



business

# MAGAZINE

First Croatian  
**SMARTPHONE** launched

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SERBIA, ITALY *sign program of*  
**SCIENTIFIC COOPERATION**  
*from 2013 to 2015*

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*Bosnian Federation*  
**PROGRESS SOLUTION**  
*for pipeline to Croatia*

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*Government selects*  
**BEST BIDDER** for  
**MONTENEGRO'S** *biggest*  
*development project*



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# VOJVODINA *and* HUNGARIAN counties

## *agreed on cross border*

### **EUR 50 million project**

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*Officials of Vojvodina and Hungarian counties Bacs-Kiskun and Csongrad determined on Tuesday the thematic areas in which they will have joint projects to compete for funds of the Hungary-Serbia IPA Cross-border Cooperation Program, which is financed by the EU with around EUR 50 million.*



Milivoj Vrebalov, vice president of the Vojvodina parliament, stated that the regions intend to harmonize and implement the projects which can use the possibilities of cross-border cooperation and be beneficial for the citizens, said the media relations bureau of the provincial government.

“Nearly EUR 50 million is at our disposal which we want to use for good and sustainable projects and programs,” Vrebalov said, adding that the working group of the three regions has harmonized four out of 11 areas that the EU has recommended. **The goal is to improve the competitiveness of small and middle-sized enterprises and companies engaged in**

**agriculture, fishing, aquaculture, and support economic sectors with a low level of emission of carbon dioxide.**The next meetings will discuss concrete projects which will enter competition, Vrebalov said.

Representatives of the parliament and the government of Vojvodina and counties Bacs-Kiskun and Csongrad also discussed a number of propositions and ideas such as reconstruction of the canals and levees to prevent overflow of rivers, joint projects of anti-hail protection, renewable energy sources, development of tourism on the Tisa and Danube Rivers and others.

# CROATIA to sell HZ CARGO to ROMANIAN INVESTOR

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*A proposal to sell the HZ Cargo, a Croatian national rail transport company, to the Romanian investor Feroivar, a member of Grampet Group, will be on the agenda of the Croatian government's meeting this week, and Transport Minister Sinisa Hajdas Doncic believes that the process could be completed in one's month time.*

**Grampet Group is the largest private rail group in Romania and in South-Eastern Europe. Set up in 1999, Grampet Group includes several companies with activities in all railway sectors, from the transport of goods, rolling stock manufacturing and repairs to logistics management.** The privatization of the HZ Cargo was discussed on Monday by the gov-

ernment's railway sector task force under the chairmanship of Prime Minister Zoran Milanovic.

The Romanian investor's bid arrived in Zagreb after the government announced a tender for the privatization, and the cabinet of PM Zoran Milanovic seems inclined to accept the Romanian proposal.



Asked by the press after the task force's meeting whether the money from the sale of the HZ Cargo might be directed into some other rail companies, Minister Hajdas Doncic said that this could not happen as there had been no longer the HZ (Croatian Railways) system but three companies stemming from that system.

The new owner of the HZ Cargo will be bound to take over all liabilities, including guarantees, which stand at HRK 800 million, and is expected to immediately invest EUR 30 million into the renewal of the company's rolling stock and into programs of care for surplus employees.

The investor is expected to take over the collateral provided so far by the government to the HZ Cargo.

Hajdas Doncic hopes that all this will be completed, or Croatia will be able to penalize the other party at the pertinent contract. As for the HZ company for passenger transport, a ten-year contract is in the pipeline regulating the public transportation and upgrading and supply of trains. The first stage of this job has been done, and a domestic consortium led by the Gredelj company has been chosen.

The talks with banks should be finalized on financing the construction of trains and this job of making 44 new trains is estimated at 1.6 billion kuna. Hajdas Doncic believes that the talks with the banks would be wrapped up by the end of September.

Asked by the press about the World Bank's report on the Croatian railway sector restructuring, the minister said today that the World Bank's "Croatia: Railways Policy Note," included the data until 2011, while a large portion of restructuring was made between 2011 and 2013.

The entire process can be conducted at a faster pace, and this means to outsource non-core businesses in the HZ Infrastructure and to downsize the number of employees to the European average, the minister said.

As for the labor force reduction, the HZ Infrastructure has done it already, and the HZ Passenger Transport and the HZ Cargo are expected to follow its example soon, according to the minister.

