

# European pulse

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## Greeks, us and geopolitics



Vladan Žugjić

Ensure independence of the statistical office, fix the judiciary, depoliticise public administration... No, this is not about EU's demands to Montenegro. These are just some of the terms set by the Troika as conditions for keeping Greece in the Eurozone and extending the bailout package. In 2001, Greece elbowed its way into the euro zone partly thanks to the ELSTAT faking the figures – at the time, the European Commission was not allowed to double-check the numbers, as all EU member states demanded that their data remain confidential.

Greece joined the EU in 1981, despite the Commission's negative opinion of its readiness for the membership. However, geopolitical interests prevailed.

Today, Head of the EU Delegation to Montenegro **Mitja Drobnič** says that three years after the opening of negotiations with the EU "the most has been accomplished" in chapters 23 and 24 as, according to him, the rule of law is in the spotlight: the negotiations began with it, and the majority of energy and resources were invested there.

How come? Less than two months ago both Drobnič and a score of other European officials warned that 2015 should be the year of tangible results in the rule of law.

An experienced diplomat who wishes for a genuine democratic transformation of the Montenegrin society, Drobnič is only anticipating NATO's decision on Montenegro which is due this December.

The credibility of both the EU and NATO would be in question if they were to have conflicting views on the progress achieved by Montenegro in the integration process. We should thus also expect that the EC's Progress report in October will be neutral or even positive, despite the complete failure to meet the requirements such as tangible results in the fight against high-level corruption, further politicisation of public administration, decreased transparency of institutions...

It would not be the first time that EU turned a blind eye on Montenegro's failures for 'higher' purposes.

Every economist knows that the government debt must grow if the interest rates are higher than the growth rate, regardless of the level of public debt and budget deficit. This is how Greece ended up with spiralling indebtedness.

The growth rate of the Montenegrin economy must be above 2% over the next 20 years just to repay the Chinese loan for the construction of the highway, and that assuming to other large debts are incurred.

The recent optimistic forecasts of the financial institutions that predict over 3% growth rate for Montenegro in 2015 are mostly based on the data provided by our MONSTAT.

The current state of Greek society is nothing more than a consequence of decades of voting into power a corrupt political elite that in turn corrupted its voters. Too many similarities with Greece?

## Calendar

- 2 June **High youth unemployment a regional problem** / EU membership is a common goal of the region, and we are closely cooperating towards that goal, said the Prime Minister of Slovenia **Miro Cerar** at the closing of the summit of 100 politicians and businessmen from Western Balkan states. He expressed his satisfaction with the solid perspective of the regional economy, which is likely to face a longer period of growth of 1% to 4% annually. However, he also said that the current situation is a cause for concern, especially with regard to the high level of youth unemployment and the subsequent lack of perspective.
- 15 June **Environment in 2016** / Montenegro should open the most demanding chapter in the process of EU negotiations - Environment and Climate Change - in 2016. The country will require significant financial resources to meet the EU benchmarks and implemented, said the minister of sustainable development and tourism **Branimir Gozdenović**. At the opening of the thematic week "Protection of the environment and climate change" he estimated that the country cannot develop as a tourist destination unless it solves the problem of waste and waste water.
- 22 June **Two more negotiation chapters opened** / At the Intergovernmental conference in Luxembourg Montenegro opened negotiations on two more chapters: 9 – Financial Services and 21 - Trans-European Networks. This brings up the total number of opened chapters to 20, two of which have been provisionally closed.
- 26 June **Half of high school graduates know a lot about the EU** / Faculty for Administrative and European Studies (FAES) interviewed over five thousand high school graduates in 49 schools to test their knowledge on the EU. The research found that 48% of the students could answer correctly the questions related to the EU and the process of negotiations.
- 26 June **More attention should be paid to the chapters which meet the opening conditions** / **Mitja Drobnič**, Head of the EU Delegation to Montenegro, said that he would be glad to see more energy focused on the chapters which meet the opening conditions in the near future, as their delay might cause problems. According to him, negotiations on all chapters should proceed in a parallel fashion. "Nevertheless, the rule of law is the focus of interest and since the negotiations began there, it is expected that the results should be the best there and that the greatest amount of energy and resources will be dedicated to it", Drobnič said.

