as joint investments and strategic partnership with foreign investors for construction of new production capacities in Serbia:

- Finishing of the construction of Thermal power plant "Kolubara B"
- Construction of new systems in Thermal power plants "Nikola Tesla B3" and „Kostolac B3"
- Reconstruction of existing Thermal power plants using natural gas, by implementation of gas turbines in TPP-HP Novi Sad
- Development of Radljevo surface mine
- Construction of at least five hydro electric power plants on the Great Morava river, ten cascade HEPPs on Ibar river, four HEPPs on upper part of Drina river, three HEPPs on middle part of Drina river, PSH Đerdap 3 and PSH Bistrica
- Construction of small hydro electric power plants to utilize the renewable energy sources.

DETAILS OF EPS HISTORY

- | | |
|-------------|---|
| 1870 | <i>Coal mining started in Serbia in Stari Kostolac mine</i> |
| 1884 | <i>First electricity-powered lightning started operating in the complex of Military-Technical Institute in Kragujevac.</i> |
| 1892 | <i>Nikola Tesla visited Belgrade, for the first and the only time</i> |
| 1893 | <i>First electric power plant in Serbia became operational – Thermo electric power plant in Dorćol, Belgrade. Credit for it goes to the professor of physics Đorđe Stanojević. He is also credited for the construction of three hydro-electric plants :</i> |
| 1900 | <i>HEPP "Pod gradom" in Užice, on the Đetinja river, following Tesla's principles of alternating current, only four years after HEPP on Niagara Falls became operational. HEPP "Pod gradom" works even today.</i> |
| 1903 | <i>HEPP "Vučje", currently operational.</i> |
| 1908 | <i>HEPP "Gamzigrad", on Timok river, also operational to this day.</i> |

EPS is considering the possibilities for construction of new hydro-electric power plants in the projects:

- **Project HEPP Ibar**
- **Project HEPP Morava**
- **Project HEPP Middle Drina**
- **Project PSH Đerdap 3**
- **Project PSH Bistrica**
- **Project of construction of fourth aggregate in HEPP Podpeć**
- **Project of construction of fifth aggregate in HEPP Bajina Bašta**

It has finished the revitalization of HEPPs "Ovčar Banja" and "Međuvršje" using own funds, while it is performing the revitalization of HEPP "Bajina Bašta" through joint investment of EPS and KfW.

IS 2015 ALREADY LOST FOR THE RECOVERY OF SERBIAN ECONOMY?

WHAT ARE THE RECOVERY CHANCES AND MAIN PROBLEMS OF SERBIAN ECONOMY AT BEGINNING OF 2015? WAY ARE MANAGERS OF COMPANIES SKEPTICAL ABOUT POSSIBLE GROWTH OF THEIR BUSINESSES IN SERBIA? THIS SHORT OVERVIEW OF CURRENT ECONOMIC SITUATION GIVES SOME ANSWERS.

Author: BSN Team

2014 reforms

The first half of the 2014 was period with thundering announcing of economic reforms. After March elections new government was formed and this was seen as starting of long awaited reforms. Managers from private sector, after long years of working in unfavorable conditions, turn their expectations to the new government and prime minister in hope that soon reforms could be seen in practice.

The first steps from new government, indeed, look encouraging. On request of influential business associations in the country Labor Law is finally changed in June.

Through these changes employers get more flexible conditions for employing and quitting. Some labor costs from earlier communist Yugoslavia are also minimized like past work fee. On other hand, some articles in this law stayed complicated for practical use (details of labor law contract, wage calculation and to many wage additions in comparison with EU, numerous internal procedures in the company, trade unions rights are too wide and similar like in socialist Yugoslavia, the question of agencies for temporary employing is not solved, etc). The consequence of Serbian Labor Law after changes is that employers must have very precise and detailed rule books or collective agreements in their companies if they won't to be protected of losing of possible court process with their employees and other complications. This rambling and bureaucratic Labor Law is especially hard



for practical use for small and medium sized enterprises who must hire a lawyer or a legal expert if they won't to avoid complication and possible damage in implementation of Labor Law articles.

Government also changed Privatization Law with wish that after 13 years finally end a privatization process in Serbia. And also the Bankruptcy Law with goal to accelerate bankruptcy process. On the end of 2014 privatization process is far a way from over, and Bankruptcy Law is yet very slow for practical use.

Very important law was Construction Law (in Serbian public well-known as the Planning and Building Law) with two main topics – less procedures for construction permits and conversion of the agricultural land

in building land. This Law was sent in National Assembly of Republic of Serbia on the start of the December. Before that, Minister for construction area announced that this law should resolve main problems of private investors in Serbia.

One of the important changes for SME sector was announcement from the state Found for Developing that small and medium sized enterprises can expect to easily get credits for sustainable business-plans. However, liquidity crisis among the SME in Serbia is very dip and managers are careful with any new investments and borrowing of money.

On the end of 2014 Ministry for economy also announce creation of new Strategy for developing of SME sector and Law about temporarily restrictions of doing business as prevention from often business frauds in Serbia. Economic experts, media, and wide public in Serbia are not familiar with content of announced SME strategy. Is enough to said that last SME Strategy was an disaster and no one from the government officials in charge for economy don't wont to say a word in public

about results of this Strategy. The managers and directors of small and medium sized enterprises in Serbia can only hope that this time Government shall not bring over the night one more "cabinet strategy".

Other issue – business frauds is more complex question and announces of Law about temporarily restrictions of doing business with Registry of Disqualified Directors will only partially attack the problem with uncertain results.

Business community expected from new government a larger initiative and effort on other necessary reforms like tax reform (especially tax and contribution wage reform), reforms of pension and health funds, public sector reform and decreasing of army of employed people in this sector (nearly 45% of employed people in Serbia are state workers), reduction of bureaucracy, introducing of electronic governing and modernization of state services for business community in Serbia...

These huge problems are attacked only in the singular statement of government officials and some of them are not mentioned at all.

2015 challenges and business killers

INSOLVENCY

In last five years (since 2009) hard challenge of temporarily or chronically insolvency strike down more then 95% enterprises in Serbia. Year per year blood picture of Serbian economy is worse and worse. In this situation only some rare domestic and foreign investors company have business stability. The condition sine qua

non of this stability is that company has at least 40% of hers sale in total as export on EU or other outside markets. In that case company has regularly payment to hers suppliers, employees and other subcontractors. All other entities on Serbian market flow in restless waters and cope with insolvency problems.

Next two tables illustrate this state.