## MACEDONIA

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# *BRITISH COMPANIES interested in investing in MACEDONIA*

*Companies in the field of information technologies, tourism, spa tourism and automotive industry in Great Britain showed interest to invest in Macedonia at recent business forums. Deputy PM and Finance Minister Zoran Stavreski said he expected some of them to invest in Macedonia next year.*

"In the past four days, we paid a visit to four major cities in Great Britain – London, Leeds, Liverpool and Manchester – to present the investment opportunities of Macedonia before British investors. Solid interest was shown, particularly with respect to tax policy, low taxes, improvements of the conditions for running a business, which were noted by the World Bank in its Doing Business report, and the attractiveness of Macedonia as a destination with its free economic zones.

The creation of new jobs would be of great importance for us," Deputy PM Stavreski told MIA after wrapping up his visit to Great Britain.

Interest was shown for several sectors, but it is early to announce what kind of investments could be made in Macedonia, according to him. "Our job was to present what Macedonia has to offer, to establish initial contacts and I believe that British investors will come to Macedonia in the future to turn their projects into reality," Stavreski stated.

The tour of the government delegation included visits to Liverpool, Leeds, Sheffield and Manchester. "Meetings were held with many companies and we are satisfied with the interest shown for further cooperation," he concluded.

# *BOSNIA'S FARMERS COULD GO BANKRUPT*

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*With milk exports to neighboring Croatia booming, Vladimir Usorac jumped to invest more than one million EUR in his dairy farm tucked away in the country's north.*



**But to his shock Croatia's entry into the European Union on July 1 could prove his undoing. Exports of almost all products of animal origin from Bosnia to Croatia are to be suspended starting Monday.**

**"We will be forced to sell cattle and milk production in Bosnia," Usorac told AFP at his farm, one of the best-equipped in Bosnia. "We will all go bankrupt."**

Despite urgent warnings from Brussels, deeply divided Bosnian authorities have yet to adopt laws needed to harmonize local production of animal products with European Union standards.

"If we do not solve this problem quickly, we will be like a fish out of water," warned Usorac. Usorac's farm produces 24,000 liters of milk per month. Most goes to the nearby Mlijekoprodukt dairy plant, the biggest Bosnian exporter of milk products to Croatia. But Usorac said the suspension of milk sales to Croatia endangers "all Bosnian producers, whether they export their milk or not" with the country now facing overproduction of 100,000 to 150,000 liters per day.

Bosnia's main trade partners are Croatia and Germany and any lack of profits from exports could be a major hit for the Balkan country of 3.8 million people.

# **GOVERNMENT SELECTS BEST BIDDER FOR MONTENEGRO'S BIGGEST DEVELOPMENT PROJECT**

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*At today's Cabinet session, the Government of Montenegro selected the Chinese companies CCCC International (Chinese company for telecommunications and infrastructure) and the CRBC (China Road and Bridge Corporation) as best bidders for the construction of the Bar-Boljare highway, that is its priority section Smokovac-Uvče-Mateševo.*



**The negotiations are to be continued with the aim of concluding final agreements regarding the project design, construction and financing, Transport Minister Ivan Brajović told the press conference following the Cabinet meeting. He added that the offered price for the construction of the priority part of Montenegro's greatest infrastructural project is EUR 809.577.356,14.**

Minister Brajović noted that the priority section is planned to be funded through the Chinese EXIM Bank's preferential loan, which includes a 20-year repayment period, a five-year grace period, and 2% of fixed interest rate. The loan should be provided within a loan line for countries of Central and South-Eastern Europe in the amount of \$ 10 billion, announced by China's ex Prime Minister Wen Jiabao at the Warsaw's conference in April 2011. The final legal and contract arrangements will be submitted to the Parliament of Montenegro for decision making.

According to Minister Brajović, the construction of the Bar-Boljare highway will ensure more balanced development of all parts of Montenegro, better exploitation of natural resources, more rapid development of tourism, better and safer transport and overall economic development of the country.

During the last six months, the Government of Montenegro negotiated the construction of the priority section of the highway with a number of high-profile companies, namely the Turkish DOGUS-

GUSLAN consortium, American-Turkish consortium Bechtel-Enka and Chinese CCCC and the CRBC.

The key criteria in choosing the partner for this project were financial sustainability of the offer with regard to Montenegro's budget, time-frame for carrying out the project, partner's references, engagement of Montenegro's construction industry, equipment, materials and workforce and the application of European TEM standards, Transport Minister Ivan Brajović concluded.