## Connecting systems, connecting markets



By: Johannes Hahn

Much of the Western Balkan states' work on connectivity has focused on transport. Today we are opening a new file on energy connectivity. This not only covers the physical connectivity between energy systems, but also the connectivity between energy markets.

This region is lacking in physical interconnections. This is an issue of security of supply. Last year, we carried out an exercise to see how the EU and the Energy Community countries could cope with a severe disruption in gas supplies. These stress tests highlighted that some of you are vulnerable due to your dependence on one supplier. The cancellation of the South Stream project reinforces the need to develop sources and supplies of gas. The EU can help for particular sections of the gas network, such as cross-border links. We want to bring such projects to maturity and to support their construction. In the Western Balkans, the dependency on imported energy is approximately 30%. For some this is a political and economic risk, particularly given the dependency on certain suppliers.

The best way to improve energy security, to reduce energy dependency and external vulnerability is to make better use of existing energy potential, especially of renewable energy sources. This region has great potential for renewables, particularly hydropower. Investments in renewables are not taking off because of insufficient incentive schemes or power-purchasing agreements, as well as complicated licensing and permitting procedures.

Renewable power is not only about large hydropower plants or wind farms. This production can be decentralised and small or medium scale. Just outside Vienna, is a waste incineration plant that demonstrates the potential of waste-to-power and offers an alternative to dumping waste in landfill sites. I would like to examine whether such a demonstration project would be feasible in the Balkan countries.

On top of using indigenous energy sources, there is a vital need to improve the interconnection between energy systems. To decide which projects to support, the European Commission is using the Energy

Community's Projects of Energy Community Interest, which have already been assessed in terms of their regional value and economic viability. We hope to announce a shortlist of the most vital projects that the EU will co-finance this year at the next summit of the Western Balkans Investment Framework. There will be several electricity projects in this list. They will develop the region's capacity to exchange power over longer distances and will allow you to develop synergies between generation capacity and demand. Developing these physical interconnections will help integrate the renewable energy capacities that you are committed to develop, and enable the sale of newly produced energy to the buyers abroad. Up to 130million euro in IPA II funds will be available from the 2015 multi-country programme as grant co-financing to move these investments project forward. We are working with the international financial institutions to bring in additional sources for such projects.

Whilst the physical connections between energy systems are important, you need to add value to investments.

Through the Energy Community, you have legally committed to apply EU rules. I propose that we identify the elements of those rules where we need to make a particular effort. I know that some of these measures, such as market opening and third party access to infrastructures are sensitive. We have that experience in the EU and you can count on our support. But I would like to go further than this to develop a regional power market initiative.

Energy was at the birth of the EU, which developed rules to pool coal, steel and nuclear power. This was a powerful tool for reconciliation for Europe. Working together on energy systems can play a similar role in South-Eastern Europe as an example of regional co-operation and reconciliation at work.

*Excerpts from the speech of Commissioner Hahn at the Western Balkans ministerial meeting on energy in Vienna*

Three years since the opening of negotiations with the EU

## While we await the verdict, we must work on agriculture and ecology



By: Svetlana Pešić

Three years after it began accession negotiations with the European Union, Montenegro opened 20 out of 35 chapters, and provisionally closed two: Science and Research and Education and Culture. Even though this period saw significant legislative and institutional changes in the judiciary, covered by chapter 23, there has not been a single final verdict for high level corruption.

In addition to producing specific results on the rule of law front, as expected by Brussels and EU members states, our interlocutors also pointed out that in the next year of negotiations with the EU Montenegro has to focus on fulfilling the benchmarks needed for the opening of further chapters.

According to the Head of EU Delegation to Montenegro **Mitja Drobnič**, Montenegro came a long way towards EU integration since it opened accession negotiations in June 2012. Even though 20 chapters that have been opened serve as the indicators that the process is going well, on the other hand, opening chapters without benchmarks may not be the best numerical indicator of progress.

