

BUSINESS

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LINK

AUSTRIA WILL SUPPORT EU PATH OF THE WESTERN BALKANS

KAROLINE EDTSTADLER

WE HAVE TO
ACT QUICKLY
TO MITIGATE EFFECTS
OF CORONA VIRUS

Darko Horvat

COVID-19 HITS
ALL SECTORS,
RECOVERY IS THE
BIGGEST CHALLENGE

Zdravko Pocivalsek

INTERVIEWS:

Boris Vujcic
Branko Azeski



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Coordinator to the Publisher: Mag. Aleksandar Gros, General Secretary SEEBDN
EDITORIAL STAFF
Editor: MARIJANA SIMIC | Design & Technical Editor: ANA DJORDJEVIC
Translation & Proofreading: BILJANA MAJSTOROVIC | Print: DMD Beograd

**ALEKSANDAR GROS**

General Secretary of the
SEEBDN

Executive Director at Grimex
Consult

**FRITZ KALTENEPPER**

Chairman of the Board of the
SEEBDN

CEO at café+co International
Holding GmbH

Dear friends,

We are here again to share with you the fourth issue of our Business Link Magazine, prepared by the team of the association South East Europe Business Development Network (SEEBDN) in these challenging times when the world has been hit by COVID-19 virus.

Although the pandemic has postponed some of our activities, we are determined to continue, keeping in mind all precautionary measures. When the "war against the virus" stops, we must continue with full power to do what we do best – connecting companies in at least 10 different countries and helping their business grow, which will push the GDP growth and overall development. Saving the economy from crash and putting it back on its feet when the danger caused by the virus is finally over, is the primary goal of every government. That is a common goal, regardless of whether a country is more developed or less developed. SEEBDN is also here, and we are determined to give our contribution, and to do our best to help that the recovery comes sooner, rather than later.

Let us remind you how we work, among other things. We aim to further link the economy of Southeast Europe with the markets of Austria and Germany, primarily. We achieve this goal through exclusive and targeted events for our members, titled the "Business Circle", "Destination on the Rise", etc. At the same time,

we continuously support members who have targeted requests to meet specific companies in these markets. We had already successfully held several "Business Circle" events, gathering reputable people, decision makers, CEO's, owners of small and medium-sized enterprises, representatives of leading European institutions, diplomats, etc. We also had a "Destination on the Rise – Montenegro" event in 2019, in cooperation with the Grimex Consult company and the daily newspaper "Die Presse", and with the support of the Montenegrin government. We gathered more than 150 participants, featuring Montenegrin Deputy Prime Minister and Minister of Agriculture Milutin Simovic as a keynote speaker, where we presented the economic potential of Montenegro as an EU accession candidate, and the most significant companies of that country. The next event that we had planned to do was postponed due to this unfortunate situation with coronavirus. We planned to have a "Destination on the Rise 2020 - Croatia" event in Vienna in April, in partnership with the Austrian Federation of Industrialists, "Die Presse" and the Grimex Consult. Another similar event with Serbia in focus was planned for November in cooperation with the Serbian Association of Economists, "Die Presse" and the Grimex Consult. A similar event with North Macedonia in focus was also planned to be held by the end of the year. We need to

We aim to further link the economy of Southeast Europe with the markets of Austria and Germany, primarily

point out that we have not given up on these events; they are just being postponed until it is safe to travel and the virus is put under control.

Before that happens, SEEBDN planned to have an event titled "Women's Excellence Forum - Austria Connects with SEE". The aim of this event is to network high-ranking women from business and politics from Austria and SEE countries and to present their experiences and topics, like the future of leadership in business and politics.

We are also planning, before the end of this year, to publish at least three more issues of the Business Link Magazine. Our advantage is that SEEBDN is already recognized as a credible association, and we are proud to say that our network and membership are growing. We are continuously inviting all ambitious companies and managers to join us in our mission to create business bridges and good opportunities for growth. You will certainly hear more from us! More ideas. More business opportunities. More success stories. Stay safe!

With best wishes,

Aleksandar Gros, Secretary General,
SEEBDN

Fritz Kaltenegger, Chairman of the
Board, SEEBDN



THE WORLD IS STRUGGLING WITH CORONAVIRUS WILL IT TAKE YEARS TO RECOVER?

BY MARIJANA SIMIC



Economies are struggling, business activities are declining and almost every industry is affected

Coronavirus has hit China, all 50 states in the USA, then Europe, which has been hit even harder than China, especially Italy, Spain and France, spreading to the Western Balkans and South East Europe, as well. While the world is facing the biggest economic challenge since the Second World War, breaking budgets, banks, businesses, and particularly small and medium-sized enterprises, causing shutting down of schools and institutions, keeping peo-

ple inside their houses, no country has yet been able to rapidly find an effective cure.

Economies are struggling, business activities are declining and almost every industry is affected. Prior predictions about world growth rate of around 3.3 percent are hardly going to materialize. The main task in the near future will be to find a way to prevent loss of jobs and further weakening of businesses.

Companies are trying to obtain a 50% reduction of corporate income tax for legal entities and entrepreneurs in 2020, with annual payments in the following year in order to preserve liquidity



**30 DAYS
LEAVE**



**50% TAX
REDUCTION**

WHAT CAN GOVERNMENT DO?

Companies are hit by this crisis. Mostly joined in associations, they are asking from their governments to immediately reduce taxes and contributions in case their employees were absent from work for up to 30 days due to coronavirus. They are also asking for exemption from taxes and contributions during work interruptions. Companies are trying to obtain a 50% reduction of corporate income tax for legal entities and entrepreneurs in 2020, with annual payments in the following year in order to preserve liquidity.

As for small businesses, they are the most vulnerable part of the economy, so they are asking for a cut on taxes and contributions. They point out that they are in urgent need of loan guarantee schemes so they could maintain their liquidity.

IFOs OFFER A SUPPORT PACKAGE

Part of that problem can be solved through relevant international finance organisations (IFO). The World Bank Group and its IFC have approved a \$14 billion financial package to assist companies and countries so they can "prevent, detect and respond to the rapid spread of COVID-19". Beside

public health, disease containment, diagnosis, and treatment, money is also intended for support to the private sector. About \$8 billion from the \$14 billion package is earmarked for support to private companies and their employees hurt by this economic downturn.

The IMF offers a support package as well, through two different types of loans - Rapid Credit Facility and Rapid Financing Instrument, which can be disbursed quickly to assist member countries to implement policies to address emergencies such as the coronavirus. Financing under the RCF is available to low-income countries at a zero interest rate and with a grace period of 5.5 years, and a final maturity of 10 years. Financial assistance has an interest rate of about 1.5 percent at the moment, and should be repaid within 3¼ to five years. Under both the RCF and RFI facilities, member countries can draw up to 50 percent of their respective quota (share in the IMF's capital). The total number of countries with access of up to \$50 billion under these two facilities or augmentation of the existing arrangements amounts to about 130.

The EBRD has approved a framework that will provide up to €1 billion only in the first phase for those clients who are experiencing hardship, and the resilience framework will last as long as it is needed.

Will some of these measures, if applied, help, it remains to be seen. At this point, the level of possible damage on economy is hard to predict. What we know is that this global pandemic has so far infected ten times more people than SARS. The world will take years to recover the economy from COVID-19.

AUSTRIA WILL SUPPORT EU PATH OF THE WESTERN BALKANS

KAROLINE EDTSTADLER

Austrian Federal Minister for the EU and Constitution

Austria is also open to improvements of the EU accession process and will continue to play an active and constructive role in this matter

Close relationships with the countries of the Western Balkans have traditionally been a priority for Austria. Legend has it that the 19th-century Austrian diplomat and Chancellor Prince Metternich even located the Balkans in Vienna by claiming, “The Balkans begins at the Rennweg”. Although we may dismiss Metternich’s allegation as pleasantry, there lies a certain amount of truth in this quotation.

Austria does share strong historical and cultural links with the region. Today all six countries are of vital strategic and economic importance for Austria, as well as for Europe.

Friendly and cooperative relations with the region are therefore a clear priority for the new Austrian government. Austria will continue to work actively towards bringing the whole region closer to the European Union. The hesitancy of some members of the European Union to open accession negotiations with North Macedonia and Albania is a mistake, and contrary to the EU’s geostrategic and security interests. If the EU does not recognise the progress made by these countries, it risks harming its own credibility and increasing the danger of further destabilisation in the region. We have

already seen implications in that direction, when the government of North Macedonia called for new elections in January, after having been denied the opening of negotiations with the EU in October.

In the past Austria has seen itself in the role of a bridge builder in the Western Balkans. Building on this, we will continue to offer our full support for these countries at all stages of the accession process, while also engaging with the Member States that have shown to be critical of this region.

Austria is also open to improvements of the EU accession process and will continue to play an active and constructive role in this matter. The European Commission put a well-balanced proposal for the new methodology on the table, and therefore discussions on this topic no longer serve as an excuse for further delays in the processes. I hope the European Council will find the political will to start accession negotiations with Albania and North Macedonia at the next summit in March. A positive decision is also the precondition for a substantive debate on an effective and future-oriented strategy at the EU-Western Balkans Summit in Zagreb in May.

WE HAVE TO ACT QUICKLY TO MITIGATE EFFECTS OF CORONA VIRUS

INTERVIEW: **DARKO HORVAT**, Croatian Minister of Economy, Entrepreneurship and Crafts



This is a new situation that has affected the whole world and is already having a major impact on people's health and the global economy

Corona virus has spread all over the world, affecting not only health of the people, but also the global economy. This is a new situation that has affected the whole world and is already having a major impact on people's health and the global economy. In this regard, no country will be deprived of certain consequences for the national economy. Therefore, it is important that we act as quickly as possible to mitigate these negative effects – this is how the Croatian Minister of Economy, Entrepreneurship and Crafts, Darko Horvat, commented the situation caused by Covid-19 virus that has hit the world.

BL: What is the current situation in Croatia? What can the government do to mitigate the negative impact of the virus?