# *BEET GROWERS* want to launch *SLOVENIA'S sugar factory*

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*Insurer Zavarovalnica Triglav began Tuesday procedures to rescind the contracts with the International Finance Corporation (IFC) over its failure to recapitalize Triglav's subsidiary Triglav INT within the agreed period, the insurer said in a statement published on the website of the Ljubljana Stock Exchange.*



The association said today that they spent the past two years promoting the abolishment of sugar quotas. Now it is time for a new challenge: building a new factory and launching the production of sugar beets. The association said that they have four years to launch sugar production, which they believe is not a lot of time.

The association plans to set up a consortium to build a new factory and is counting on the government, above all the agriculture and economy ministries. The association has already reached out to potential investors and the owners of the land where the former sugar plant used to stand in the town of Ormož (NE) just on the border with Croatia.

The association urged potential sugar beet producers to take active part in the launch of sugar production and the ownership of the future plant.

Data shows that a hectare of sugar beet is four times as profitable as a hectare of corn, said association secretary general Vladimir Hunjadi, quoting the re-

sults of a study conducted by the Maribor Faculty of Agriculture and Biosystemic Science.

In 2006, Slovenia agreed to close its only sugar plant and give up sugar beet production until 2015 in exchange for compensation.

The country was promoting in the negotiations on the 2014-2020 Common Agricultural Policy (CAP) that quotas be abolished in 2015. However, some EU members and the European Parliament wanted to extend the scheme until 2020 and a compromise solution reached in late June set 2017 as the year when sugar quotas will be abolished.

The 2006 EU sugar policy reform was adopted after the WTO found that the EU's existing sugar policy, which had been in place since 1968, was not compliant with international trade rules.

The 2006 reform reshaped EU's sugar market substantially. In a few years, the EU turned from the world's second largest sugar exporter to a net sugar importer.



# *GREEN ENERGY PRODUCERS urge **BULGARIA** to seek EXPORTS OPPORTUNITIES*

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*The Bulgarian Photovoltaic Association (BPVA) has insisted that the country must seek options to export renewable energy abroad.*

BPVA member Vladimir Alichkov, as cited by the Bulgarian Telegraph Agency (BTA), made clear Monday that EC regulations stipulated that renewable energy exports were to be regulated through international treaties signed by the government.



Alichkov cited Poland and the UK as potential buyers of green energy, adding that the pace of renewable energy development in the two countries was very slow and they were unlikely to manage to reach the EU's 20% renewable energy target by 2020.

Commenting on the Energy Act amendments which passed second reading in Parliament on Friday, Alichkov expressed the satisfaction of renewable energy producers with the fact that the legal changes had included the recommendations of the European Commission for achieving stability in the renewable energy sector.

Citing EC data, he drew attention to the fact that preferential tariffs for purchasing renewable energy, especially energy generated by photovoltaic plants, were among the lowest in the EU, which made green energy produced in Bulgaria export competitive.

Alichkov informed that with BGN 490 ( EUR 250) as an average price of the energy produced by photovoltaic systems per MWh and around EUR 350 in investment costs for an installed power capacity of one MW, the preferential prices in Bulgaria are lower than the investments.

He explained that the capacity-weighted average price of photovoltaic systems was around BGN 490/MWh, or EUR 250, while investment costs amounted to around EUR 350/MWh of installed capacity, meaning that preferential tariffs were lower than investments.

Citing EC data, Alichkov emphasized that all other EU Member States had higher prices of energy generated by photovoltaic plants.

He noted that the BPVA expected to see rules for energy trade on the free market approved by the State Commission for Energy and Water Regulation (DKEVR), Alichkov also expressed hopes that the renewable energy sector would continue to develop as

Bulgaria had not yet reached the target of a 20% share of total energy consumption from renewable sources. BPVA member Meglena Rusinova informed that there were a total of 1640 registered companies operating in Bulgaria's renewable energy sector.

“With the existing capacities, Bulgarian photovoltaic plants generate around 3% of the total share of renewable energy, and together with the other participants in the renewable energy sector, the total share of green energy comes in at around 16% on an annual basis. This clearly contradicts claims that Bulgaria has exceeded its quota,” Rusinova stated.