TABLE 1. AVERAGE DEADLINE OF PAYMENTS

AVERAGE DEADLINE OF PAYMENTS	APRIL 2013	DECEMBER 2013	MARCH 2014	OCTOBER 2014
	129 DAYS	120 DAYS	126 DAYS	132 DAYS

TABLE 2. DEADLINE OF PAYMENTS PER SECTORS

BRANCH (SECTOR)	AVERAGE DEADLINE OF PAYMENTS
PERFORMERS IN CONSTRUCTION SEKTOR	214 DAYS
PERFORMERS IN ELECTROENERGETICAL SECTOR	212 DAYS
SELL OF METAL PRODUCTS	176 DAYS
SELL OF TEXTILE PRODUCTS	175 DAYS
MAINTENANCE SERVICES (CLEANING, DISINFECTION, DERATIZATON, EXTERIER CLEANING)	169 DAYS
SELL OF HOUSEHOLD APPLIANCES	148 DAYS
SELL OF FURNITURE	148 DAYS
SELL OF BUILDING MATHERIALS	147 DAYS
MARKETING, ADVERTISING AND PR SERVICES	142 DAYS
SELL OF CHEMICAL PRODUCTS	141 DAYS
SELL OF FOOD AND DRINK PRODUCTS	137 DAYS
CONSALTING SERVICES (FINANCE CONSULTING)	135 DAYS
SELL OF PHARMACHEUTICAL PRODUCTS	134 DAYS
SELL OF PLASTIC PRODUCTS	132 DAYS
SELL OF RUBBER PRODUCTS	130 DAYS
IT SERVICES	124 DAYS

PERMANENT GROWTH OF NPL

Level of problematic credits is nearly 25% and banks have difficulties to find small and medium enterprises who are enough solvent for approving of credits and loans. In last five years level of NPL is congruent with insolvency trends in Serbian economy. High level of NPL is great barrier for new investments in export activities for SME's, because they often don't have collateral as a guarantee for investment credits. This is reason way SME sector is in "concrete phase". On one side purchasing power of the Serbian inhabitants is on low level (average wage without tax and contributions is nearly 370 EUR) and small and medium sized enterprises are in constant spasm how to provide regular payment from distributors and sellers of theirs products and services. On other side, if company doesn't have stabile money flow then banks don't take over the risk and borrow money to her.

This "concrete phase" is most visible in the construction sector. Rate of NPL is over the 27, 5% in this

branch. Previous table shows that deadline of payments is longest in the construction sector. This sector also has serious problems with certification process for building materials and construction permits, complicated procedures in the cadastre, etc. The purchasing power of the people in Serbia over the top slows sell of immobility's (apartments, office space, other objects and infrastructure). All this causes that many construction companies survived only with help of the banks. Loans and credits for liquidity from the banks with interest rate subvention from the state inject little of life in companies from construction sector, but one quarter of the enterprises in this branch died from start of 2009 to today. Rest of this subvention policy over the banks is that many construction companies did not return credits and loans and they are still in-debt. All these companies could not count to bank support for new investments until they return old debts.

HIGH LEVEL OF TAX AND CONTRIBUTIONS

ON WAGE

Managers of small, medium and large companies, through every significant economy research in the past five years has clearly concluded that fiscal burdens of the wages are too high for country with undeveloped economy like Serbia is. High level of wage tax and contributions is generator for high level of informal economy and permanent insolvency of legal small and medium enterprises. However, despite of persistent voices from the business community and appeals for decreasing of wage burdens, state officials close their eyes and delay necessary reforms of tax system, pension and health funds. If Government don't conduct this changes in 2015 more than 80% of enterprises in Serbia will not have a chance to employ new people, even if they have need for that.

In total tax and contributions on net wage in Serbia are 64, 7%. In the Europe some countries have a higher level of wage burdens, but problem in Serbia lay down in fact that average small and medium enterprise has only 22,4% of average monthly income of the average SME from EU countries. The purchasing power of the Serbian citizens is on low level and companies don't sell enough goods and services to pay so high tax and contributions on the wage.

This was a reason why a great number of subvention credits for liquidity were taken from companies in last five years. Companies have lack of income and only 20-21 percent of them pay their employees on time. When delay of payment threatened to endanger whole company managers decided to take a credit or loan from the banks. This wage tax policy as a consequence has permanent increasing of private companies' debt. Purpose of the permanent borrowing from the banks is not new investments, but paying of high tax and contributions and numerous other fiscal and Para fiscal (hidden) burdens of doing business in Serbia.

PURCHASING POWER ON THE EDGE

At the moment purchasing power of the Serbian inhabitants is on minus 39, 2% in comparison with purchasing power from 2008. Common people buying and ordering

only necessary goods and services and space for expansion on the internal market is very tight. Low salaries and insufficient inspection control are fertile ground for gray and black economy that is very typical for little towns and villages in the country. More than 40 percent of basic agricultural product (pork, cow and chicken meat, milk, eggs, season vegetables, domestic spirits, honey, vine...) are exchanged or sold in shadow economy.

Monthly income of average employed man or woman in Serbia is 370 EUR, but only 272 EUR is left for all basic life needs.

In the same time Government must cut huge state budget deficit. Sharp saving measures are the cause of 10% cut of wages for all employed people in public sector, public enterprises and state administration. The pensioners will also suffer for same percent of reducing of their pensions, because 42% of pension budget is loan from Serbian state budget. This is necessary on the moment if the Government won't to avoid state bankruptcy, but this decision will have consequences for further melting down citizens' purchasing power. Forty five percent of the employed people working for state and 10% reduction of their salaries shall decrease average net wage in Serbia approximately for 5,3%. This reduction will be a new stroke on doddered private sector and overall turnover of companies on internal market. First effects of Government measures on private sector shall be measurable immediately after New Year and in first months of 2015.

BUREAUCRACY AND CORRUPTION

In 2014 Government changes some important economy laws, but state system with cluttered public sector and administration is still huge ballast on the back of weak private sector. At the same time dialog in between private companies and state is on glassed legs. State officials and their staff predominantly continue with cabinet police of adoption of important laws and especially by-laws who are crucial for functioning of everyday businesses. Common practice is that when Government officials announce some law or by-law they put their proposals on the table in the state Chamber of Commerce and then companies and business association

have chance on hour or two to give their suggestions. From period of communist Yugoslavia in Serbia stayed practice that lower staff from ministries and other state institutions write important laws and those clerks don't have experience from modern economy, companies and market. The result of whole process is that thousand of different and often unnecessary procedures are the business killers in Serbia.

Few examples are:

- VAT law with by-law has about 250 pages, but interpretation of this law has more than 1240 pages
- C sign for building materials, EN as a standard for many products from EU are not valid in Serbia and companies have double costs of reconciliation of standards from EU in Serbia
- International Accounting Standards are not valid in Serbia and companies' performances in Serbia are not comparable with performances of the companies worldwide.