"We will be able to provide a more clearer progress assessment once Montenegro meets the benchmarks for the opening, underlined in more complex, more challenging chapters, such as the protection of environment and climate changes, economy, or competitiveness policy", Drobnič said.

Chapters 23 and 24 show, on the one hand, the progress that has already

been made and stand as a successful example. On the other hand, they also show the challenges that still lie ahead of Montenegro. "Think, for instance, of the 2013 amendment of the Constitution. It was an important step which demonstrated the broad political consensus necessary for reform of the judiciary. Much has been done to strengthen the corresponding legal and institutional

*Montenegro came a long way towards EU integration since it opened accession negotiations in June 2012. On the other hand, even though 20 chapters that have been opened suggest that the process is going well, opening chapters without benchmarks may not be the best numerical indicator of progress. "We will be able to provide a clearer assessment of progress once Montenegro meets the benchmarks for the opening of more complex, more challenging chapters, such as the environment and climate change, economy, or competitiveness policy", said Mitja Drobnič*

framework. A great number of laws have been adopted, particularly in the area of judiciary and fight against corruption and organised crime. All those changes represent the necessary steps towards meeting the commitments of the accession process of Montenegro to EU, which we welcome", Drobnič said.

According to Drobnič, the hardest part is yet to come. "Now that the legislative framework is in place and once the institutional framework is completed with the establishment of the Agency for Anti-Corruption 2016, we expect to also see their results in practice", Drobnič said.

As for other chapters, he stressed that it is important for Montenegro to continue with preparations to meet the benchmarks for the opening of chapters, such as the chapter 27 (Environment and Climate Change), or chapter 11 (Agriculture).

Drobnič believes that the process of European integration is already having a positive effect, although, according to him, it is often hard to see it clearly. "Take for instance the roads and parts of railroads which are available to the citizens of Montenegro today, and that were constructed or reconstructed with the support of EU IPA funds. Maybe those benefits are not that significant, but they surely represent the positive influence of



Mitja Drobnič

European integration process on the quality of life of Montenegrin citizens", Drobnič said.

Regarding rule of law, the Head of EU Delegation admits that it is harder to see tangible results in this field, as many of the steps undertaken so far concern the legislative and institutional reforms. "It is important to continue and intensify the tempo of reforms in this area, including economic management, so that the citizens could feel the improvement in the quality of their lives. The European Union and its Delegation to Montenegro will continue to support these reforms as they did so far, through financial and professional assistance", Drobnič said.

A great number of tangible benefits is already present, Drobnič said, adding that the citizens will feel the most significant ones after the accession to Union, when Montenegro will have much larger resources at its disposal than it has now, and when its citizens will be enjoying all the advantages which citizens of EU already enjoy.

**Boris Marić**, senior legal advisor at the Centre for Civic Education (CCE) and a member of the working group for Chapter 23 thinks that judging

Montenegro's progress by the number of opened chapters is "if not wrong, then at least highly inadequate".

"Hard figures and diplomatic language that recognises and encourages progress often do not reflect the key issues. Montenegrin society has numerous problems, the dominant one being the inability to establish the rule of law. This, most crucial part of negotiations, the point where the negotiation process began in the first place, is chronically delayed. Somehow, these delays became part of the practice of state authorities, which is not good", Marić thinks.

Another concern, according to him, is the conscious and deliberate withdrawal of certain pieces of information.

"My experience in the working group for Chapter 23 is extremely bad with regard to the possibility of receiving an opinion from EC experts on a certain issue in a timely manner, or even at all, whether it concerns a particular legal text or other strategic act. The same is true of having continuous access to the platform for information exchange between coordinators of to ensure that

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communication between the head of the working group and NGO representatives is direct, timely and unambiguous. On top of everything, NGO representatives do not participate in the Council for the rule of law, which was established in order to ensure more effective meeting of the commitments assumed under negotiation process. One could conclude, based on this practice, that the state administration is susceptible to political influence and self-censorship and often does not comprehend the basic principles of a democratic society, which would make all of this less surprising", Marić said.