## SERBIA

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# *Companies from BADEN-WUERTTEMBERG interested in investing in SERBIA*

*Serbia's Prime Minister Ivica Dacic said in a meeting yesterday with Minister for Federal, European and International Affairs of the German province Baden-Wuerttemberg Peter Friedrich that after the decision to open EU negotiations, there is a lot of work ahead of Serbia aimed at a more efficient implementation of standards and rapid progress in negotiations.*

Dacic said that strong activity in the implementation of the Brussels agreement have been launched and that dialogue with Pristina authorities continues on issues of energy and telecommunications.

He said that the fight against corruption and organized crime and economic reform remain the priorities of the government of Serbia.

The officials also discussed the possibilities of improving economic cooperation between Serbia and Germany, which is Serbia's leading economic partner, and especially Baden-Wuerttemberg whose companies are interested in investing in energy and environmental protection, telecommunications, infrastructure, science and education.

## *First Croatian SMARTPHONE launched*

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*Croatian company HG Spot have launched country's first smartphone.*

Forcebook Ultraphone 40 costs only 499 Croatian kuna counting on the rising market of cheaper smartphones. Another Croatian company M San earlier announced to launch a smartphone, but HG Spot did it before them.

## *CEFTA to discuss MACEDONIAN official import of wheat and flour from SERBIA*

*The Central European Free Trade Agreement (CEFTA) is to hold Monday a meeting discussing the regulation which led Macedonia to conditional import of wheat and flour from Serbia.*

**Deputy Economy Minister Hristijan Delev will attend the meeting. The measure of conditional import of wheat and flour remains in force until December 31, i.e. until the market and the regular distribution of Macedonian wheat stabilizes, said Minister of Agriculture, Forestry and Water Economy Ljupco Dimovski.**

“The measure refers to all countries. We recently held talks with Serbian counterparts, since this country is mostly concerned by this measure. We agreed the measure is required until the stabilization of market conditions and regular distribution of wheat from this year's harvest”, said Minister Dimovski at Sunday's press conference.

According to him, the Macedonian market is liberal, but the state is obliged to protect domestic production

in line with the Law on Agriculture and Rural Development.

“In accordance with CEFTA, when disruption occurs over a certain product at the domestic market, member-states can enforce a protective measure that would contribute to regulation of market relations, both offer and demand, until its stabilization”, added Dimovski. He said over 250,000 tons of wheat have been imported at the Macedonian market over the past 18 months, which is excessive.

The measure stipulates that the company importing one kilogram of wheat would be obliged to purchase three kilograms of domestic wheat, or when importing one kilogram of flour, it has to purchase four kilograms of wheat.

# *BOSNIAN FEDERATION* *progress solution for pipeline* *TO CROATIA*

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*The government of Bosnia's Federation is looking to adopt a final solution for connecting a gas pipeline passing through Bosnia and Heregovina with one in Croatia near Slavonski Brod, according to Dalje.*

The news source reported that the European Bank for Reconstruction and Development has expressed willingness to financially support the project, which the government in the Croat-Muslim entity considers of strategic importance for both Bosnian entities.

According to the news source, the Federation government said the project did not clash with existing plans for the development of gas transport systems in the two Bosnian entities.

Connecting the Sarajevo-Zenica-Slavonski Brod gas pipeline would ensure the diversification of natural gas supply in Bosnia, which currently gets fuel solely from Russia, according to the news source. In addition, it said that the new pipeline between Zenica and Slavonski Brod would connect Bosnia's gas transport system with Croatia's and then Hungary's system.

## MONTENEGRO

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### **KAP PROBLEM** could have major **CONSEQUENCES**

*Because of the problem with the Aluminum Plant Podgorica (KAP) and unauthorized acquisition of electricity from the European interconnectors, Montenegro could face major consequences, including disconnection from the international network, says Director of the Energy Community Secretariat, Janez Kopac.*

“In spite of positive reforms, improvement of business climate and investments, I have to mention Montenegro's major flaw, resulting from unauthorized acquisition of electricity from European interconnectors by KAP”, Kopac said in his interview for the Elektroprivreda magazine.