DM: In Croatia, we have already established horizontal cooperation between all relevant departments, associations, employers, chambers and trade unions in order to bring out quality measures that will help our economy, primarily our entrepreneurs, but also to ultimately preserve jobs. Currently, the biggest problem for our companies is ensuring liquidity. That is the reason why we are talking to banks and some other institutions about possible credit lines through which they would be able to ensure a smooth continuation of operations or refinance existing loans. Also, we are discussing a possibility of imposing a moratorium, i.e. putting off the payments of liabilities for a certain period of time. The option of delaying payments of income tax, corporate tax and contributions is also under consideration, as well as prolonging the implementation of certain EU-funded for the necessary period. Of course, we will need to coordinate some of this actions and measures with the European Union, but I believe that we are going to get the approval we need, given the financial aid package already announced by the European Commission for all of the member states. In any case, this situation is a novelty for everyone and we will have to work together to get on top of it as quickly as possible.

BL: You said recently that investments generate growth, but the EU funds accelerate it. How can Croatia use the EU Funds better?

DH: If Croatia was not a member of the European Union, some of the biggest projects in the country such as the Pelješac Bridge or LNG Terminal would not be in the process of construction. You can find examples on almost every corner of how EU funds are changing Croatia and the importance they have for the development and growth of our economy. However, in addition to large infrastructural projects that are conducted by the state, it is extremely important that the private sector gives its contribution to the growth as well – especially micro, small and medium-sized enterprises. In order to remain competitive, not only within the EU, but on the global market as well, those investments have to be connected with the adoption of new technologies and innovation, which consequentially has to raise the productivity of enterprises. This is what I mean when I say that EU Structural Funds should be the stimulator or the accelerator of growth. When we talk about investment promotion, it is important to emphasise that the Ministry of Economy, Entrepreneurship and Crafts has granted more than 3.500 subsidies worth approximately HRK 4.5 billion (EUR 600 million). Some other projects, related to admission of new technologies, research and development, are currently in the phase of submission or evaluation. Here we have a total amount HRK 1.5 billion (EUR 200 million) of grants. When we add the contribution needed by the entrepreneurs themselves, we are talking about a huge capacity of new investments. We strongly believe that this will speed up our efforts in reaching EU's average of 2.5% of the national GDP, when it comes down to this type



Ensuring liquidity is the biggest problem for companies. We are talking to banks and some other institutions about possible credit lines through which they would be able to ensure a smooth continuation of operations or refinance existing loans



You can find examples on almost every corner of how EU funds are changing Croatia and the importance they have for the development and growth of our economy

of investments. There are some important discussions on the EU level at the moment, regarding Multiannual financial framework 2021-2027, which we consider to be very significant in terms of our membership in the EU. In regards to our current allocation of EUR 10.7 billion, Croatia has already announced tenders to the value of 108%. I believe that it is important to emphasise that during last three years of the mandate of the current Government the number of contracted projects rose from 9% to 86%. Once again, I have to stress out that the EU Funds change Croatia vastly and the upcoming adoption of our national strategic development document is going to be the basis of further economic growth with the help of new financial envelope coming from the EU.

BL: If foreign investments are generators of growth, what can you do to attract more of them? Having that in mind, would regional approach be helpful?

DH: By the end of the third quarter of 2019 there have been approximately 31 billion EUR of direct foreign investments in Croatia. Also, around 15,000 foreign companies are doing business here at the moment. Last year's Global Competitiveness Scale of the World Economic Forum (WEF) showed that Croatia moved up five places, which is also the biggest and fastest progress in the region. This is the result of sustainable fiscal policy, GDP growth, credit rating increase, predictable and moderate inflation, and positive shifts in infrastructure, health and labour market pillars. Furthermore, we moved up seven positions on Doing Business score which is a good indicator that the actions and measures we are taking are delivering results. Why am I even mentioning this? Because we have achieved growth in the sectors that are significant to the investors. This refers to tax payments, electricity, property registration, starting a business, receiving building permits and protection of small investors. Our aspiration

is to emphasise these achievements as much as possible for branding Croatia as a desirable business and investment destination, not only as a tourist destination. We have one of the most competitive legal frameworks for investments in the EU and approximately 32% lower costs than the European average. Also, investors have a lot of different incentives and grants available, such as an option of possible profit tax exemption, as well as high quality infrastructure. Traditionally, projects from the tourism sector are prevailing on the coast, metal-working and other production investments projects are mostly represented in the

significant credit rating agencies have recognised positive results of our policies by lifting our rating and competitiveness assessment. The important fact to mention is that the growth of export during the last three years was the most important element for our GDP growth, which eventually means that we have a good base on which Croatian export rests. Our entrepreneurs have been manufacturing great products already, but we do need new technologies, high value-added products and specialised products or services. Our Ministry has been contributing a lot to the promotion of our export potential through several dif-

Rijeka, respectively, and after that with companies like Petrokemija or Djuro Djakovic. Restructuring process in all of these companies never successfully carried out, and they never truly adjusted to the global market conditions. Therefore, you can often hear me say that we are dealing with two different tracks within our economic scope. One of them refers to creating quality measures for promoting entrepreneurship, removing administrative burden and attracting new investors, while on the other hand we have been actively involved in solving numerous problems in companies mentioned above, which have been the result of poor management and lack of responsibility. Business models that existed there proved to be untenable. To work without profit and to cover the losses from the State budget is not what the market economy should be and it is important that we all understand this – everyone from the state and taxpayers to companies' management and their workers. I have already mentioned that my attitude is that the state should privatise all those companies that are not of the strategic interest. Naturally, some specific parts of infrastructure have to remain in the state ownership. However, the companies in which the state has a minority interest or has no influence over making business decisions should be privatised and should be provided with quality management, because I cannot see any future for them otherwise.

Last year's Global Competitiveness Scale of the World Economic Forum (WEF) showed that Croatia moved up five places, which is also the biggest and fastest progress in the region

continental part, while ICT sector is strong in larger places or cities. When you ask me about the regional approach, of course there are no countries or enterprises that can function in isolation, therefore I believe that further enlargement of the EU to other Balkan countries would be useful.

BL: How can you encourage export? Would introducing of euro currency help exporters?

DH: We look at export as one of four basic pillars for enhancement of the economic growth, while remaining three imply growth of the industrial manufacturing, new investments and innovation. Currently, macroeconomic parameters in Croatia have been significantly improved, public finances consolidated, while the most

ferent models, which imply financial aid from the national funds in accordance with the Investment Promotion Act, especially in the manufacturing and processing sector. We do the same with the State aid to the sector of investments in research and development. I am certain that entrepreneurs welcome the Government's efforts to introduce euro because this will reduce exchange rate ratio, and is going to solve the issue of currency clause which has proven to be a problem for many times so far.

BL: What is the future of the privatization process in Croatia?

DH: Our Government faced several large issues. It all started with Agrokor, continued with the shipbuilding companies Uljanik and 3. Maj in Pula and



AUSTRIA CONNECTS WORLDS

CHRISTOPH NEUMAYER

Director General of the Federation for Austrian Industries



PHOTO: IV/Michalski

For centuries, Austria has been closely connected politically, culturally and economically with many countries in South-Eastern and Eastern Europe. It is out of our shared past that a cooperative partnership of equals has grown in the last decades - for both economic and for security-policy issues - and from which both sides can profit today. The countries of the Western Balkans are an integral part of Europe. Important drivers of this interconnection was, and is the economy, that served as a toehold into South-Eastern and Eastern Europe. Following the

fall of the Iron Curtain, red-white-red companies counted to the so-called 'First-movers' - in the whole Central and Eastern European region (CEE). That many of them have come to stay, accounts for the impressive figures: domestic enterprises have invested roughly 11.7 billion euros in the Western Balkan countries along with Croatia and Slovenia. In addition, Austrian companies are represented locally with more than 2,400 branches and production plants. Through the close economic ties Austria, in turn, gains continuous economic impetus.

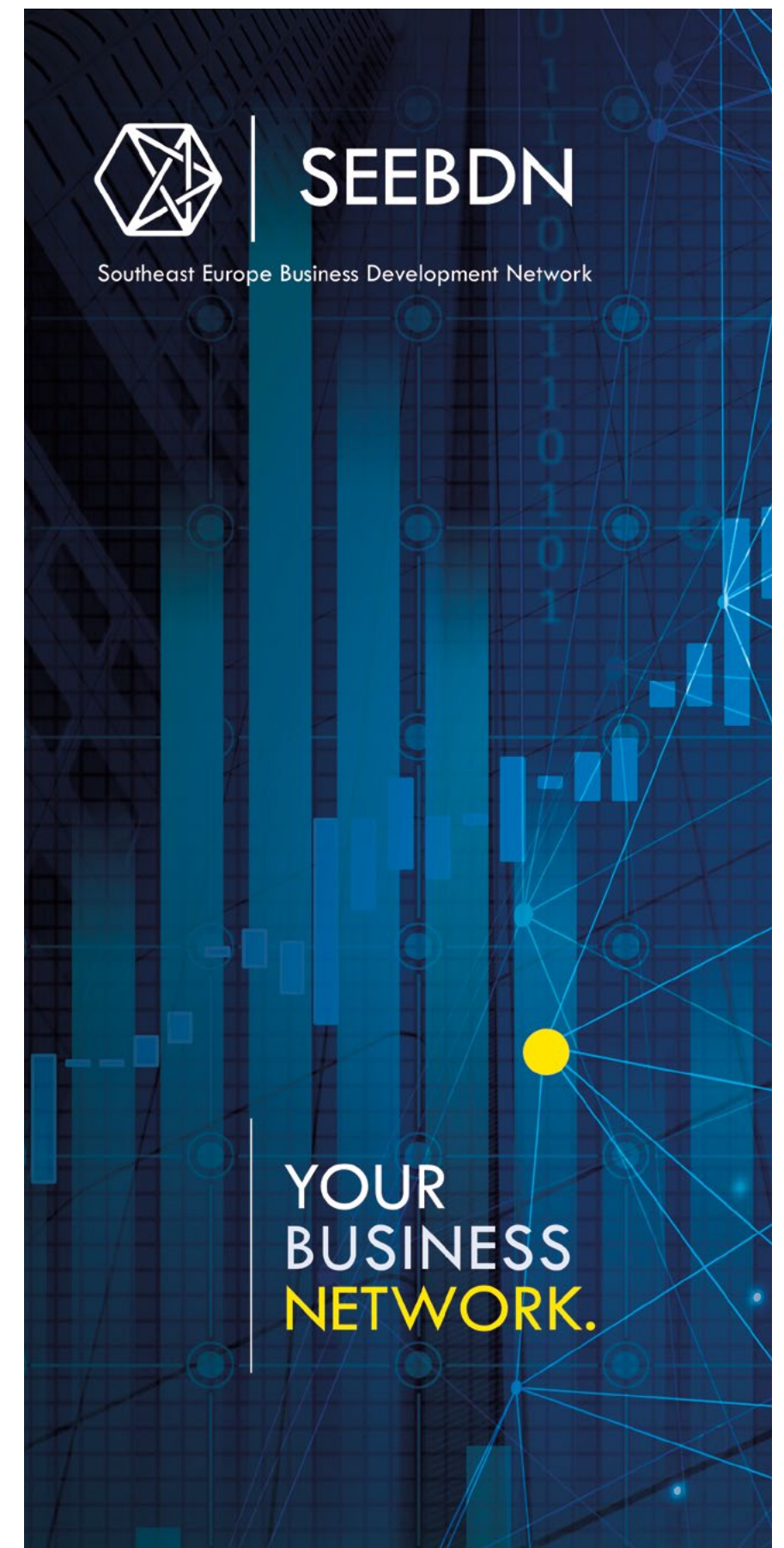
It is for good reason that Austria has advocated a more extensive integration of many South-European countries. In retrospect, the expansion of the EU to embrace Slovenia, Hungary, Czech Republic, Slovakia or Poland (2004), Romania and Bulgaria (2007), as well as Croatia (2013), can be considered a success story. Europe has once again become united, safer and more prosperous.