He added that it is hard to specify everything that was successful during past three years of negotiations. "Currently, we have two closed chapters: one, related to science and research, and the other, education and culture, so logically one could draw a conclusion that we are particularly good in these areas. However, we all know that these areas are suffering numerous problems and that much needs to be done in order to achieve European standards", Marić said.

He stressed that EU negotiations can be motivational for a society, but that they are really only as successful as the society is able to build

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Boris Marić

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President of parliamentary Committee for European integrations **Slaven Radunović**

believes that the importance of 20 open chapters becomes more apparent if we compare Montenegro to the rest of the region, which is indeed far behind in the negotiation process. However, he divided this assessment in two segments: "First, I would like to commend the work of the administration that is in charge of negotiations. They have shown so far that they possess the capacities and professionalism to pursue the process of legal alignment as well as the administrations of much bigger states. However, "the other side of the coin" is the progress in key areas concerning the rule of law, where political will is needed to tackle corruption and organised crime", Radunović said. For Radunović, chapters 25 and 26, the only ones that were provisionally closed, represent a successful story in the negotiations between Montenegro and the EU, but he also noted that of Montenegro's obligations did not end with those chapters. "When it comes to problematic areas, in addition to chapters 23 and 24, which rightfully

attract public attention, we also face challenges in the technically more demanding and expensive chapters, such as 11 - Agriculture and rural development, 12 - Food safety, veterinary and phytosanitary surveillance and 27 - Environment. In addition to significant financial resources, these require knowledge and experts that we lack ", Radunović said.

Radunović added that the public discourse that accompanies the process of negotiations always stresses the 'benefits', which suggests to the citizens that they will take place rapidly and will be tangible. "The point is that the process of reforms implies legal and institutional changes, which bring improvement in an area only when the new practice is implemented in the real life", Radunović said.

As examples, he mentioned the improvements in the quality and safety of food. This is an area where the EU has numerous regulations, and Montenegro has been aligning its own standards with them. The same is true of the Directive on toys, which ensures that Montenegrin citizens are buying safe toys. "There is progress in areas that are of key importance for the everyday lives of citizens, such as the protection of their consumer rights or health, but that is less emphasised", Radunović said.

At the same time, he noted that with regard to the rule of law Montenegro still lacks not only trained administration and technical capacities, but also political will is lacking. "In that regard I agree that no significant progress has yet been made, because the citizens do not measure progress by the number of adopted laws and measures from chapters 23 and 24. We will feel the specific benefits when all citizens are equal before the law, when administrative procedures last one day, and job applications processed strictly on grounds of professional qualifications. Unfortunately, formal changes adopted to satisfy negotiation requirements will not bring prosperity in these areas, if the government lacks genuine political will to deal with corruption and organised crime, and if we are not ready to change our attitudes and demand to live in a well-ordered state governed by law", Radunović said.



Slaven Radunović

Professor at the Department of Biotechnology, Prof. Milan Marković

## Instead of growing, agricultural budget stagnates and even decreases

Budget for agriculture is the best indicator of the state's attitude to this sector, Prof. Milan Marković, agriculture expert and professor at the Department of Biotechnology at the University of Montenegro told *European Pulse*. "How can we even speak of a serious policy in a country which is about to open negotiations with the EU in this sector without even a multi-annual budget plan? Instead of increasing the budget for agriculture rapidly, in line with the sector's needs in anticipation of EU membership, the funding has remained at the same level or has even decreased", Marković said, speaking about the situation in the Montenegrin agriculture ahead of the opening of Chapter 11 - Agriculture and Rural Development.



prof. Milan Marković

He said that agriculture is a sector where progress is only possible over a longer term, not "overnight", as the Government is often announcing. "Despite positive steps that were, above all, the result of realisation that Montenegro cannot afford not to use the available resources, the main problem is still that the state has no necessary mechanisms for exploiting the natural resources in an adequate

manner. Unfortunately, the recently adopted Strategy gives no guarantee that the situation will improve. I have already pointed out the many shortcomings of the draft Strategy, which was subsequently adopted in late 2014. At least the final version is free of some ambiguities that were present in the past versions, but it still fails to specify the budget for agriculture. The budget was included in the first version of the Strategy, then moved to the Action Plan, and is now missing from both the Strategy and the Action Plan. I would repeat something I often stress: the budget for agriculture is the best indicator of the state's attitude to this sector", Marković said.