This cumbersome bureaucracy machine and lack of responsibility of state clerks and politicians is dreamed chance for corruption and dirty hands of apparatchiks. Domestic entrepreneurs from different local municipalities in the country claim that level of corruption in this conditions reaches 100% in some cases. In many towns it's impossible to get construction permit or other papers without corruption.

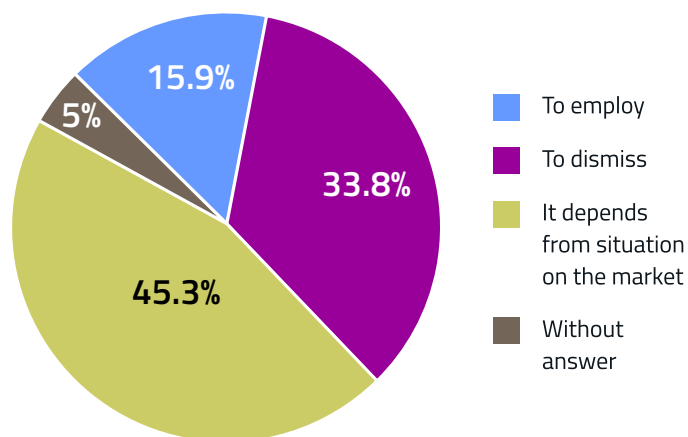
These facts are well-known and will be interesting to see if the new Construction Law will be able to decrease corruption on the field. Mrs. Zorana Mihajlović, Minister for construction, traffic and infrastructure said that with changes of this Law all executive operations for approval of construction permits are in hands of the local municipalities. The companies shall go in one local office with requests for permits and local staff will collect all other necessary documents. Experts for construction permits and cadastre problems now are very suspicious about results of this new solution from the Law. More than 4/5 local municipalities in Serbia are inefficient and bad organized. Their services are unreformed and staff is not enough educated to do this job for the applying companies. This shifting of the problem on the services of the local municipality has one serious obstacle more

– corruption on the local level that is more expressed in comparison with corruption on the state level.

Conclusion is very obvious – if these reforms in construction area don't succeed 2015 will be one more year lost for construction and building materials industry in Serbia.

EMPLOYING PERSPECTIVES

Maybe all particularized challenges and business killers in this text are best illustrated with these figures from last research (from November 2014) among the 260 managers of Serbian companies about employing perspective in 2015.



Gathered data shows that nearly a half managers of enterprises in Serbia wait to see a situation on the internal market in 2015 and they are very reserved about hiring and employing of new workers. Only 15, 9% think that they shall open new working place and one third of them shall decrease number of employed people.

CONCLUSION

All exposed facts and findings indicate caution with any forecast of business 2015 in Serbia. Even the prime minister of Republic of Serbia, Mr. Aleksandar Vučić, publicly said that he and Government expecting that better life awaits people in Serbia only in 2016. But, this better perspective is possible only if the long awaited reforms finally be realized. If 2015 is not a year for economy growth, she is certainly year when observers will see are the reforms introduced and like the arrows aimed to the target.

THE MEETING OF ENTREPRENEURS WITH THE PRIME MINISTER

MONTENEGRO NEEDS A NEW CONCEPT OF ECONOMIC GROWTH BASED ON THE ECONOMY OF INNOVATION, COMPETITIVENESS AND SUSTAINABILITY – THIS HAS BEEN ESTIMATED AT THE TRADITIONAL ANNUAL MEETING OF ENTREPRENEURS WITH THE PRIME MINISTER, MILO DJUKANOVIC, WHICH WAS ORGANIZED AT THE CHAMBER OF ECONOMY OF MONTENEGRO ON 12 DECEMBER 2014.

At a very well attended meeting, with the participation of the Deputy Prime Minister, **PhD Vujica Lazović**, the ministers: **Radoje Žugić**, **Vladimir Kavarić**, **Predrag Bošković**, **Petar Ivanović**, and the Governor of the Central Bank, **Milojica Dakić**, the Chamber of Economy presented their analysis "Montenegrin Economy in 2014 with the Proposed Measures for the Improvement of Business Climate". This document represents a compilation of attitudes and opinions of the Montenegrin economy, identifying its problems in an analytic and expert way.

The key message from the opening statement by the host, the President of the Chamber of Economy, **Velimir Mijušković**, has been that Montenegro needs to opt for the development of production so that its economy could be set on sound basis.

- When it comes to the production sector, I believe that economically most acceptable and at the same time most rational model of development would be through small and medium sized enterprises, which would be export oriented and organized in industrial zones – Mr Mijušković has said.

The Prime Minister, **Milo Đukanović**, expressed his concern that the recession in the region could harm the economic development of Montenegro, which dynamization is an imperative of his government's policy, through new concept based on the economy of innovation, competitiveness and sustainability. As he has put it, education plays an important role in this.



- We need to improve the knowledge of the entrepreneurship sector and we need to direct our activities through cooperation of the Government and the Chamber of Economy, as well as universities – the Prime Minister has said.

He has said that there is an upcoming realization of huge infrastructure projects in the country, such as



the construction of the priority section of the highway Bar – Boljare, an investment worth 809 million EUR, and that in the next period it will be clear which Montenegrin enterprises will be involved in the project. There are valuable investments in tourism, as well, such as the expected close start of construction activities in Pržno financed

by Qatari Diar, Mr Đukanović has said.

During the meeting, the entrepreneurs have emphasized the need for the change in legislation and tax policy aimed to improve business climate, as well as the measures which would make our country a more accessible tourist destination.



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Exclusive interview with Mr. Velimir Mijušković, the President of the Chamber of Commerce of Montenegro

ONLY CONTINUOUS PROGRESS CAN BRING SUCCESS

IT IS IMPORTANT TO SAY THAT THE REALIZATION OF IMPORTANT INVESTMENTS IN TOURISM HAS BEEN STARTED AND THAT THE CONTRACT ON THE CONSTRUCTION OF THE HIGHWAY HAS BEEN SIGNED. THIS SHOULD SECURE POSITIVE TRENDS IN OUR ECONOMY IN THE COMING PERIOD, AS WELL.



Velimir Mijušković

Mr. Mijušković, we are almost at the end of the business year of 2014. In terms of the economic activities, would you estimate it as positive?

Despite the fact that the business operations still take part under the conditions of the world economic crisis, with all its specificities pertaining to the Region and Montenegro as its part, in 2013, Montenegro achieved the growth which, according to some indicators, will be recorded in 2014, as well.

Real growth in 2013 was 3.3%. The growth rate in the first half of this year was 1% and it is expected to reach 2.5% on an annual level.