The countries of the Western Balkans and Austria profit equally from close cooperation and business networking

The European perspective can also be a driving force for positive change in the region in the future. With that in mind, Austrian industry calls for further rapprochement between the Western Balkan countries and European structures, and increased integration into a unified Europe when given criteria, such as legal certainty, are fulfilled.

In particular, the ongoing accession negotiations with Serbia and Montenegro should gather pace. With regard to Albania and North Macedonia, the European Commission has already recommended commencement of accession talks. We need to now reach consensus between EU countries quickly so that talks can begin expeditiously. The prospect of accession must also remain credible for potential candidates Bosnia and Herzegovina and Kosovo.

The countries of the Western Balkans are an important partner for Austria - on a political, cultural and economic level. This good cooperation should set a precedent for the future.



COVID-19 HITS ALL SECTORS, RECOVERY IS THE BIGGEST CHALLENGE

INTERVIEW: **ZDRAVKO POCIVALSEK**, Slovenian Minister of Economic Development and Technology



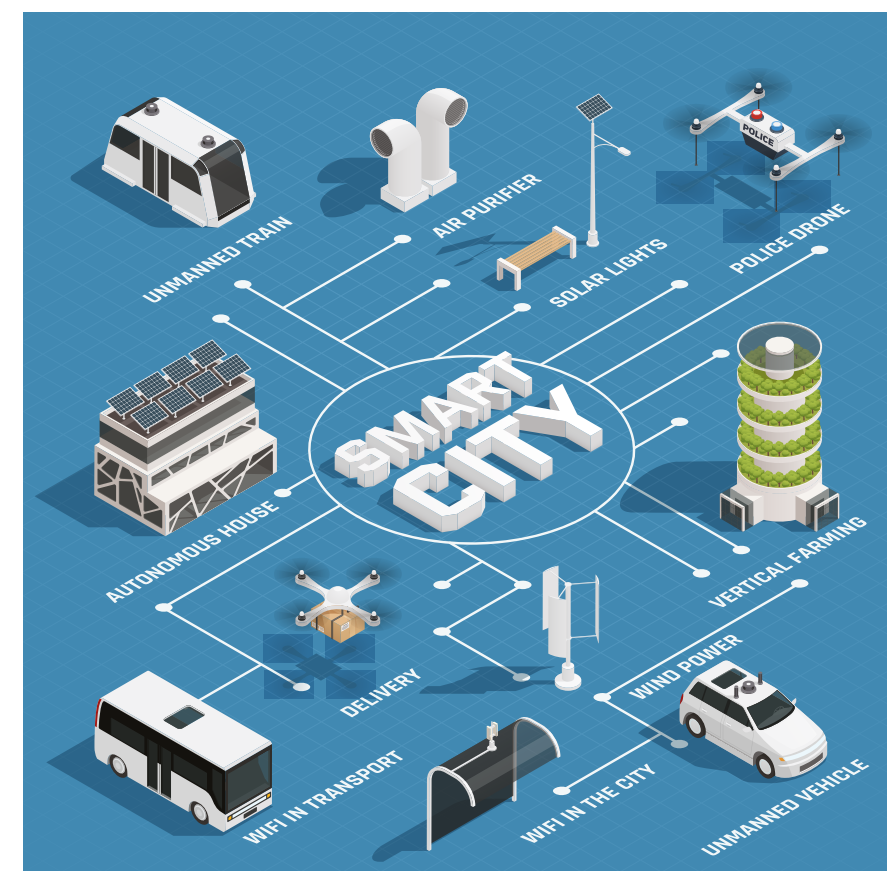
PHOTO: Nebojsa Tejic

The adverse consequences of Covid-19 pandemic have hit almost every sector of the economy, disrupt the global trade, supply chains, logistics, weaken the final demand for goods and services, and hit the tourism and travel market at a wider pace

Slovenian Minister of Economic Development and Technology Zdravko Pocivalsek said in an interview for Business Link Magazine that the new challenge Covid-19 hits all sectors, thus the recovery of the economy after pandemic will be the biggest challenge of the year.

"It seems that 2020 has brought many challenges, not just the regular work on strengthening the competitiveness of our economy, increasing productivity, taking measures for demographic change and green deal, strengthening the innovation capacity and digitalisation, diversifying markets, but also taking concrete measures due to the consequences of Covid-19 which will be seen long after", Pocivalsek said.

"Slovenia is highly integrated into the global economy and its economic growth is driven primarily by exports. We export mostly everything what we produce (84.4%). The adverse consequences of this pandemic have hit almost every sector of the economy, disrupt the global trade, supply chains, logistics, weaken the final demand for goods and services, and hit the tourism and travel market at a wider pace. Well, it is no doubt that the economic recovery of this pandemic will be the biggest challenge of the year".



Slovenia will continue with its creative and smart vision towards faster development of digital society built on science and information technologies

BL: In your opinion, what should be the strategic direction of Slovenia, for further development and acceleration of economic growth?

ZP: The vision of Slovenia is based on the firm grounds of the Green. Creative. Smart. Country. Slovenia has been focusing on green economy and sustainable development in order to become an advanced, low-carbon society that actively responds to global challenges as well as co-create new trends. By investing in R&D, the development of a digital society, culture of science and information technology, Slovenia will continue with its creative and smart vision towards faster development of digital society built on science and information technologies. We strive to achieve even stronger position of Slovenian economy in smart solutions, especially in robotics and ICT sectors on the global level.

BL: If technology is an important factor of economic development, where is Slovenia compared to the more developed EU member states?

ZP: Slovenia has traditionally been a home to many new technological solutions, but what we are focusing is the more efficient transfer of technology into use. Our companies are unicorns in some niche advanced and sustainable fields. They are ready to turn ideas into success as a myriad of technological breakthroughs made almost all industrial sectors show. Slovenia has a history and dedication to the field of AI and it is also setting up the Europe's first International Research center for Artificial Intelligence in Ljubljana under the auspices of UNESCO. Each EU country has developed different technologies therefore a direct comparison among countries in this domain is rather difficult. According to European Innovation Scoreboard 2019 (EIS 2019), Slovenia is a moderate innovator and Slovenia's strengths are in firm investments, human resources and especially in scientific publications. Strengths are also in ICT training and trademark applications.

BL: When we talk about technology and development, what could be the Slovenian recipe for the countries of the Western Balkans, which are candidates for EU membership?

ZP: R&D, innovation and creativity are the foundation of the development of society and the economy. As Slovenia strives to become a successful and competitive international economy, it focuses on R&D, investment in high-tech and smart technologies as well as green technologies. These are the areas where industries create high

Western Balkans belong within the EU. The question of when this goal will be achieved is a matter of meeting the conditions

value added, create high-skilled jobs and thus enable a country to compete on a global scale. This requires a shift in economic (and policy) focus on specific niche areas and products that are highly export oriented, and at the same time attractive for FDIs. This is also the solution for every country for the stagnating productivity and decreased innovation, which accompanied the post-crisis economic recovery.

BL: What about economic gap?

ZP: Economic gap between the region and the EU remains wide. While it is true that we are witnessing steady economic growth in the last couple of years in the region, the development gap remains and an increasing numbers of young people are still leaving the region. Region cannot afford to lose a generation of today's educated and energetic youth. In the world of fast changes and new technological advancements, also EU cannot afford to have a region in its center, which is lagging behind and represents a weight rather than an opportunity for the European continent. Slovenia believes that we need a serious economic plan for the Balkans. We expect that the next EU-Western Balkans Summit in Zagreb will lead a way in addressing these issues with concrete proposals in the area of economic, infrastructure and energy connectivity between the EU and the region.

BL: Is the EU ready for the Western Balkans and, on the other hand, how prepared are the Western Balkan countries to join the EU in the coming years?

ZP: Western Balkans belongs within the EU. The question of when this goal will be achieved is a matter of meeting the conditions. These conditions should be clear as should be the end goal – full membership. We cannot overstate that EU perspective and EU progress are strongly related to the reform process and stability of the region. We also need to be aware that the EU enlargement is not just a policy, it is a strategic choice. It is important for our internal security and stability. Slovenia therefore supports upgraded methodology of the EU enlargement process with the aim of improving the efficiency of the process. Current most pertinent issue - decision on opening the negotiations with North Macedonia and Albania is not only about these two countries. It is about the EU's strategic choice to continue with the enlargement process. Slovenia supports closely-knit three-tier approach to the region which includes revision/upgrading of the enlargement methodology; opening of the negotiations with North Macedonia and Albania; and Zagreb EU- Western Balkans Summit - bridging the developmental gap and achieving economic convergence. We strongly believe that this is the right approach to reconfirm credible, trust-based relation between the region and the EU.



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*Artificial intelligence
can be the technological
backbone of medicine in
the future*



TECHNOLOGY COULD BE A GREAT FORCE FOR GOOD

MEDEJA LONCAR
CEO Slovenia and
Croatia at Siemens

In 2015 the United Nations defined 17 sustainable development goals, key challenges for our planet until the year 2030. The current progress, however, seems not to be sufficient. We need to accelerate. And the economy has a crucial role to play in this – not only because of its great impact on energy use and CO2 emissions but also – or mainly – because of its innovative power.