» *Recently the EU Delegation to Montenegro pointed out that Montenegro should focus more on the chapters that have not yet been opened but meet most of the conditions for opening. Among them is Chapter 11 -*

*Instead of seeing a rising number of state aid recipients, we see their numbers stagnate or even dwindle, due to unreasonably high assistance minima. I could illustrate this with numerous examples, so here is just one of them: a farm with 6 cows (which is twice the average in Montenegro) can get EUR 140 per year, or only EUR23 per animal, because the support is only given for the animals beyond the minimum threshold of four. A minimum like that does not exist anywhere in the EU! In essence, this is departing from the EU model.*

*Agriculture and Rural Development. What, according to you, are the main challenges to the opening of this chapter? Screening Report for Chapter 11 argues that Montenegro has a "low level of alignment" with the EU acquis on this chapter.*

Key issues in Chapter 11 are a) direct state aid to producers (annual payments) and b) rural development policy. Other issues that fall under this chapter are market regulation and standards. The EU system is continuously reformed and updated, and our alignment is practically a matter of continuous adjustment under the keen eye of the EC. As for the current state of alignment, some progress was made only in the domain of strengthening administrative capacities and introducing detailed procedures for the implementation of rural development policy. However, the key issue is that the state ought to have its own priorities and fight for them during the negotiations. It cannot just generally declare some priorities, it must also express them through the current financial support. If the priority is to utilize the resources and slow down the flight from the countryside, this should also be reflected in the Government's agricultural policy, which is not the case at the moment. This is no place for detailed analyses, but it is a fact that even the little money available to agriculture is distributed in a way that incentivises flight from the most remote rural areas,

*In the rural development policy it is especially important to have a bottom-up approach, that relies on local communities. Local governments are typically sidelined, excluded from the implementation of ongoing policies, but without their involvement it is impossible to identify the priorities of local communities and conduct a successful rural development policy.*



prof. Milan Marković

which in no way constitute a priority for the state policy.

» *On accession to EU, Montenegro will have to align all state aid measures to the EU acquis. How is the situation at the moment, and what else should be done?*

In the key domain of agricultural policy - direct payments to the farmers, where the EU spends 70% of its budget, I can see no improvement. In order to approach the EU model, it would be necessary to increase the amount of support per acre, and extend support by including new beneficiaries. The circle of budgetary beneficiaries is inexplicably low: less than 3% of the agricultural land is covered by incentives, and fewer than 20% cattle-raising farms. Instead of seeing a rising number of state aid recipients, we see their numbers stagnate or even dwindle, due to unreasonably high assistance minima. I could illustrate this with numerous examples, so here is just one of them: a farm with 6 cows (which is twice the average in Montenegro) can get EUR 140 per year, or only EUR23 per animal, because the support is only given for the animals beyond the minimum threshold of four. A minimum like that does not exist anywhere in the EU! In essence, this is departing from the EU model.

» *Many challenges exist also with regard to rural development. What would you say should be the next steps there?*

The new EU Rural Development Policy (2014-2020) is even more flexible than its predecessor for 2007-2013. It offers many opportunities with regard to the choice of measures to support agriculture and the overall development of the countryside (strengthening competitiveness of the agriculture, sustainable use of resources, improving the quality of life and diversifying economic activity in rural areas etc.) Now all we talk about is the IPARD investment support scheme, which is good and necessary, but is only a part of the overall rural development policy. Montenegro must invest much more in strengthening the village through improvements to rural infrastructure and numerous other programmes

### It is a myth that small producers cannot survive in the EU

» *Agriculture, in terms of activities covered by Chapter 11, has little chance of benefiting from the EU accession given its small size. What benefits could the citizens and agricultural producers have from the EU membership?*

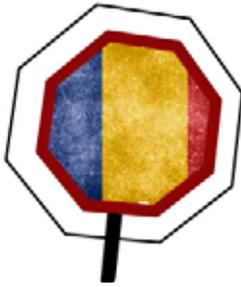
In addition to the opportunities offered by the market of 500 million consumers, our producers, big and small, will have incomparably greater financial support from the EU budget to help them meet the environmental standards, which are not unreachable. The new EU policy even has additional instruments of support to small farms, which are quite common in the EU 28.