Speaking of the economic climate, we should say that the results of the world agencies which measure business climate, competitiveness and other indicators, clearly show that Montenegro achieves a continuous progress on the World Bank doing business list, which is very important for the economy. We have also recorded progress when it comes to economic freedom, as per the Fraser Institute list and the Global Competitiveness list of the World Economic Forum.

The economy feels and confirms the improvement of business climate but it also expects the continuation of this trend.

It is important to say that the realization of important investments in tourism has been started and that the contract on the construction of the highway has been signed. This should secure positive trends in our economy in the coming period, as well.

What does Montenegro offer to the foreign direct investors and what is it that singles it out from other countries in the region?

More or less, the regional countries offer similar conditions to the investors. We are competitive in this segment and we all try to offer better basis, sufficient to attract new capital. The investors try to obtain a very accurate overview of what they are offered. They are demanding and we have to be fast to meet their requirements, as much as we can. Shortly after regaining independence,

Montenegro managed to achieve remarkable results in attracting foreign investments and to keep that advantage. Apart from exquisite natural resources, which are very profitable for investments, our political stability is an important factor which keeps us one step ahead of the others. Besides, having Euro as a currency also presents some kind of advantage.

In the first nine months, how many new foreign investors came to your country and in which sectors?

The total inflow of foreign direct investments for the first nine months of 2014 was 347 million EUR, which represents a fall of 1.1% in comparison to the same period in 2013. In the FDI structure the intercompany debt and investments in real estate make the largest share of the FDI, while the investments in domestic enterprises and banks are significantly lower.

The year 2015 is ahead of us and it will mark the realization of big investments, primarily in tourism. Therefore, it is realistic that the FDI inflow will be much higher. Besides, the procedures for investments in several new locations, both in tourism and the energy sector, are in the final phase, which additionally confirms our expectations.

Are you satisfied with the results of this year's tourist season and what are the countries of origin of your most numerous tourists?

The contribution of tourism to the Montenegrin gross domestic product has achieved a constant growth and the realization of the announced investments in the coming period is expected to make it even higher. There are estimations that the total share of tourism in 2013 was 20% of GDP.

The income from tourism in the first nine months of this year increased for cca 35% in comparison to the same period last year. Until October 2014, 1.3% more arrivals were recorded in comparison to the same period in 2013. The number of foreign tourists and overnight stays has also increased.

The majority of tourists who visit Montenegro come from the regional countries and the Russian Fed-

eration. In addition, the number of tourists from Western European countries has also recorded a growing trend.

It is important to note that in the recent years Montenegro has managed to position itself as a cruising destination. Thanks to Porto Montenegro, Montenegro has been promoted as a destination which attracts rich and highly sophisticated members of the so-called nautical tourism.

Apart from tourism, what are other branches of economy which could contribute to further expansion of your country and higher economic growth?

I think that these are primarily agriculture and food processing industry, wood processing, as well as the production of electricity. The offer of agricultural and food products is necessary for the development of tourism, as well, because if we were not able to offer a quality domestic product, then the effects from tourism would be much lower. Thanks to its good natural characteristics, Montenegro has the potential for further development of these industries. We already have technologically and organizationally modern plants for food processing. In addition, there is also the demand for these products.

Thanks to the fact that we have quality woods, as well as the experience in the wood processing industry, we can say that this branch of industry has significant potentials.

I have also mentioned the production of electricity. Thanks to our available hydro potential, as well as other, renewable, sources of energy, with the construction of new production potentials and completion of the under-sea transmission cable between Montenegro and Italy, we will become an important partner to the short supplied European energy market.

In your opinion, what are the biggest problems in the economy of your country and are you satisfied with the current economic climate?

The biggest problem of the Montenegrin economy, as well as the economies of the region, is its poor diversification and low level of competitiveness. The situation is additionally complicated by a poor transport connecti-

ty. However, I believe that the efforts we invest to change this condition slowly start to show positive results.

Can our region be more attractive for foreign investors if it is presented as a single unit, given the fact that we are speaking about small markets?

Well, that is the chance for our region. Taken separately, each of our countries is small for attracting big investments. If we want to strengthen the region economically, we need to think of our future in the geographic and economic unity.

I would say that, following the Berlin conference in August 2014, the EU and the investors from the economically powerful countries have again shifted their focus on this region. The attention we have received testifies of a changed evaluation of our strategic and economic significance. Now that the Balkans has become the center of European economic trends, intensive regional cooperation is necessary to turn the growing trend into a stable economic growth as a whole.



Velimir Mijušković

What do you expect from the next business year?

I expect the start of some new investments in tourism and infrastructure, which should generate growth in some other sectors as well.

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Sead Kočan, CEO of the construction company "TRANSMET"

MACEDONIA: REAL CAPACITY FOR COOPERATION

THE CONSTRUCTION SECTOR WILL BE THE LEADING FACTOR OF THE ECONOMY IN MACEDONIA

Mr. Kočan, You have a double role in Macedonian economy: You are a vice-president of Macedonian Chamber of Commerce and a director of construction company "Transmet". Which of the two roles is a more difficult one?

Yes, I am currently acting Vice President of Macedonian Chamber of Commerce (MMC) and CEO of the construction company TRANSMET. But, frankly, I could not decide and say which of these two roles is more difficult, both carry serious responsibilities in their own way, but the most important thing is that a parallel implementation of the two roles is entirely possible. It is true that the parallel realization of the two activities is time and energy-consuming, but we all know that a good manager must always find a way and time for everything.

What is the situation in the construction sector in Macedonia, including the largest problems and what can this industry expect in 2015?

According to the statistics, we can say, without hesitation, that the construction sector is the most promising business this year. The managers in the construction sector are satisfied and they have assessed the current situation in Macedonia positively, despite the regular occurrence of minor and major obstacles and problems. The expansion of the construction sector is tremendous, the performances in this sector were particularly strong, this year was really good, and it is expected that the next one will be even better, new projects are coming, which means that a greater engagement of the construction companies will follow. In Macedonia, the forecast is indicating further growth and more projects in this area, and therefore I believe that the construction sector will be the leading factor of the economy in Macedonia the next year.

Is there a regional cooperation with similar companies for joint entry into large global markets?

The number of initiatives for regional cooperation with similar companies in the construction sector is becoming greater and greater in the region. The rapid and continuous growth, as well as the incentives from the economic crisis, led to a greater cooperation with the countries of former Yugoslavia, as well as other countries in the region. There is a real capacity for cooperation. I also believe that the initiative for regional cooperation, advancement and strengthening of the relationships with other regional chambers is a very big step.