# *SERBIA to support GORENJE'S INVESTMENTS with EUR 15m*

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*The group of household appliance maker Gorenje and the Serbian government signed on Monday a preliminary agreement on joint investment in Gorenje's three production sites in Serbia, under which Gorenje is to get EUR 15m by the end of January 2015.*

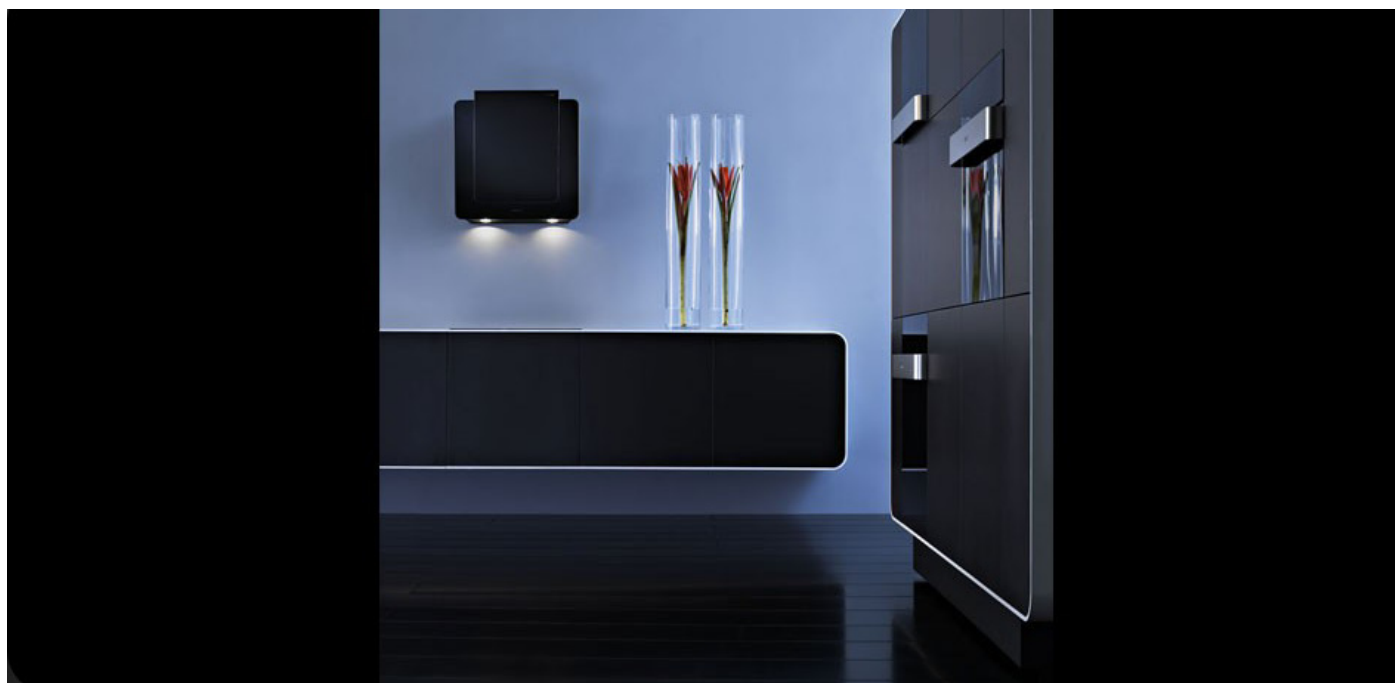
**The final agreement on the investment in Gorenje production facilities in Valjevo, Stara Pazova, and Zaječar is to be signed within four months, but the document needs to be approved by the Serbian government and Gorenje's supervisors, the company wrote on the website of the Ljubljana Stock Exchange.**

In Stara Pazova, Gorenje produces water heaters, in Valjevo refrigerators and freezers, while the company makes bathroom equipment and assembles washing machines and dryers in Zaječar. So far, the group has invested around EUR 100m in Serbia.

With the new investment, the company plans to optimize and increase the efficiency of its facili-

ties in Valjevo and Stara Pazova, and expand and modernize the plant in Zaječar, where Gorenje is to produce appliances developed in strategic partnership with Panasonic.

The new plant in Zaječar, which is expected to have an annual output of over 400,000 washing machines and dryers, mostly meant for export, is to be operational in 2015.



# *SOCAR* TO INVEST EUR 50 MLN IN *ROMANIAN* RETAIL NETWORK

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*Azerbaijan's SOCAR will invest around EUR 50 million in expanding the network of fuel stations across Romania.*

The company opened earlier this week a new fuel station in Piatra Neamt taking the total network to 15, all of which are located in the Moldova region. Hamza Karimov, CEO SOCAR Romania, said: "The SOCAR Investments in the national retail network are growing. We have acquired land for fuel stations across the country."