Without dismissing the importance of requirements the country must meet to qualify for membership of the EU, I believe these are often overstated. We should compare the experiences of less developed countries, such as Romania and Bulgaria, to see that things are much less dire and that small and more traditional producers survive not only in these but also in other EU countries such as Poland, Slovenia, Croatia, Malta and Cyprus. You can hear various opinions in the media about all the limits or bans the EU membership will impose, but these are mostly fictional, as can be seen from the experiences of these EU members. The EU insists on rigorous rules in order to secure orderly, predictable market behaviour and safe products for its final consumers. At the same time, it also offers various supports to the competitiveness of producers and for the implementation of EU standards. Traditional products (dairy, ham, and many others) can still be produced, provided observance of certain hygiene standards, which can only contribute to the safety and quality of these products.

for rural development and sustainable management of resources. In the rural development policy it is especially important to have a bottom-up approach, that relies on local communities. Local governments are typically sidelined, excluded from the implementation of ongoing policies, but without their involvement it is impossible to identify the priorities of local communities and conduct a successful rural development policy.

V.Žugić

## Women are cleansing Romania of corruption

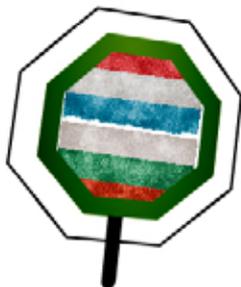


Directorate for anti-corruption (DNA) in Romania initiated, i.e. the prosecutor's office in charge of corruption, investigation against the Prime minister **Viktor Ponta** on suspicion that in 2007 and 2008, while working as a lawyer, he was involved in tax evasion and money laundering. He is also suspected of being in a conflict of

interests as the Prime Minister. Ponta, who denies charges, rejected the request for resignation from the president of Romania **Klaus Iohannis**. The Romanian Parliament also rejected the request of prosecution to abolish the Prime Minister's immunity, and three days later it rejected the request of the opposition for a vote of no confidence. In the meantime, Ponta briefly turned over his duties to the deputy PM, citing health issues.

The fight against corruption in Romania, which reached the top of the government, is now led by two women who make the political circles tremble. They are **Laura Kövesi**, head of Prosecutor's office for anti-corruption and **Livia Stanciu**, chairwoman of the High Court of Cassation (ICCJ). Kövesi (42) is a former basketball player, whose soft voice and smile hide great determination. In 2014 she received an award of the US State Department as one of one of the "bravest women in the world". Since Stanciu (58) was appointed to the top of the highest judicial instance in the country, the number of verdicts for high-level corruption soared, including in the cases that have previously dragged on for years. In 2012, Stanciu sentenced the former Prime Minister **Adrian Năstase** to two years in prison. This sentencing of a man who was thought to be untouchable marked the turning point for Romania.

## Luxembourg and Bulgaria on two poles



According to the latest Eurostat figures, the per capita gross domestic product (GDP) of Luxembourg was two and a half times higher than the European average in 2014, while the Bulgarian GDP was 55% lower. In terms of individual consumption

Luxembourg still comes first, and the highest prices among the EU member states are found in Denmark - 40% above the average.

## Greeks smoke the most, Finns the least

Although the latest figure show that a growing number

of Europeans is quitting the smoking of cigarettes, cigars or pipes, 26% of citizens still smoke, which is 2% less compared to 2012.

Countries with most smokers in the EU are Greece (38%) and Bulgaria (35%), while the Nordic countries have the fewest - only 11% of Swedes and 19% of Finns smoke, according to the newest special Eurobarometer. The

largest drop in the number of smokers was recorded in the 15-24 age group, where the percentage of smokers was for the first time lower than the European average.