In the end, what economic growth can we expect in your country in 2015, considering that Macedonia is becoming more and more interesting for foreign investors?

The foreign direct investments are particularly important for the Macedonian economy. The last few years we have had more investments targeting directly the real economy, which lead to new employments, macroeconomic stability and rapid economic growth. 2015 predicts new projects and measures, as well as continuation of the already initiated activities. The main priority is the growth of the number of foreign investments, which will lead to rapid economic growth in Macedonia. The construction is expected to achieve high growth rates as a result of the realization of major infrastructure projects and the announced investments in Technological Industrial Development Zones (TIDZ) and industrial zones, the construction of highways, reconstruction of roads, construction of several clinical centers as well as the railway to Bulgaria. Also, the development in other sectors will help accelerate the economic growth and maintain stability.



Sead Kočan

3.3 BILLION EUR AND 65000 WORKPLACES LOST IN CONSTRUCTION IN THREE YEARS

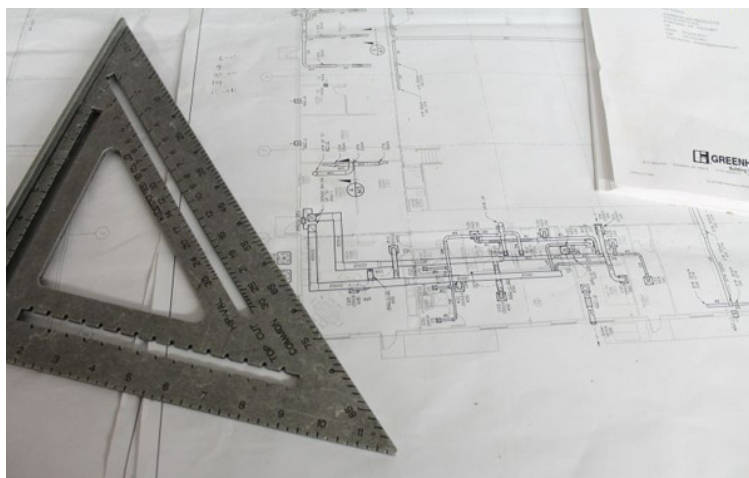
BUSINESS SUPPORT NETWORK CONDUCTED AN ANALYSIS OF THE DAMAGE CAUSED TO THE CONSTRUCTION COMPANIES AND CONSTRUCTION MATERIALS PRODUCERS IN SERBIA DUE TO POSTPONEMENT OF CREATION OF NEW LAW ON CONSTRUCTION AND PLANNING.

Author: BSN Team

Data for the analysis were gathered from Statistical Office of the Republic of Serbia, Business Register Agency, Real Estate Cadaster of the Republic of Serbia and through survey conducted among 726 managers of construction firms operating in Serbia. In the field research multiple public opinion survey agencies were involved, as well as expert consultants, construction engineers in private construction companies, etc.

BASIC OVERVIEW OF THE SITUATION IN CONSTRUCTION SECTOR IN THE FIRST 10 MONTHS OF 2014

- Total number of constructions in progress in Serbia reduced by 2.1% compared to the previous year (even though the total value of construction works increased by 45.5% lack of new Law and bureaucratic barriers contributed to this drop which is highest in building construction – 19.4% compared to 2013).
- Number of registered construction companies **7198**
- Number of construction companies in bankruptcy or having their accounts blocked **1458**
- Number of employees in construction sector companies **80962**
- Average net wage in the construction sector **39174 RSD**



UNREALIZED OR PARTIALLY REALIZED BUSINESS DEALS – A PRODUCT OF BAD REGULATION

Research was focused on how complicated and slow procedures prevent realization of business deals in construction industry. Company managers were asked to give their estimate of how many deals were left unrealized or partially realized from 2012 onwards due to bureaucracy.

TABLE 1. NUMBER OF UNREALIZED OR PARTIALLY REALIZED BUSINESS DEALS AND THEIR VALUE

TOTAL NUMBER OF SURVEYED CONSTRUCTION COMPANIES	726	100%	NOTES
CONSTRUCTION COMPANIES SUFFERING LOSSES DUE TO UNREALIZED OR PARTIALLY REALIZED BUSINESS DEALS	684	94.2%	<ul style="list-style-type: none">UNREALIZED DEALS ARE THOSE DEALS THAT WERE COMPLETELY BLOCKED DUE TO CONSTRUCTION PERMITS NOT ISSUED AND OTHER BARRIERS.PARTIALLY REALIZED DEALS ARE THOSE THAT WERE PLANNED BY THE COMPANY AND WERE STARTED, BUT WHOSE DEADLINES WERE MISSED AND WERE SIGNIFICANTLY SLOWED DOWN DUE TO BUREAUCRACY
CONSTRUCTION COMPANIES SUFFERING NO LOSSES	42	5.8%	
NUMBER OF UNREALIZED DEALS 2012-2014 (COMPANY AVERAGE)	9		
LOSSES DUE TO UNREALIZED DEALS (COMPANY AVERAGE)	176,248 EUR		
NUMBER OF PARTIALLY REALIZED DEALS 2012-2014 (COMPANY AVERAGE)	21		
LOSSES DUE TO UNREALIZED DEALS (COMPANY AVERAGE)	291,314 EUR		

Considering that 726 surveyed companies represents 10.09% of the whole construction industry in the country, the total losses of the construction and construction materials industry in the 2012-2014 period is estimated at 3.365 billion EUR.

Company managers were asked to segment the fields in which the bad regulation, primarily the Law on

Construction and Planning currently in force, but also the other regulations and bureaucratized processes of obtaining documentation necessary for conducting business operations caused damage to the construction companies in Serbia.

TABLE 2. FIELD OF CONSTRUCTION WHERE COMPANIES ARE FACING MOST DAMAGES

FIELD	WHERE IS THE LONGEST HOLDUP DUE TO REGULATION (PERCENTAGE OF ANSWERS)
CONSTRUCTION OF NEW OBJECTS	28.5
EXPANSION OF EXISTING CONSTRUCTIONS	10.1
RENEWAL OF OLD OR ABANDONED BUILDINGS	3
CHANGE OF PURPOSE OF BUILDING INTO LIVING SPACE	4.2
OTHER CHANGES OF PURPOSES OF OBJECTS	2.3
EXPANSION OF OBJECT	8.4
RECONSTRUCTION, ADAPTATION AND MODERNIZATION OF CONSTRUCTION	10.9
REPLACEMENT OF DILAPIDATED PARTS OF EXISTING OBJECTS	1.3
REGULAR MAINTENANCE AND SIGNIFICANT REPAIRS	3.4
CONSTRUCTION OF TRAFFIC INFRASTRUCTURE	9
CONSTRUCTION OF COMMUNAL INFRASTRUCTURE	10.4
CONSTRUCTION OF ENERGY INFRASTRUCTURE	4.6
CONSTRUCTION OF OTHER INFRASTRUCTURE	3.9

Company managers participating in the survey were asked to estimate how many people they would hire in order to realize planned business deals. The average numbers per company are given in the table below.