For the last four years digitalization, digital transformation and digital technologies have earned more and more attention – in industry, media and general public. Deservingly so,

but only in a narrow spectrum of their potential. Digital technologies have tremendous potential for industrial, large-scale solutions that will help us meet the aforementioned goals, crucial to our planet's survival. They can help make clean energy available to all. They can help us move from the consumption of resources to the re-use of resources. They can help us shape efficient mobility systems with zero emissions and affordable, preventive healthcare. But sadly, the biggest digital innovations so far have been consumer-oriented.

In his keynote at the United Nations' AI for Good Global Summit last year, Siemens' Chairman Jim Hagemann Snabbe argued that industrial artificial intelligence applications offered much greater potential for shaping a better planet than their better-known consumer counterparts. Today's artificial intelligence (AI) solutions are already capable of adjusting the powerful gas turbines in electricity plants to optimize operation, they contribute to more efficient operation of city infrastructures and smart buildings. In the future AI will help entire factories to self-organize – to reconfigure manufacturing processes to shift from one product to another, find solutions for unforeseen events, resolve interruptions or reduce the consumption of energy and other resources.

AI can also be the technological backbone of medicine in the future. And it has the potential to significantly reduce food waste. Did you know that 500 million tons of food per year are lost due to planning and handling issues? And another 350 million tons spoil each year due to inadequate storage conditions and time lags in transportation. The world's largest container shipping company that transports 25 % of all refrigerated containers worldwide is harnessing digital technologies to eliminate this kind of food waste.

And the technology's potential extends far beyond AI alone. The same shipping company, for example, has ambitious goals to decarbonize its fleet (currently shipping accounts for 2 to 3 percent of global emissions) – in cooperation with Siemens and with converting renewable energy to e-Fuels. The so-called Power-to-X technologies seem to be the best way to facilitate a smooth transition to renewable sources of energy in all

sectors, argues Siemens. And as its President and Chief Executive Officer Joe Kaeser stated in his 5 actions for stronger Europe: "If we really want to achieve EU climate neutrality by 2050 /.../ We must unlock the full potential of sectoral integration, since we live in a connected global ecosystem."

Throughout history, technology has helped us meet challenges. Today it has the potential to be an even greater force for good. But how will it become the driver of change that will benefit people and the planet? As Jim Hagemann Snabe argues, it's up to responsible leaders to guide things in the right directions. But above all, technology must command trust.

Jim Hagemann Snabbe said that industrial artificial intelligence applications offered much greater potential for shaping a better planet than their better-known consumer counterparts



SLOWDOWN DRIVEN BY COVID-19 BRINGS LOWER GROWTH RATES

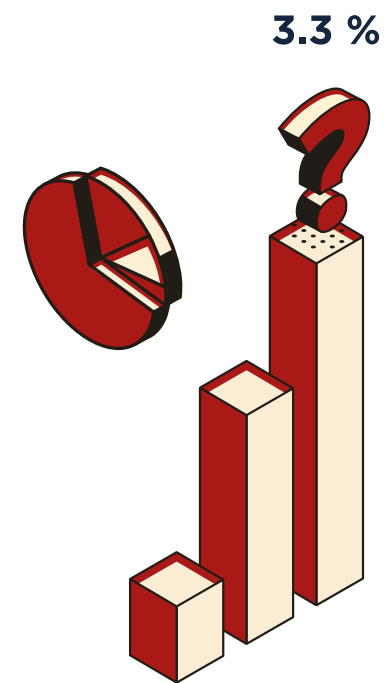
INTERVIEW: **BRANKO AZESKI**, President of the Economic Chamber of NORTH Macedonia



The global growth expectations for 2020 were an increase to 3.3%, but the slowdown of consumption and the disruption of production, caused by Covid-19, will change the expected projections

What could be the consequences of the Covid-19 virus for private business? Do you expect slowing down of the economy in your country, and in this light, what about the world growth? Branko Azeski, the President of the Chamber of Commerce of North Macedonia, says in an interview for the Business Link Magazine that it is an undisputable conclusion that we are facing the most difficult challenge to date and it will last.

"Currently, no one can assess how long this will take and how it will develop in the future. The real condition of the private sector is demotivating and problematic, considering we have inferred that an ability to foresee is the most significant tool in business, and in this situation, this is missing. The surprising fact is that there is no common approach from the European Union, but rather each country is left on its own to tackle the situation we all find ourselves in", he says.



The business requires simplicity, foreseeability, certainty... this is the essential message that authorities need to understand both in our country and across the region

BL: What about global growth, will it slow down, having the pandemic in mind?

BA: Concerning the global growth, we are preparing for the worst and hope for the best. The expectations for 2020 were an increase to 3.3%, but the slowdown of consumption and the disruption of production will change the expected projections.

BL: According to the latest World Bank report, before Covid-19, the average GDP growth of the Western Balkan region for the previous year was around 3%, and North Macedonian growth was 3.1%. What is in your opinion needed to be done, so the WB countries could stimulate higher growth rates?

BA: The Western Balkans economies are actively carrying out reforms to improve their competitiveness since the early 2000s. The reforms carried out throughout the years, from removing the trade and investment barriers to facilitation of the regional integration in the global markets, significantly contributed to the economic development of the entire region, which in turn, doubled the size of the six economies and increased the export volume sixfold. Nevertheless, these achievements are not enough – we require bold and decisive steps to increase the competitiveness and productivity of these economies, integrate them in the global supply chains, introduce digitization, modern technologies and increase the quality and standards of the domestic production, but also liberalize the intraregional cooperation.

BL: Being the head of the Chamber of Commerce, do you think that regional

economic cooperation could contribute and accelerate growth? What are the preconditions?

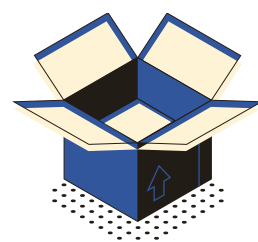
BA: My professional, but also personal path is closely tied to the Balkans – therefore, I strongly believe in the benefits that could stem from the regional cooperation, based on trust and synergy. Consequently, since the very beginning, I have been involved in the idea of the Chamber Investment Forum (CIF), an association founded by the chambers of commerce from the Western Balkans region under the Berlin Process. Moreover, starting next month, I will assume the role of CIF Chairman. The reason why CIF is perhaps the most important tool to strengthen the regional economic cooperation and one of the most successful results of the Berlin Process, is the fact that the essence of its existence is based on the idea that free trade and regional integration benefits every country in the long-term and that through joint cooperation, we can do much more than any of our individual business communities could accomplish by themselves. Nonetheless, there are still open issues concerning the further intensification and enhancement of the cooperation between the business communities of the Western Balkans region. The contrasting administrative procedures between the separate countries in the Western Balkans region and the long waiting hours at the border crossing points yet remain open issues to the regional companies.

BL: We could say that you are the voice of business sector in North Macedonia. How do companies in your country mostly think about regional market? Would it be good for business, and how?

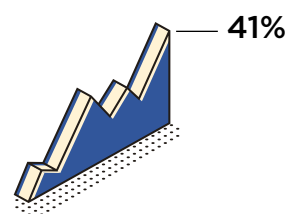
BA: The data about the trade with the Western Balkans countries in the last 5 years indicate that the companies have recognized the idea that we first must learn to cooperate regionally, if we wish to be prepared for the European market. The total trade volume of North Macedonia with the countries in the Western Balkans region has grown from EUR 1.09 billion in 2015 to EUR 1.5 billion in 2019, that is over EUR 400 million larger trade volume. We have observed the same growth regarding the Macedonian export to the Western Balkans countries – if it amounted to EUR 518.4 million in 2015, this figure reached EUR 734 million in 2019, that is, 41% growth in the period compared. A market of 2 or 10 million people, which we directly have border with, is much more important than a market with 100 million people 3,000 kilometers away and therefore, we have to give priority to the issues related to overcoming the obstacles to the mutual trade.

BL: North Macedonia is on the 17th place, ranked by the criteria of “ease of doing business”, according to the World Bank report for 2020. That is the highest ranking in the Western Balkans. How can you further improve your business climate, in order to attract more investments? What is your advice to others?

BA: The business requires simplicity, foreseeability, certainty... this is the essential message that authorities need to understand both in our country and across the region. North Macedonia has significantly advanced in this regard, where the progress we have been making for several years concerning the World Bank ranking is especially positive, but much remains



€518.4 MILION 2015
€734 MILION 2019

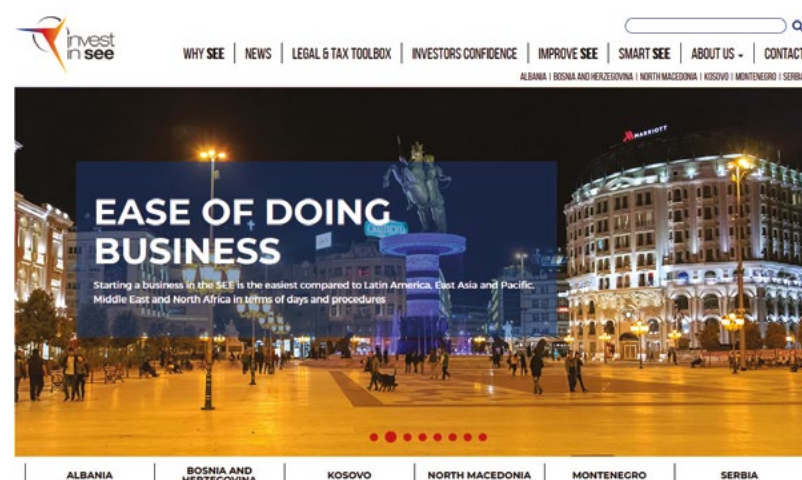


One of the activities we focused on in CIF is precisely the promotion of the region as a single investment destination through the investinsee.com platform

to be done. My recommendation is to work on business deregulation on every level – the business knows how to valorize that.

BL: When you talk to foreign investors, what do they usually tell you, what are the obstacles for investing more in Western Balkan countries? Can we overcome those obstacles?

BA: In the upcoming period, the Western Balkans will become increasingly attractive investment destination, owing to the multiple advantages it offers. Therefore, one of the activities we focused on in CIF is precisely the promotion of the region as a single investment destination through the investinsee.com platform. I would not call them obstacles, rather missed opportunities for more sizable investments, resulting from our discordant legal systems, which impede the development of regional supply chains – the faster we remove the limitations to the mutual trade, the more attractive the entire region will become to foreign investments and therefore, the CIF is committed to achieving this goal.