"The investment plans, the number of fuel stations and the national development pace in 2013 depend on the dynamic of the fuel markets in Romania and on the authorization process." **Up to now, the company has made local investments worth EUR 30 million and created 235 jobs.**



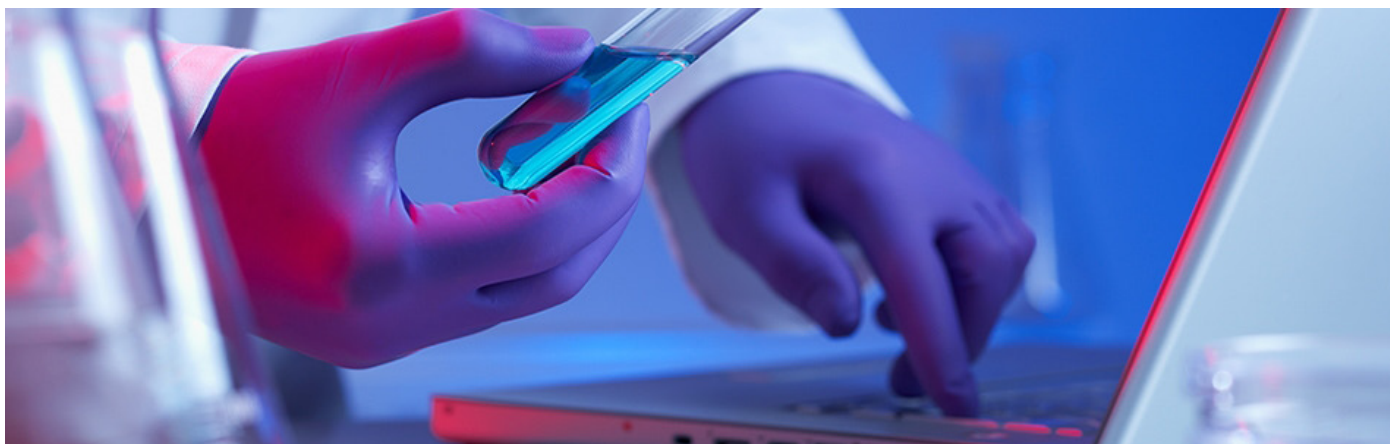
## **ROMANIAN-SERBIAN CROSS-BORDER PROJECT** *on development of infrastructure against natural disasters*

The Inspectorate for Emergency Situations (ISU) of Mehedinti (southwest) in cooperation with a structure of Serbia's Ministry of Home Affairs implemented a cross-border project on the development of a natural disaster defense infrastructure, spokesperson Ramona Nistor told Agerpres, on Wednesday. According to the above-mentioned source, the Project is worth 2.29 million EUR, the money being attracted from the European Union through the Romania.

## *SERBIA, ITALY* sign program of *SCIENTIFIC COOPERATION* from 2013 to 2015

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*Serbia's Minister of Education, Science and Technological Development Zarko Obradovic and Italian Ambassador to Serbia Giuseppe Manco signed yesterday at the Ministry of Education, on the occasion of the First session of the Serbian-Italian Mixed Commission, the Implementation program for scientific technological cooperation between Serbia and Italy for the period from 2013 to 2015.*



**According to a statement by the Ministry, the program envisages implementation of projects in the following fields: bio-medicine and biotechnology, agriculture and food technology, energy and environmental protection, mathematics, physics, chemistry and biology, nanotechnology and new materials, information and communication technology and applied technology for protection of cultural heritage.**

Ambassador Manco underlined that the projects are of high quality and that the greatest cooperation between Serbia and Italy is precisely in the fields of science and technology. The Mixed Commission concluded that out of all projects that were submitted

to the Public invitation for co-financing joint projects between Serbia and Italy in 2013, 77 projects met the requirements.

After examining the projects submitted, and in line with the priorities established and the rules of the public invitation, 15 projects were selected that should be implemented by 31 December 2013.

In addition to Obradovic and Manco, the signing of the Implementation program was attended by State Secretary of the Ministry of Education Radivoje Mitrovic, Counsellor for Economic and Scientific Cooperation at the Italian Embassy in Belgrade Paolo Toschi and Attaché for Science Paolo Battinelli.