TABLE 3. UNEMPLOYED PEOPLE THAT WOULD BE IN DEMAND IF THE COMPANIES REALIZED THEIR BUSINESS PLANS

OCCUPATION	AVERAGE NUMBER
CONSTRUCTION ENGINEER	1
OTHER HIGHLY EDUCATED	1
MASONS	2
ARMATURE WORKERS	1
ELECTRICIANS	0,5 (ONE PER TWO COMPANIES)
PLUMBERS	0,5 (ONE PER TWO COMPANIES)
PAINTERS	0,5 (ONE PER TWO COMPANIES)
WORKERS ON CONSTRUCTION MACHINES	0,5 (ONE PER TWO COMPANIES)
FLOOR COVERING WORKERS	0,35 (ONE PER THREE COMPANIES)
CARPENTERS	0,32 (ONE PER THREE COMPANIES)
CERAMIC WORKERS	0,32 (ONE PER THREE COMPANIES)
ASSISTANT CONSTRUCTION PERSONNEL AND OTHER CATEGORIES	1
NUMBER OF WORKPLACES PER COMPANY	9 PEOPLE

Were the surveyed 726 companies able to realize their business plans they would employ a total of 6,534 people, in addition to those already working for the companies. Considering that these business plans were not realized, the companies are having difficulties even maintaining the current number of employees. One third of the surveyed companies (34.2%) claims that their employee's salaries are late more than one month as they are unable to collect the receivables for the finished work from the previous period, there are not enough new opportunities in the market, and for the newly contracted jobs it is common to wait for months, even years for various documents which are necessary to start the construction, or deliver needed materials and the equipment.

Thus the domestic producers of construction materials and equipment, as well as traders of those products are suffering due to bad regulation. Construction companies waiting for the permits are delaying ordering of materials, machines, equipment, tools, etc. causing damage to the whole industry.

Keeping in mind the share the surveyed companies represent in the complete industry, realization of the blocked business deals would mean the opening of 21,500 new workplaces in this sector every year. Postponement of the adoption of new Law on Construction and Planning and simplification of the procedures thus prevented opening of 65,000 new workplace in the last three years.

PROBLEMATIC PROCEDURES IN CONSTRUCTION

Managers of 726 companies evaluated which procedures posed the main barriers for realization of business deals in the 2012-2014 period.

TABLE 4. WHICH PROCEDURES PREVENTED OR BLOCKED REALIZATION OF BUSINESS DEALS FOR CONSTRUCTION COMPANIES

PROCEDURES	PERCENTAGE OF COMPANIES THAT HAD ISSUES
GRANTING OF CONSTRUCTION PERMIT	54.7
OBTAINING DOCUMENTATION FOR THE CONSTRUCTION PERMIT	45.8
OBTAINING DOCUMENTS FROM THE REAL ESTATE CADASTER	51.9
GRANTING OF LOCATION PERMIT	27.8
GRANTING OF USAGE PERMIT	26.3
RECEIVING OF CERTIFICATE OF CONFORMITY FOR PRODUCTS (MATERIALS) IN CONSTRUCTION	19.8
GRANTING OF PERMIT FOR CONSTRUCTION EXPANSION	21.7
PROCEDURES RELATED TO RECONSTRUCTION, ADAPTATION AND MODERNIZATION OF CONSTRUCTION	11.6
PROCEDURES RELATED TO URBANISTIC AND REGULATION PLANS OF LOCAL SELF-GOVERNMENTS	7.9
PROCEDURES RELATED TO CHANGE OF PURPOSE OF OBJECTS	16.8
OTHER	15.5

RESPONSIBLE INSTITUTIONS

Construction company managers have marked the institutions which they, in their experience with problematic bureaucratic procedures, consider to be the most responsible for the situation in the construction sector caused by complicated regulation, business expenses and parafiscal charges caused by the said regulation.

TABLE 5. INSTITUTIONS RESPONSIBLE FOR THE LOW LEVEL OF REALIZATION OF BUSINESS PLANS IN CONSTRUCTION SECTOR

INSTITUTION	PERCENT OF COMPANIES CONSIDERING THE INSTITUTION RESPONSIBLE
MINISTRY OF CONSTRUCTION, TRANSPORT AND INFRASTRUCTURE	68.9
REAL ESTATE CADASTER	72.6
LOCAL-LEVEL INSTITUTIONS RESPONSIBLE FOR PLOTS PLANNED FOR CONSTRUCTION	29.7
LOCAL SELF-GOVERNMENTS	31
BUREAUS AND INSTITUTES PERFORMING CERTIFICATION OF PRODUCTS FOR CONSTRUCTION INDUSTRY	17.4
CONSTRUCTION INSPECTION	8.6
OTHER GOVERNMENT INSTITUTIONS	21.2

Company managers list other factors contributing to the chaotic situation in application and interpretation of regulations from the construction sector:

- Law on construction and planning is undefined and not harmonized with other regulations (Law on VAT, Company Law, Law on Bankruptcy, Law on public property, Law on citizen income tax, etc.)
- Real Estate Cadaster's information system is inadequate and does not satisfy the modern needs.
- Corruption in the real estate cadaster, municipal-level institutions, but also with individuals in the Ministry of construction is an everyday occurrence.
- Regulations which were supposed to harmonize the Serbian standards for construction materials with the European ones are not applied in practice, which causes significant issues for the construction companies, who wait for over 18 months to receive certificate of conformity for certain products, losing business reputation and failing business deals and blocking the construction sites.
- Producers of construction materials in Serbia pay

twice for certification of their products, once in Serbia, and the second time for the EU market, since Serbia hasn't harmonized its standards with the EU. Therefore, Serbian certification bodies cannot provide certificates valid in the EU Member States. These double expenses for certification are reflected in the final price of product, heavily affecting their competitiveness.

Due to the overall condition in the construction sector and state institutions imposing superfluous bureaucracy which block the development of the whole industry, private investment in the construction are currently only 17.5% of the EU average. Considering that the Republic of Serbia does not have funds to invest in construction due to high budget deficit, the only solution and hope for the recovery of this important sector of industry is to increase the number of private investments.

However, that is unlikely to occur unless the state creates simple and efficient system of obtaining construction permits, modernizes the real estate cadaster and reduce the difficulties regarding the trade of goods and services in this sector.