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NORTH MACEDONIA: TRANSPARENCY PUSH IN PUBLIC FINANCE

NINA ANGELOVSKA
Minister of Finance of North Macedonia



I believe that digitalization is our only way to leapfrog, to transform our administration, fight tax evasion and informality, to speed up our economic growth, to eliminate bureaucracy, fight corruption and to ‘give wings’ to the companies to drive the growth

I am a newcomer to the Government of the Republic of North Macedonia. After being an entrepreneur for almost 10 years my career path took a sharp turn when Prime Minister Zoran Zaev invited me to take over the management of one of the most important ministries just less than a year before the upcoming elections. With lots of optimism, energy and thirst for change, I committed to bring on the speed and mindset of the private sector to the administration. The ‘quality’ and ‘speed’ of change are both equally important. In today’s super-fast-changing digital world if

we are standing still we are moving backward. And if we are moving with the pace we are moving, it means we are standing still. We need to put our country in ‘fast-forward mode’ if we really want to reach our potential. Amongst the priorities of the Ministry of finance, I also committed to infusing technologies and digitalization across all sectors. I believe that digitalization is our only way to leapfrog, to transform our administration, fight tax evasion and informality, to speed up our economic growth, to eliminate bureaucracy, fight corruption and to ‘give wings’ to the companies to drive the growth. It is also an enabler for

transparency - one of the key priorities of the government. Openness is key to the development of our infant democracy - to increase confidence and to keep government representatives accountable at the same time. Fiscal transparency can help achieve financial and economic stability, foster a well-informed debate about the design and results of fiscal policy, and ensure public-sector accountability. In that light were the three new tools we launched at MoF that significantly increased the transparency of public finance management.

CAPITAL EXPENDITURES
Transparency push for better realization!

The execution of capital investments has always been a key topic in the media mostly due to the under execution of certain budget users. The web application launched in October provides monthly data for the execution of the capital expenditures by the budget users. Now instead of commenting on the average capital expenditures as a whole, the public can have a look at the ‘best in class’ and push ‘the ones who are lagging behind’.

OPEN FINANCE
Putting the treasury in the public eye for greater accountability!

Citizens now have access to the treasury, they can search and see each transaction of every budget user made in the past 10 years. The project was initiated by the former Minister of Finance with the support of USAID and IRI. We launched in November and in less than two months there were over 200K searches by 20K users and hundreds of articles and media stories.

PUBLIC DEBT
Solving misconceptions with transparency!

The public debt management is the most common topic for political accusations —This ‘problem’ triggered the development of a new web application that consists of all relevant information for the public debt (borrowings, repayments, auctions, Eurobonds, etc.) in an understandable and user-friendly way. It also helps increase financial literacy and gives the power of the information to the citizens.

Fiscal transparency can help achieve financial and economic stability, foster a well-informed debate about the design and results of fiscal policy, and ensure public-sector accountability

I believe these achievements bring the Republic of North Macedonia up to the best practices on their specific scopes. They should be continued by further efforts to improve transparency and digitalization of our administration and our economy as enablers of long-term growth and political stability.

IT'S HARD TO PREDICT HOW DEEP ECONOMIC SCAR CORONAVIRUS MIGHT LEAVE

INTERVIEW: **BORIS VUJCIC**, Governor of the Croatian National Bank

The measures taken today by governments are primarily aimed at preserving health and minimizing human loss, but policy makers also supplement these measures with efforts to mitigate negative social and economic externalities of pandemic



We face a unique economic shock creating a lot of uncertainty. Even experts in epidemiology are unable to predict reliably the dynamics of the COVID-19 pandemic. Therefore, any assessment of its economic impact is difficult to make and highly unreliable – this is how the Governor of the Croatian National Bank, Boris Vujcic, answered the question about the impact of Corona virus on the world economy in an interview with the Business Link Magazine.

"Economic impacts also greatly depend on the policy makers' measures to contain or mitigate the spread of the virus. The measures taken today by governments are primarily aimed at preserving health and minimizing human loss, but policy makers also supplement these measures with efforts to mitigate negative social and economic externalities of the pandemic", he added.

BL: Do you expect slowing down of the economy in your country?

BV: Economic activity in Croatia, as in other countries in Europe and around the world, will be seriously negatively affected by pandemic. How deep economic scar coronavirus might leave behind is very difficult to predict. Scenario currently envisaged by most analysts builds on the assumption of rigorous containment measures that should contain the coronavirus outbreak by early summer. Under such a scenario, economy might dive in a short-lived recession during the first half of the year with strong rebound towards the end of the year.

BL: What about private businesses?

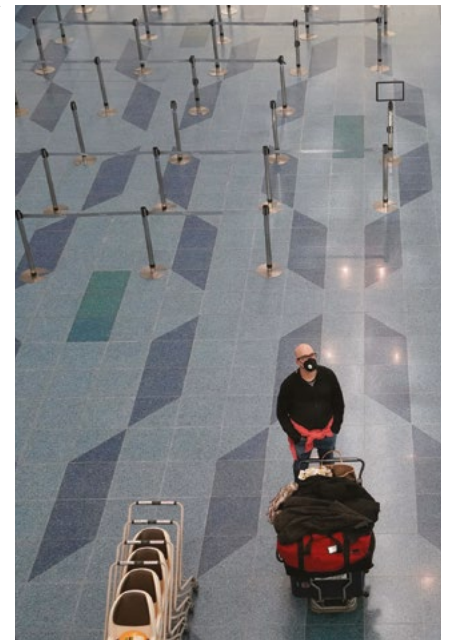
BV: Corporate sector is facing production chains bottlenecks, workforce shortages due to sick leave, isolation measures or the need to look after children that do not attend school, as well as changing consumption patterns due to social distancing measures. The impact and economic costs for particular businesses will depend on the nature of their production process and shifts in consumption preferences.

BL: Leaving the coronavirus aside, what is the macroeconomic picture of the Republic of Croatia?

BV: Following a protracted and deep recession, the Croatian economy has been growing on a sounder footing for the past half a decade. Croatian exports have benefited from joining the EU market, participation in European value chains and the improvement of competitiveness. The economy has been deleveraging, with the shares of public and external debt in GDP on a downward path. The unemployment rate is on a historically low level.

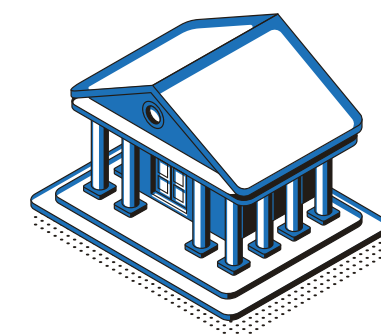
BL: You said that you didn't expect a recession in the following two years. What are your expectations for economic growth? And where is Croatia compared to other Western Balkan countries?

BV: As of February, we expect GDP to grow by close to 3% over the next two years. The slight slowdown primarily reflects a weaker external demand, while domestic demand is expected to remain robust due to favourable labour market developments and stronger absorption of EU funds. Downside risks to growth may arise if the main trading partners see a sharper slowdown than currently envisaged, and, in particular, if the magnitude of coronavirus infection increases substantially. The Croatian economy is expected to grow slightly below the economies of other Western Balkan countries, but this is not surprising given their lower level of GDP per capita.



Downside risks to growth may arise if the main trading partners see a sharper slowdown than currently envisaged, and, in particular, if the magnitude of coronavirus infection increases substantially

The euro currency will bring substantial gains to Croatia, in terms of lower exposure to risks, greater resilience to crises and increased cost efficiency for households and companies



BL: There was an idea of introducing the euro currency in Croatia. What would this mean for the Croatian economy?

BV: The introduction of the euro is one of Croatia's strategic goals. The largest benefit is the elimination of currency risk. The Croatian economy is characterised by a high level of euroisation, which means that a large share of total household, corporate and government debt is indexed to the euro. There are several other benefits, such as the expected reduction of interest rates, the increased efficiency of exporters due to the elimination of currency conversion costs, lower exposure to risks and higher resilience to financial crises.

BL: The introduction of the common EU currency will, on one hand, cut an important monetary policy instrument, and on the other hand, what will Croatia gain from that?

BV: Losing the independence of monetary policy is more a theoretical than a practical issue, since the room for its active use is greatly limited, particularly in light of the level of euroisation of the economy. Croatia is closely integrated with the euro area and its economic developments are well synchronized with those in the euro area. In such a context, the ECB's monetary policy in most cases will be fitting the Croatian economy. On the other hand, as I just said, the euro will bring

substantial gains in terms of lower exposure to risks, greater resilience to crises and increased cost efficiency for households and companies.

BL: What are the prerequisites for introducing the euro as a Croatian currency? And how realistic is it to do it and within what timeframe?

BV: Since 2016, Croatia has met the criteria for the euro adoption as set by the Treaty relating to price stability, public finance sustainability and long-term interest rates. Though there is a history of the exchange rate stability, formally we do not meet that particular criterion since we have not yet started our participation in the Exchange Rate Mechanism II (ERM II).

In that regard, in July 2019 Croatia expressed its intent to join the ERM II and committed to implement a set of reform measures prior to the ERM II entry, which include preparations for establishing close-cooperation with the ECB. The implementation is well under way and we expect to be a good candidate to join the mechanism in the second half of 2020. We would then need to participate in the ERM II for at least two years, which, together with a continuation of good performance in terms of other criteria, would subsequently bring us into a position to adopt the euro.

BL: The Central Bank can encourage exports or imports by its measures. What is your strategy for the future?

BV: In response to appreciation pressures arising from growing exports and the inflow of EU funds, the central bank has heavily intervened on the foreign exchange market to prevent the strengthening of the currency and limit the loss of export competitiveness. Foreign exchange interventions have also contributed to the high liquidity of the banking system, further improved financing conditions and supported corporate lending, which is largely directed to exporters due to their good performance.