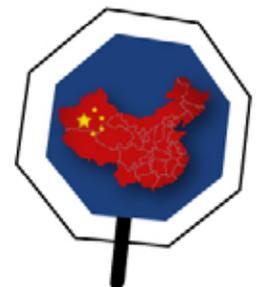
## Business in China is less profitable

A group of European companies that operate in China urged this country to strengthen the protection of business secrets and respect the rules of business if it wishes to secure European investments and employment which the Chinese leaders hope could stimulate innovation economy. Annual report of the European Chamber of Commerce in China showed that the optimism of European companies regarding future profitability of their companies is fading and that a quarter of European companies there are planning to reduce the workforce.

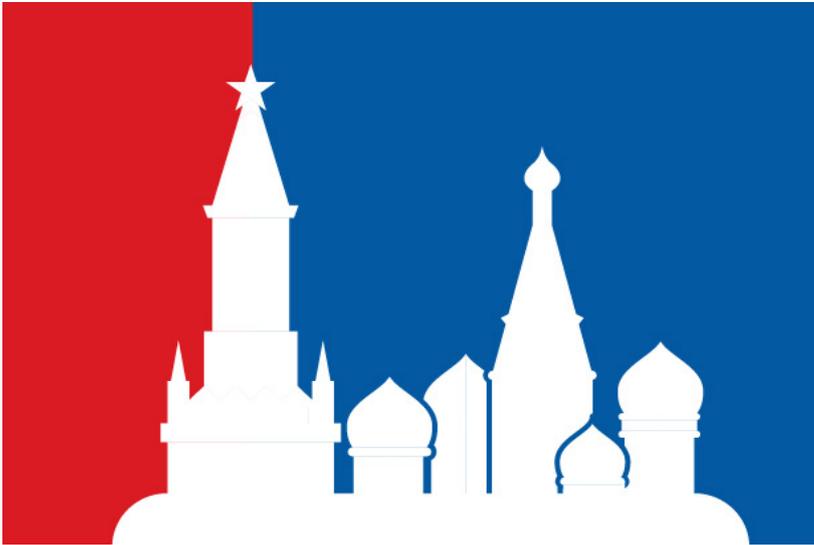
Growth of the Chinese economy, the second largest in the world, has slowed down from its two-digit heights, as China is planning to reduce the excessive dependence on trade and investment in industry.

In order to ensure that European companies will stay in China despite the economic slowdown and reorient towards industries with higher value added, the government in Beijing has to apply business regulations more evenly, without the unnecessary "targeting" of foreigners, as well as to improve access to the Internet and guarantee the protection of intellectual property, the Chamber said.

The 2015 business confidence report found that only a quarter of 541 European companies that took part in the survey have development and research centres in China. Those centres are primarily focused on adapting their products for the Chinese market, not on developing new technology that could be stolen. "It seems that the companies lack the trust necessary to establish development and research centres in China", said the president of the Chamber in China and director of the German company **BASF Joerg Wuttke**.



## Analysis that shatters the fears of Russia



Russia's economic and political influence on the region often referred to as the Western Balkans is today a subject of frequent speculations by the media and politicians both in the countries of the region and in the European Union. This supposed influence is frequently attributed far-reaching significance, as well as a strategic background and immense scope. While these speculations paint the Russian ambitions in the enormous proportions that make it appear as a sort of bogeyman for the region's small states, not a single serious study has been conducted by the local experts to estimate the true scope of its influence. This changed on 24 June when the independent Foreign policy initiative BH (FPI BH) from Sarajevo published a study titled "Economic opportunities in Russia and possible consequences for the Western Balkans (with the emphasis on Bosnia and Herzegovina)", funded by the German Friedrich Ebert Foundation. The study attempts to profile the consequences for the region of the sanctions against Russia that were put in place following the breakout of war in Ukraine.

As usual, western interpretations already credited Russian leadership with the intention of using Western Balkan states, primarily those that are (still) not EU members as a "soft belly" or "Trojan horse" to expand their influence on the rest of the continent. This study references the statements of the key protagonists, including EU MPs and political scientists, which emphasise Russian intentions to literally block some of these states' "path to Europe". At the

same time, comparative analysis of investments and economic relations between Russia and the West Balkan countries shows that the above picture is a hasty and largely groundless description of the current relations.