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

INSURANCE LAW, PAYMENT SERVICES LAW AND GAMES OF CHANCE LAW SOON IN THE PARLIAMENT

Author: BSN Team

INSURANCE LAW

The Governor of National Bank of Serbia, Ms Jorgovanka Tabaković, on the middle of December announced adoption of Insurance Law.

Insurance companies in Serbia had many objections on this law in last ten years. The Governor said that new Insurance Law has role to overcome a gap in between Serbian and EU insurance legislation.



"The founding of insurance companies will be similar like in EU countries. Criteria for permissions for insurance

companies shall be simpler. On other hand rights of insured people and companies are rose on the higher level."

The insurance sale channels will be safer. Proposal of the new Law regulated that insurance companies can employ insurance agents as a temporary employees and this is in contrary to an actual Insurance Law who is strictly prohibited temporary engagement.

Articles about control of the insurance companies from the National Bank of Serbia are reinforced. National Bank will be able to punish disobeyed companies with money penalty.

"This is a try of introducing of higher level of discipline in the Serbian insurance market", said the Ms Tabaković.

PAYMENT SERVICES LAW

The Governor of National Bank of Serbia presented Payment Services Law as a new law in Serbia. The goal of this law is establishing of payment institutions and electronic money institutions.

This law shall reduce conversion and provision costs of doing business and costs of ordinary citizens. The abroad transaction shall be easier. The payment procedures will be simpler, easy for use and safer.

National bank will also establish a unique supervisory on the payment services market and unique register of payment services for companies and citizens. Role of this registers is rose of court and police efficiency.



With these two laws central bank send also proposal of changes of Foreign Exchange Operations Law, Prevention of Money Laundering Law and Protection of Finance Services Users Law in National Assembly of Republic of Serbia.

GAMES OF CHANCE LAW

The new Games of Chance Law shall probably be adopted with State Budget for 2015. This new law is Government effort to decrease shadow economy in this area.

In the future only companies who get a certificate of military-technical institute will have permission to organize games of chance in Serbia.

This law will introduce a new approach to responsibility in organizing of games of chances and protection of young people from gambling addiction disease.

Government will establish electronic and information system networking control of games organizing on the gaming machines.

Only stagers of games who get a certificate of authorized laboratory shall have permission for organizing games. Authorized laboratory shall certified on-line organizers also.

Seventeen by-laws will be also adopted soon after adoption of the new Law.

With these changes, which are a step from the organizing of games of chance like in other countries of EU, Government won't to show green light for large corporations – organizers of games of chance from rest of the world.

In this moment, 87 organizers of games of chance have permission to work in Serbia. They have 20400 gaming machines.

An advertisement for OSRAM Night Breaker headlights. The image shows a car driving on a dark road at night, with its headlights illuminating the path. A large, glowing fist is superimposed over the headlights, symbolizing the power of the light. The text "Fight the night." is written in white, followed by "OSRAM NIGHT BREAKER® – up to 90% stronger light." in smaller white text. At the bottom, there is a black bar with white text: "Rep office OSRAM | Antifašističke borbe 12 | Serbia - 11070 Beograd | E-mail: m.lajesic@osram.com". The OSRAM logo is in the bottom right corner.

Fight the night.
OSRAM NIGHT BREAKER® – up to 90% stronger light.

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OSRAM

CORPORATE CULTURE

BUSINESS EVENTS FOR TOURISM DEVELOPMENT

At the 59th Book Fair, held in Belgrade, the monograph of three authors, **prof. Dr Slobodan Unković, dr Rajko Bujković** and **prof. Dr Siniša Zarić**, titled: *„Business events for tourism development“* was presented. The publisher of this research proposal is printing office „Makarije“. The center of author's scientific attention is economic effect that the so-called “MICE industry” produces, and the way it affects the development of local and wider community. MICE industry is better known by its common name „business events“, meaning meetings, incentive tours, conferences, conventions and congresses as well as trade fairs. It is a growing sector, of great importance for generating tourism demand and economic effects. Of special importance is also the fact that the book contains measured effects of organization of the special events, congress activities and fairs. Empirical research of direct and indirect effects was made on two occasions, in the example of events within the or-

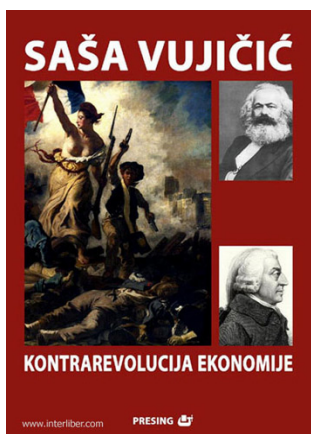


ganization of the Adriatic Fair. The research, which was unique in our Region, has shown compatible results with the researches which were made in the other countries (Germany, Czech Republic etc.). The results represent an important analytical material and arguments for creating appropriate policies of local communities and national

economies in order to give greater support to the event production sector. The book is richly illustrated and supported by important statistical materials from local and international sources, and the leading associations that gather professionals from this field of creative industry. The extraordinary illustrations of the famous Montenegrin artist and caricaturist, Luka Lagator contribute to the attractiveness of the book. Publication

of the book „Business events for tourism development“ significantly enriches thematic literature related to the tourism as well as to the event management and economic policy in its broadest sense.

COUNTERREVOLUTION OF THE ECONOMY



Saša Vujičić from Serbia provides an inspiring guide for the reader through the history of economy and modern economic processes in his book *“Counterrevolution of the Economy“*, on 450 pages, published by the Belgrade published “Presing”. He speaks of

entrepreneurship and the need of an individual to move forward, of Marxists, liberals and all other important and

unimportant actors of the political and economic arena. The book is interesting for everyone seeking to understand the modern economy, experts and laymen alike.

“... In every economic system individuals play a very important role. Freedom of choice is of crucial importance for the entire economic system. The only condition is that there is a possibility of choice. That is why an individual has to create opportunities. That is in line with nature. But, the individuals are very different. Differences are a chance for individuals who have better business ideas, are prepared to risk and accept the consequences of own ideas and actions. If the idea isn't acted upon it remains nothing but a dream...”