CAPTURE OPPORTUNITY FOR YOUR CLIENT

PHILIPP HAIN
CEO and Founder of Reval Crowdinvesting and Selected Estate



As a well equipped firm, today we are looking for opportunities to develop business in Southeast Europe

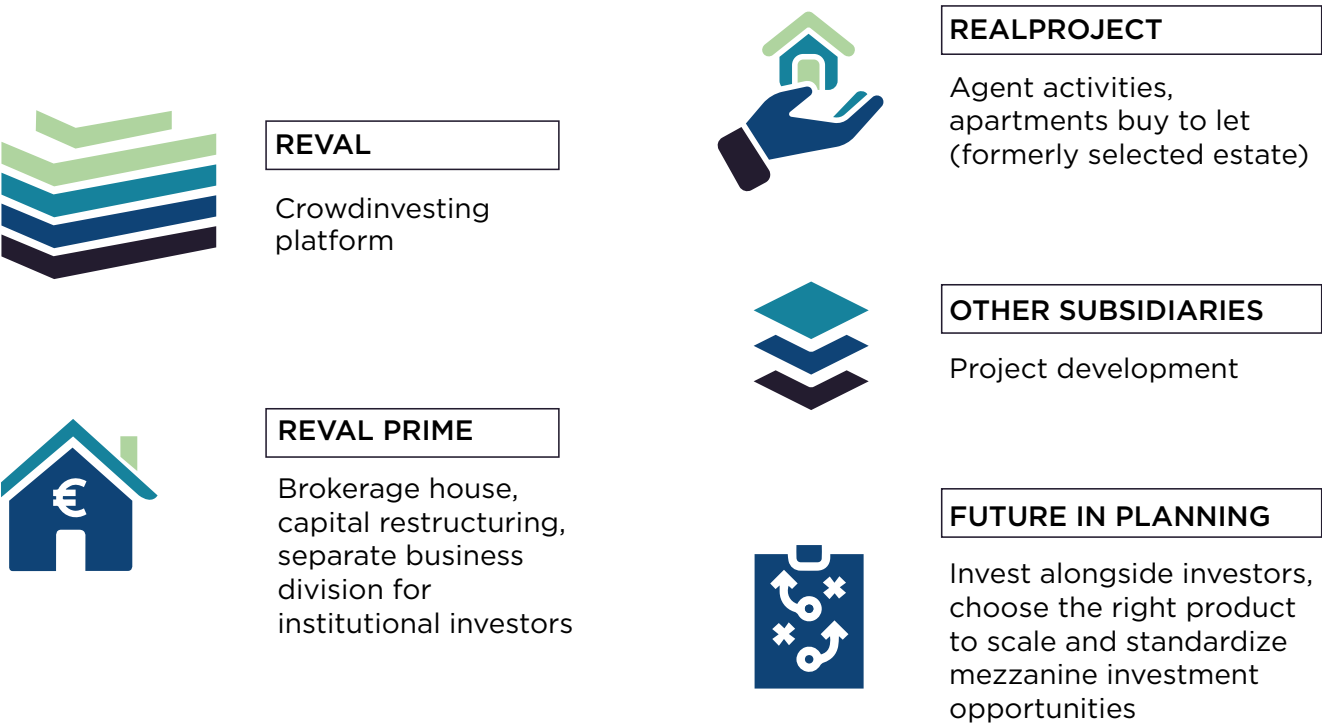
Reval heads as an integrated real estate group and has been very active in Austria and Germany since it was founded. Through its subsidiaries, the firm operates a brokerage house that liaises selected real estate developers with financial institutions from Europe, providing capital for promising projects located in the German speaking countries. For our clients which own real estate inventories we have been able to increase the efficiency through capital restructuring measures and we plan to

continue to grow our client base and our transaction volume. Today Reval is regarded as a place to go for developers and real estate firms seeking equity financing, debt advisory and capital restructuring as well as investors that appreciate us for our diligent work when it comes to originating and evaluating investment opportunities. Apart from the brokerage house, we operate a leading crowd investment platform that allow investors to participate in the real estate market which is often restricted to larger players. As a result of our long term strategy, we

have been able to efficiently capture opportunities that are mostly derived from the disproportionate demand for housing in cities, as well as the positive economic developments from recent years. Austria is a landlocked country, surrounded by eight countries, and our entrepreneurs have traditionally adapted an outward looking standard. The opportunity to expand further has always motivated our work. As a well equipped firm, today we are looking for opportunities to develop business in Southeast Europe. We currently have projects in Croatia, coupled with financial structures that could standardize and facilitate the investment process. We are planning to invest alongside our investors and maximize our potential in these markets.



CONTEXT



INCREASING PESSIMISM OF CEOS ABOUT THE WORLD GROWTH



By **Hrvoje Kresić**,
TV N1

36% of CEOs point it out over-regulation as their main concern. It may vary country by country, but the overall regulation issue is still a big phenomenon

INTERVIEW: **ROBERT MORITZ**, the global CEO of PwC

CEOs of the world are pessimistic over the global economic outlook in 2020, and their pessimism is on a record level. That would be, in a nutshell, the result of the annual survey conducted by PricewaterhouseCoopers (PwC), which is unveiled every year during the World Economic Forum in Davos. The survey includes responses from 1,581 officers spanning 83 territories, and 53% of CEOs surveyed are predicting a decline in the rate of economic growth in 2020, up from 29% in 2019 and many multiples higher than the mere 5% registered in 2018. Business Link was at the presentation in Davos, and had the exclusive opportunity to talk with Robert Moritz, the global CEO of PwC.

HK: Mr. Moritz - what's with all the pessimism?

RM: Well, there are several reasons for that. The CEOs have had to deal with - especially throughout the last year - with a tremendous amount of uncertainty; the number of risks that keep rising and change each and every day; the impact that these uncertainties have on not only their organisations and companies, but also the world. Last but not least, the question is - how do I deal with that? Many of these issues are non-controllable, which raises a concern that I can't control my own destiny. So, all of that combined raises the level on uncertainty and therefore brings an element of pessimism to the table both on the economy, but also on their ability to pursue their own and their company's agenda.

HK: The biggest concern among CEOs is the over-regulation?

RM: Yes, 36% of CEOs point it out as their main concern. It may vary country by country, but the overall regulation issue is still a big phenomenon. The CEOs are focused on three major themes. First, that we will end up seeing more regulation around the type of contact that's allowed or leveraged across the internet. Second, CEOs are very worried about government intervention in terms of breaking up some of the larger tech houses right now. And third is whether or not data is being used with some form of compensation to individuals. Those three things are what CEOs believe might be coming when we think of more regulation. This concept of over-regulation is an interesting phenomenon to watch not just in the tech space, but even beyond



that in terms of taxation, climate, and the role governments will play.

HK: Almost at the same level - I think some 35% of CEOs point that out as their main reason for pessimism - are trade conflicts?

RM: Indeed, and we haven't had that until recently, it's risen significantly year-over-year. These CEOs are responding to a reduction in their ability to actually transact. But there's the other side of that medal, which I find interesting as well: even though there's a huge trade conflict issue out there, the CEOs in the US still have China as the No.1 area they'd want to invest outside of their home country.

HK: There is one region, however, where pessimism among CEOs is not so strong: according to your survey, in

Central and Eastern Europe (CEE) not only that there's no pessimism, but the CEOs there are even slightly optimistic. Why is that?

RM: Clearly when you look at CEE you can notice several things. First, they are indeed a little bit more immune because they see benefits from different directions - one of them from China's "Belt and Road" initiative, for instance. Second, they see a lot of opportunity in terms of better demographics and the rise of the middle class. I would also argue that the CEE had a lot more innovation and leveraging on technology in a big time way. And we believe that those that leverage on technology and continuously change their organisations can indeed control their destiny and even thrive in a globally slowing economy. So it's not surprising that that part of

the world - which has been known for that support and connection to Asia, particularly China, and back - has got some upside to it.

HK: Is there anything in this support that has surprised you?

RM: Indeed, three things in particular. First would be the fact that climate globally has not raised itself to be a top ten risk.

HK: How do you explain that? We're in Davos after all, where nobody talks about anything else apart from climate changes?

RM: Well this is the first day of World Economic Forum, ask me the same question at the end of this week and climate change will probably be topic number one. But prior to this - which

I think is more appropriate, it goes to the point around what is on the mind of the CEOs. There's so many different things that climate in some parts of the world continues to go down and down, whereas other issues are seen as more important. Second phenomenon is the differentiation between corporations that see climate change as corporate responsibility agenda, not necessarily something that is embedded in everything that they do. And that's where more than 50% of CEOs around the world now finally see this as an opportunity to differentiate themselves. China is a good example of that, China has seen the highest level of confidence: leveraging technology having a positive impact on climate and competitive advantage resulting from it. And last but not least, you get back at that issue can I control it and what can I do about it. And this is where we would argue - the PwC - everybody has a role to play, no matter how small.

The CEOs are focused on 3 major themes:

- 1) that we will end up seeing more regulation;*
- 2) government intervention in terms of breaking up some of the larger tech houses;*
- 3) whether or not data is being used with some form of compensation to individuals*



CHINESE INVESTMENT IN SEE: A TWO-WAY ROAD, OR NOT EXACTLY

NEVENA KRASTEVA, Editor-in-chief, SeeNews



According to The China Global Investment Tracker published by the American Enterprise Institute, Chinese investments in SEE exceeded \$15 billion in 2013-2019

SeeNews

Business Intelligence
for Southeast Europe

China's Zijin Mining Group intends to invest \$800 million in the expansion of its production capacity in Serbia in 2020, Belgrade-based media reported at the beginning of the year. The Chinese group acquired a majority stake in Serbia's RTB Bor copper producer in December 2018, planning to make Serbia the third-largest copper producer in Europe by investing \$1.26 billion to boost the efficiency of operations and open new mines. A year later, Zijin signed an agreement to acquire more copper and gold assets in Serbia, the Timok project, for up to \$390 million.

The two deals add to a long list of Chinese investments in Southeast Europe (SEE) in various sectors including energy, infrastructure, tourism and automotive over the past years as part of the Chinese government's Belt and Road Initiative (BRI).

According to The China Global Investment Tracker published by the American Enterprise Institute, Chinese investments in SEE exceeded \$15 billion in 2013-2019. Serbia alone has attracted some \$10 billion of the total, with \$1.1 billion to be invested in the modernisation of the Serbian section of the Budapest-Belgrade railway.

Trade-to-GDP statistics prove that European countries were and remain much more open to trade than China

(excluding Hong Kong) or Russia, and this is truer for small economies, says Krassen Stanchev, a professor of Economics at Sofia University and CEO of economic consultancy KC2 Ltd.

He highlights World Bank development indicators — the share of trade in GDP was 58.04% globally, 124% in Bulgaria and 37% in China in 2015. In terms of value of exported goods (% of GDP, 2014), China (23%) stays below the world average (25%), while in Eastern Europe (EE) the ratio is about 50%. At the same time, China's manufacturing and clothing exports form 25% and 35%, respectively, of the global volume. The costs of living in major Chinese industrial centers are higher compared to similar locations in Eastern Europe, while China's real GDP per capita is 40% lower compared to Eastern Europe and 10% lower than in Serbia.

This explains why initiatives like BRI are believed to be able to open China's access via Eastern Europe to one of the world's richest and most sophisticated markets, while boosting investment and growth in these countries and the EU, says Stanchev.

Yet, analysts point out that while Chinese investors have access to almost all industries in Europe, the investments by European investors in China are strategically limited. BRI's impact on



Despite the sharp rise in investment volumes, the impact of China's investments in SEE should not be exaggerated

trade is also in China's favour: Beijing is gaining increased importance on the SEE markets through the initiative but the same does not hold true for the SEE countries' exports to China.

"China is getting a decent share of the local import market. This is not the same as exports. SEE countries do not get much more weight on the Chinese market. Most of the SEE countries are running high trade deficits with China and this puts the question to what extent it makes sense to have too much further engagement of China in the region as this may deteriorate trade balances further," Guenter Deuber, Head of Economics, Fixed Income and FX Research at Raiffeisen Bank International, noted at the 2019 annual meet-

ing of the European Bank for Reconstruction and Development (EBRD), a leading investor in the region.

Furthermore, Chinese projects are often treated outside of typical project selection processes or procurement procedures.

In the case of Montenegro, they are also treated without full attention to debt sustainability considerations, the International Monetary Fund (IMF) has said in a report on public infrastructure in the Western Balkans, referring to the Bar-Boljare motorway being built by China Road and Bridge Corporation. The Bar-Boljare motorway will make part of European Corridor XI linking Italy's Bari to



**USA - 35.1 %
OF THE INWARD
INVESTMENT IN
THE EU-28**

China's investments are still insignificant as compared to US investments. At the end of 2017, the United States held 35.1 % of the inward investment in the EU-28 from the rest of the world

Romania's Bucharest via Montenegro and Serbia, will cost an estimated 929 million euros, which has prompted a warning by Moody's that it poses challenges to Montenegro's fiscal position. The capacity of SEE countries to maintain large pieces of infrastructure has also been questioned, as high maintenance costs fuel fears that countries in the region may enter a debt spiral.

International financial institutions have also expressed concerns that the execution of construction works by Chinese contractors, suppliers and workers and the use of Chinese materials may significantly reduce the economic benefits for the region in terms of job creation. Cost control and project preparation too are feared to be substandard. Also, currency risks associated with Chinese projects are brought forward as the large part of the financing for them is in US dollars, while the SEE economies are closely linked to the euro.

In addition, China is making its investments in the region through its state-owned enterprises and banks rather than the private sector, which raises concerns about Beijing's growing political influence in the region.

Regulation-wise, China investment raises issues related to compliance with EU state aid rules. Some Chinese investment plans, like participation in the prospective construction of Bulgaria's Belene nuclear power plant,

require state guarantees – difficult to get exemption for from the EU Commission, Stanchev adds.

Security concerns and personal data protection too should not be overlooked, as well as environmental issues. In a region which has grave problems with its air quality, most of China's energy investments are directed towards construction of coal-fired power plants, like the one in Bosnia's Tuzla, counteracting energy-related EU projects aiming to support the shift towards a low-carbon economy. Yet, despite the sharp rise in investment volumes, the impact of China's investments in SEE should not be exaggerated. According to Eurostat, at the end of 2017 China accounted for 0.9% of inward FDI positions in the EU-28 economy, while about 2.4 % of the EU-28's outward stocks of FDI were held in China.

Furthermore, China's investments are still insignificant as compared to US investments. At the end of 2017, the United States held 35.1 % of the inward investment in the EU-28 from the rest of the world.

Rather than act in a paranoid manner, or make futile attempts to wall themselves off, the countries in the region should better focus on where their interests dovetail with those of their Chinese partners, while making sure that all security, sustainability and environmental standards are being met. "Keep your eyes on the road, your hands upon the wheel," the old rock & roll song goes.

CLIMATE PROTECTION REQUIRES CONSISTENT INTERNATIONAL POLITICS

FERDINAND HEILIG

Owner and CEO of CARBON Austria



European countries' leaders, who consider themselves as climate protection pioneers, are naturally concerned when rainforests are set on fire in order to obtain pasture and arable land

It seems mankind is losing the combat against the anthropogenic climate change. The policies and actions adopted by the Paris Agreement are insufficient to limit the ongoing climate change. Especially as political leaders aren't cleverly taking advantage of the remaining time slot to limit the rise in temperature and the associated climate disruption. Large areas of primary forests are still being cut down or burned away, and European countries' leaders, who consider themselves as climate protection pioneers, are naturally concerned. However, they also do not offer any alternatives or ultimately

threaten political or economic sanctions! If Indonesia, Malaysia or Brazil are allowed to continue the exploitation of the "earth's lungs" without consequences, their governments – driven by purely economic interests – will continue to do so. In order to develop credible forest protection strategies, the European climate policy – now driven by ideological concepts – needs to be changed fundamentally. With the expiry of the Kyoto Protocol and since the signing of the Paris Agreement the EU has almost entirely limited climate actions to its geographical borders due to dissonances and different interests. On

Austria needs to set out additional policies, as with current measures it would miss the 2020 and 2030 targets

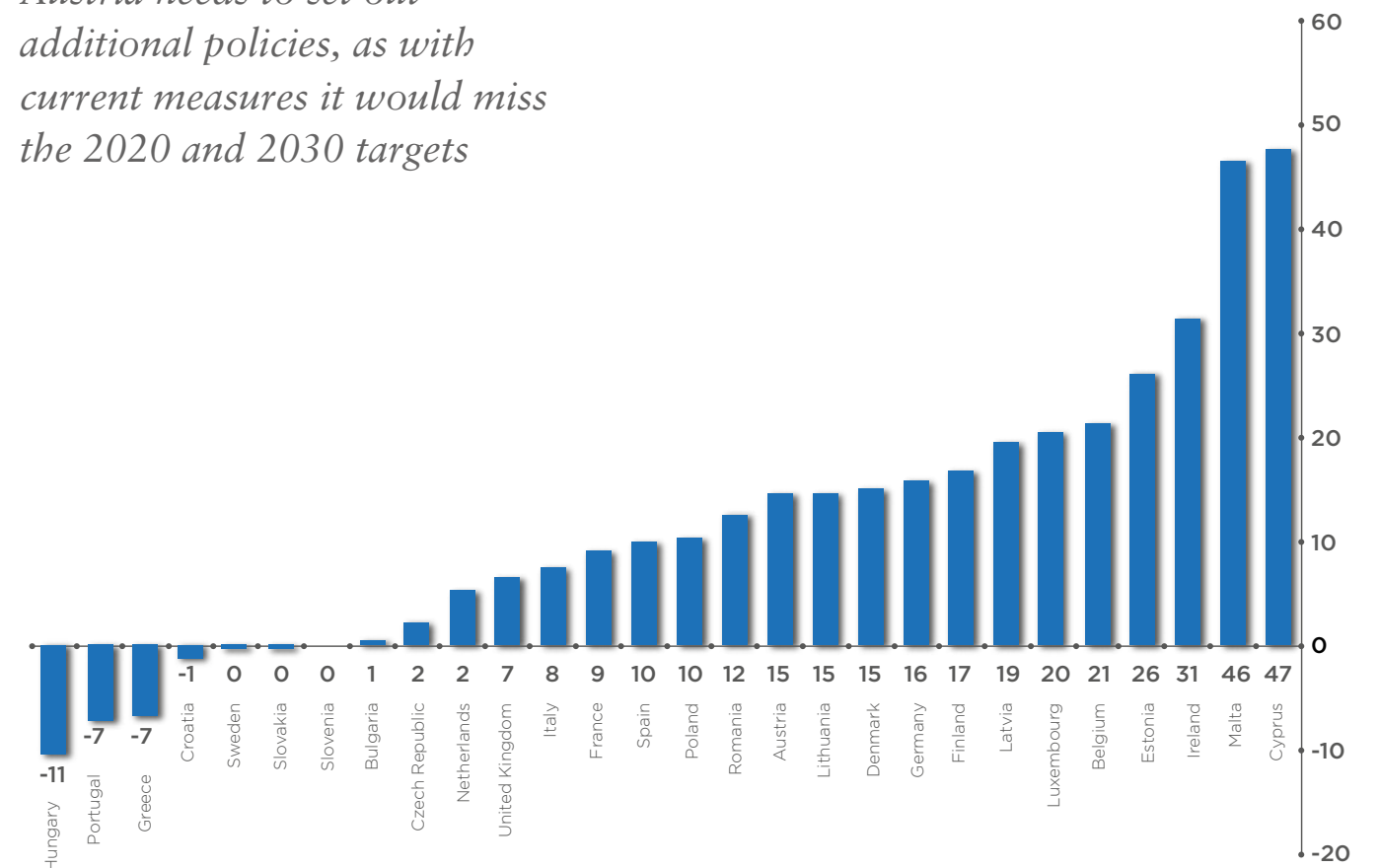


Fig. 2: Difference between the emission targets by 2030 and forecast emissions (in % points; negative values = target overachieving, positive values = target missing) (Source: ec.europa.eu)

the other hand, Kyoto Protocol provide a possibility to implement international emission reduction projects outside of the EU and thus kick off a knowhow and technology transfer. With the expiry of the Kyoto Protocol in 2020, the EU has limited flexibility and the companies covered by the EU emissions trading system (EU-ETS) can no longer meet their emission reduction targets by measured, proven and verified international emission reduction credits.

Article 6 of the Paris Agreement aims at promoting approaches that will assist governments in implementing their NDCs through voluntary international co-operation. Due to different interests of various countries, Article 6 has not yet been drafted and the legal framework is still lacking to promote cost-effective international climate actions.





**EMISSION
REDUCTIONS
2.036 BILLION
tCO₂e**

**8,000
REGISTERED
PROJECTS**

**100
COUNTRIES**

The CDM has been by far the most successful instrument in international climate policy and has led to emission reductions of over 2.036 billion tCO₂e in the context of almost 8,000 registered projects in almost 100 countries

AUSTRIA'S CLIMATE TARGETS- AN EXPENSIVE LOOK INTO THE FUTURE!