CAPITAL IN THE TWENTY-FIRST CENTURY

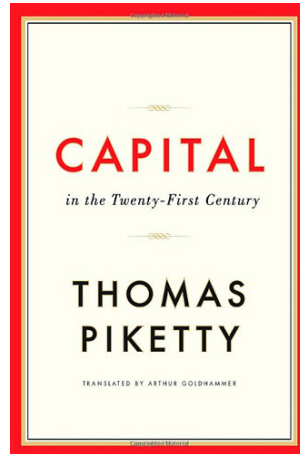
What are the grand dynamics that drive the accumulation and distribution of capital? Questions about the long-term evolution of inequality, the concentration of wealth, and the prospects for economic growth lie at the heart of political economy. But satisfactory answers have been hard to find for lack of adequate data and clear guiding theories. In *Capital in the Twenty-First Century*, Thomas Piketty analyzes a unique collection of data from twenty countries, ranging as far back as the eighteenth century, to uncover key economic and social patterns. His findings will transform debate and set the agenda for the next generation of thought about wealth and inequality.

Piketty shows that modern economic growth and the diffusion of knowledge have allowed us to avoid

inequalities on the apocalyptic scale predicted by Karl Marx. But we have not modified the deep structures of capital and inequality as much as we thought in the optimistic decades following World War II. The main driver

of inequality—the tendency of returns on capital to exceed the rate of economic growth—today threatens to generate extreme inequalities that stir discontent and undermine democratic values. But economic trends are not acts of God. Political action has curbed dangerous inequalities in the past, Piketty says, and may do so again.

A work of extraordinary ambition, originality, and rigor, *Capital in the Twenty-First Century* reorients our understanding of economic history and confronts us with sobering lessons for today.



INTRODUCTION TO BUSINESS ETHICS, CORPORATE AND SOCIAL RESPONSIBILITY

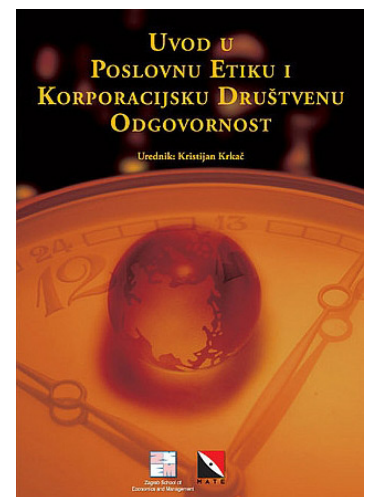
This book was published following the global trends, dedicated to business ethics and corporate social responsibility, first of its kind on the Croatian market. The book is a collection of writings, and encompasses the works of 20 experts on ethics, social and political ethics, business ethics and management. Some of the well-known authors are **P. Singer, R. Plant, R. E. Freeman, N. Bowie** and **M. Velasquez**.

The book was edited by dr.sc. Kristijan Krkač, eminent professor of business ethics in the Zagreb School of Economy and Management. For this reason, the book is intended for the students of management and economy, but also to all interested for fundamental ideas of business ethics.

Introduction to business ethics covers the following subjects: general ethics, utilitarianism, social principles, private property, theory of distributive justice, business ethics in the globalization era, fundamental


questions of business ethics, fundamental questions of corporate-social responsibility, moral decision-making framework, business case studies.

Chosen topics from the corporate-social responsibility are: problem of nature and responsibility of the company, theory of stakeholders of modern corporation, moral business, social responsibility of the company, marketing ethics, investor relations, spirituality and management, influence of European cultures on the business ethics and corporate-social responsibility, business ethical code.



FAIRS IN THE SEE REGION, FEBRUARY AND MARCH 2015

BOSNIA AND HERZEGOVINA (SARAJEVO):

SARAJEVO	37 TH INTERNATIONAL BUILDING TRADE FAIR	04 - 06 MARCH	
	INTERIO & EXTERIO	18 - 23 MARCH	


BULGARIA (SOFIA):

SOFIA	31 TH HOLIDAY & SPA EXPO 2015	12 - 14 FEBRUARY	
	5 TH MACHTECH & INNOTECH (INDUSTRIAL EQUIPMENT)	11 - 13 MARCH	
	WATER SOFIA 2015	11 - 13 MARCH	
	15 TH BULGARIA BUILDING WEEK	25 - 28 MARCH	


CROATIA (ZAGREB AND SPLIT):

ZAGREB	INTERNATIONAL NAUTICAL FAIR	18 - 22 FEBRUARY	
	INTERNATINAL FAIR HOTEL GASTRO TEH	18 - 21 FEBRUARY	
SPLIT	20 TH INTERNATIONAL FAIR GAST 2015	04 - 08 MARCH	

MACEDONIA (SKOPJE):

SKOPJE	12 TH BUILD AND CONSTRUCT 2015	03 - 07 MARCH	
	41 TH MEDEL (FURNITURE, MACHINERY AND HOUSEHOLD)	24 - 29 MARCH	

MONTENEGRO (BUDVA):

BUDVA	41 TH FOOD FAIR	12 - 14 MARCH	
	39 TH FURNITURE FAIR	25 - 29 MARCH	

ROMANIA (BUCHAREST):

BUCHAREST	CONSTRUCT EXPO 2015	26 - 29 MARCH	
	ROMTHERM (HEATING, COOLING AND AIR CONDITIONING)	26 - 29 MARCH	
	AMBIENT EXPO (INTERIOR AND OUTDOOR DECORATION)	26 - 29 MARCH	
	EXPO FLOWERS & GARDEN	26 - 29 MARCH	

SERBIA (BELGRADE AND NOVI SAD):

BELGRADE	36 TH INTERNATIONAL TOURISM FAIR	19 - 22 FEBRUARY	
	5 TH BEO WINE FAIR	27 FEBRUARY - 2 MARCH	
	6 TH GOVERNMENTAL BEEKEEPING FAIR	08 - 09 MARCH	
	8 TH INTERNATIONAL MOTORCYCLE SHOW	14 - 23 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	

TURKEY (ISTANBUL AND ANTALYA):

ANTALYA	ANFAS FOOD PRODUCT	25 - 28 FEBRUARY	
ISTANBUL	7 TH LIGHTTECH FAIR	12 - 15 MARCH	



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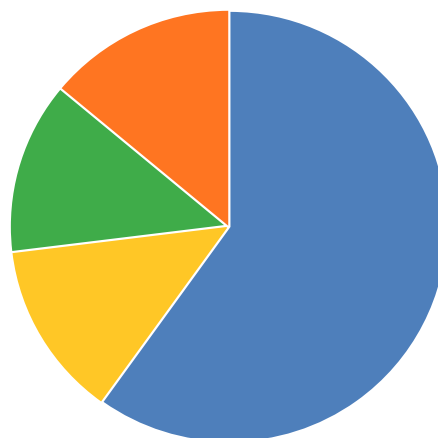
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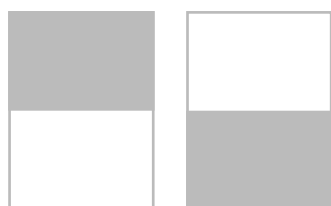
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