Austria's companies, which are covered by the EU ETS (industry and energy production; "ETS sectors"), are obliged to reduce their greenhouse gas emissions by 43% between 2021 and 2030 (compared to 2005). During the same period, Austria needs to reduce its greenhouse gas emissions in all other sectors - transport, domestic heating, waste management, agriculture and forestry; "non-ETS sectors", as part of the EU Effort Sharing Decision by 36% compared to 2005. This means a reduction to approx. 36.3 million tCO₂e in 2030.

Austria needs to set out additional policies, as with current measures it would miss the 2020 and 2030 targets. In order to achieve climate targets in the non-ETS sectors the options according to EU Effort Sharing Decision are limited to: banking, reduction in the spending of EUAs for the ETS sectors purchase of emission allocations from other EU member states, purchase of emission certificates from CDM projects (possible until 2020).

OPTIONS FOR A MORE COST-EFFECTIVE CLIMATE POLICY IN AUSTRIA INVOLV- ING SEE COUNTRIES

It would be advisable for Austria to take advantage of the geographical proximity to and historical anchoring and friendship with the south-eastern European candidate countries and to make them a part of a cost-effective climate policy. Because it makes little sense to enact measures in Austria or to grant subsidies that avoid a ton of CO₂e by several 1,000 Euros, if the same amount of emission reductions can be achieved more cheaply in a different country.

The Austrian public budget could be relieved by several 100 million Euros by 2030, when using bilateral climate projects (such as investments in renewable energy projects, energy efficiency projects, fuel switch projects, ...) in countries in SEE! However, it is essential to subject the respective projects to a functioning project monitoring, so that the measurability and an independent verifiability of the generated emission reductions is guaranteed. Since Montenegro, for example, has the last large, untouched primary forest in South-eastern Europe, e.g. this forest can be sustainably protected by a corresponding project.



SEEBDN

Southeast Europe Business Development Network

**YOUR
BUSINESS
● NETWORK.**

LGP - RELIABLE BUSINESS PARTNER

GABRIEL LANSKY

Managing Partner at Lansky, Ganzger + partner, Attorneys at Law



Lansky, Ganzger + partner (LGP) is an international business law firm catering to businesses, national governments, and international political institutions in all areas of private and public law. With offices in Vienna (Austria), Bratislava (Slovakia), Nur-Sultan (Kazakhstan) and Skopje (North Macedonia), and lawyers from 20 nations, LGP assists clients in economic, legal, political, and country-specific questions for markets in the European Union, the CIS, the Western Balkans and China.

In addition to representing commercial clients, the firm has extensive experience in the public and near-public sector, having carried out numerous mandates in the transport, energy, and communal services sectors.

Further, the firm advises sovereign states on issues of international law, represents private and public clients in international arbitration matters, and assists clients in coming into compliance with EU and international standards.

The Western Balkans holds great potential for growth and is of great interest to foreign investors; LGP's Vienna-based Western Balkans Desk and LGP Skopje is their first port of call for regional business matters. International companies trust our regional expertise: numerous high-profile clients from the energy, infrastructure, and industry sector rely on LGP for their success in the region.

Another focus of our firm's SEE activities is public sector consultancy on the harmonization and alignment with Union law of national legal regimes. Our private-sector clients profit from this in-depth knowledge of local specificities.

International companies trust our regional expertise: numerous high-profile clients from the energy, infrastructure, and industry sector rely on LGP for their success in the region

THE NEW WORLD OF PALMERS

RALPH HOFMANN

Director for Marketing & Sales at Palmers Textil



As an Austrian company, founded in 1914, we are the Austrian market leader in the lingerie sector with a brand awareness of 97%

Palmers is one of Austria's top traditional brands with an impressive history. Today, we view ourselves as a 105-year-old start-up – for we are at the beginning of a new era. Why? Times have changed for the better. The days of “sex sells” and lingerie ads for husbands are over. We are living in a world where we face up to realities. We are living in a world where we see every physique as stunning. A world where women like women. A world where women are spoilt for choice and are proud of their unique and distinctive personalities. And of their curves. A world where people and brands show attitude. A world that fits.

As an Austrian company, founded in 1914, we are the Austrian market leader in the lingerie sector with a brand awareness of 97%. The company known for its innovative approaches and products was the first business in Austria to implement a franchise system in 1930. Thanks to the key factors underpinning the Palmers success story: innovative products and an iconic brand, combined with extraordinary competence of service, Palmers has evolved to a successful international fashion brand.

Now, as the times of “sex sells” are gone, we focus on women with all their individual needs and preferences. As it can be seen in the current Palmers campaign, we show many different women with many different lifestyles. They all have one thing in common: they want the best fit, best quality and the best competence of service. With the Palmers promise they get all of that from us.

Currently, Palmers has its presence in 17 countries with more than 300 shops and over 700 employees. With the distribution channels divided in more than 160 own retail stores in Austria, Germany, Croatia and Slovenia, more than 130 franchise stores in 15 countries and e-commerce channels, Palmers is following a well integrated omni-channel strategy.

After our intensive expansion in the CEE market over the last years, we extended our store number to 15 stores in Croatia and 4 stores in Slovenia. We are glad to offer our wide product mix starting from seductive lingerie and underwear, swimwear, menswear, night and homewear to hosiery also in this high growth potential markets.



SEEBDN

WHO WE ARE AND WHAT WE DO?

The Southeast European Business Development Network (SEEBDN) is an independent business association of prominent managers, entrepreneurs and diplomats from the countries of Southeast Europe, Germany and Austria. We are a not-for-profit association (eingetragener Verein) based in Vienna.

The SEEBDN aims to enhance international business operations of SEE economies, particularly with the EU market, focusing particularly on developing new business networks and stimulating business operations of small and medium-sized enterprises (SMEs) on external markets, but we are not neglecting large companies either.

In this process, the SEEBDN will seek to support inclusion of SEE economies in European Commission's development projects, as well as in national projects of EU members states, aimed at boosting foreign economic ties.

For the benefit of its members, the SEEBDN will use different resources. The SEEBDN shall seek to link business people, scientists, politicians and other stakeholders in European and regional processes of importance for the SEE economies. We shall also strengthen the flow of reliable, topical, economic, financial, business and political information and analyses of importance for the SEE region.

We are offering advertising opportunities in the region, as well as in the EU and the international market, mainly through the Business Link magazine, and organization of occasional meetings for business people from the SEE and the EU in order to connect them with companies interested in business partnerships.

Our organization would mainly focus on business activities of small and medium-sized enterprises, modern technology transfer, know-how, and would also stimulate the use of digitalization and enhanced activities towards developing a business network aimed at linking SEE countries with interested companies in the EU.

The SEEBDN shall provide additional financial resources from EU funds, funds of EU member states and other sources. Provision of regular online access to programs of support to SMEs, which are offered by the EU or state and business agencies from the region and the EU (tenders, other calls for proposals).

If you wish to join our association and use all business opportunities that we can offer to our members, for more information please visit our official website: www.seebdn.eu.

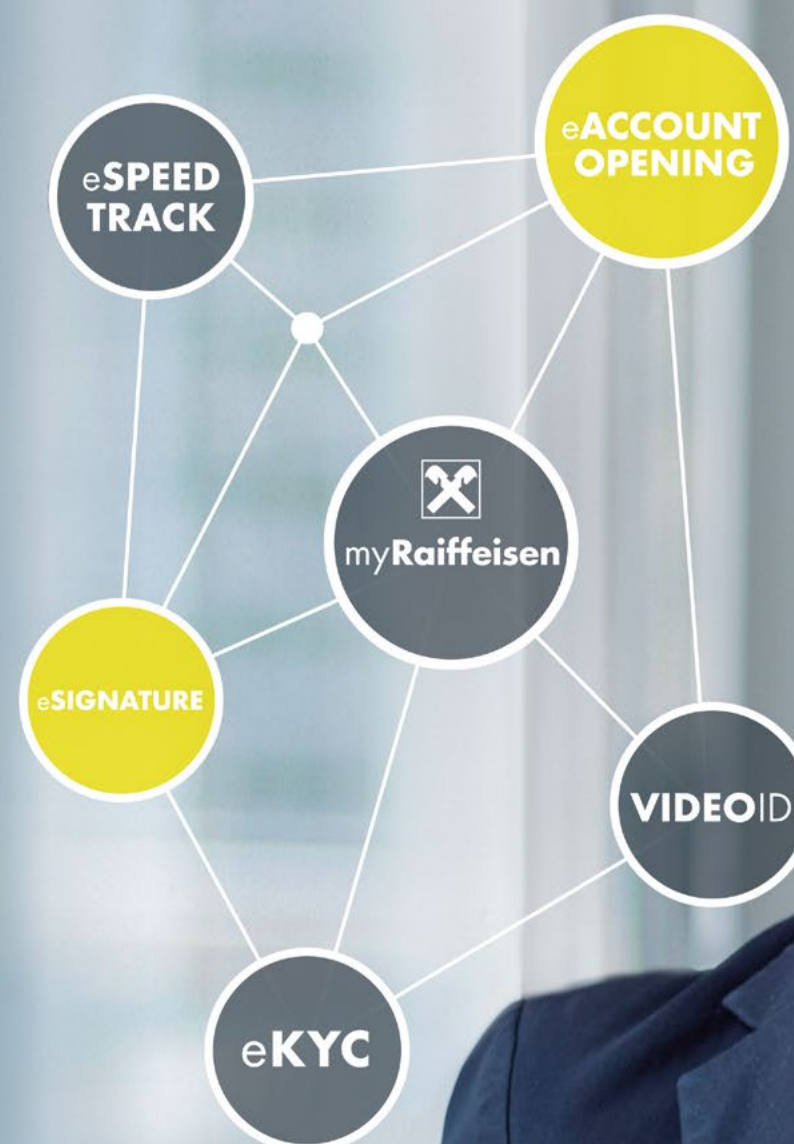
CONTACT US

WEBSITE: www.seebdn.eu

ADDRESS: Krottenbachstraße 151/3 A-1190, Vienna

TEL: +43 1 4780080

E-MAIL: a.gros@seebdn.eu



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What do FRUIT STARCH & SUGAR have in common?

AGRANA is successfully active around the world in these three segments. We add value to agricultural commodities such as fruits, potatoes, corn, wheat and sugar beet to create a wide range of industrial products. The portfolio range extends from fruit preparations for yoghurts, fruit juice concentrates and starch in food, textiles, paper and bio-plastics to sugar in many variants.



The natural upgrade