### *Losses in Republika Srpska*

**Marko Radovanović**, a member of FPI BH, told *Deutsche Welle* that the Russian Federation accomplished such an increase in influence only in Serbia. Through the ownership of the Serbian oil industry complex (NIS), Russia's Gazprom controls, directly and indirectly, about a quarter of Serbia's budget revenues. Such a high economic leverage could indeed eventually be turned into political influence. Elsewhere, however, there is no sign of such significant shares. Republika Srpska is often mentioned in this context, probably because such a thesis would correspond to the political orientation of local leadership. Nevertheless, Russian economic influence in this part of BH is clearly not a case of systematic economic politics of the Russian state, but rather of sporadic private entrepreneurial endeavours with oil and gas refineries. Even though these are traditionally profitable sectors, Russian businesses have suffered losses and drained more money from the budget than they contributed. Even poorer business results and political relations can be found in Montenegro, which is why it would be difficult to talk today of some greater opportunity for turning economic interdependence into political power. "In light of all this, with regard to the European path of the West Balkan states, we can conclude that Russia would rather use the region as a 'Trojan horse' inside the EU", Radovanović said. "In other words, Russia has no interest in preventing these states' EU ambitions. It would surely profit much more from building up a political influence in the region in order to secure influence inside the EU, not outside of it."

### *Do sanctions really affect Russian economy?*

Based on its analysis, Foreign policy initiative BH also believes that Russian economy has coped relatively well with the sanctions imposed on it last year. "The consequences of the sanctions and the fall of oil prices have been much milder than some of the Western observers estimate", Radovanović said.



The FPI analysis noted, however, that insufficient diversification of the Russian economy and its dependence on the export of fossil fuels could potentially be a problem.

**Jelena Jurišić** of the Department for Communication at the University in Zagreb, who is an established analyst of relations with Russia, also believes that the Russian companies have not yet seriously engaged with the Western Balkans region. The key reason is the region's political, economic and investment instability, as well as the attitudes towards Russian capital in the region and the EU. "The 'Trojan horse' thesis is completely unfounded", Jurišić said, "Especially since Russia already has even stronger cards inside the EU. It is the economy, i.e. the losses that the EU member states are suffering because of the sanctions imposed on Russia. This includes direct losses, but also indirect ones, such as the loss of market, business deals, investment, jobs etc."

***Is Western Balkans likely to become a battlefield?***

She, however, disagrees with the claims about the lack of diversification of the Russian economy, and points out that the share of the energy sector has dropped from the former 80% to approximately 55%, and is heading towards a greater number of markets. In her opinion, dependence on the Russian gas is a bigger problem for the EU member states than for Russia. "It is easier for Russia to find a way out of this dependency, as it can easily find new markets, which it proved to be capable of doing since the beginning of sanctions. Besides, its

economy is recuperating rapidly, the Russian ruble is the fastest growing currency in the world, inflation was halted, and Russian foreign exchange reserves are growing", she said. Finally, she believes that the role of Russian Sberbank in the Western Balkans has been underestimated: "Ivica Todorčić was granted a loan of EUR 600 million in order to expand across the region, thereby making the Sberbank and Todorčić powerful players."

FPI BH underlines that Russia does not have the same type of relationship with the Western Balkans as it does with Ukraine, Georgia or the Baltic states. In a region that effectively consists of the member states of former Yugoslavia, this could represent a good opportunity for successful parallel cooperation with both Russia and the EU.

At the same time, the region could be at risk if it becomes a battlefield for unprincipled sparring between the two parties.

The end of the analysis leaves some dilemmas open: "While Russia is preoccupied with the economic crisis and the conflict in Ukraine, the EU is consolidating its influence in the Western Balkans. The question is – how efficiently is it doing it, and ultimately to what purpose? If the only reason is to prevent Russian or some other non-European influence in the region, this policy is just as wrong-headed as any other whose only purpose is geostrategic hedging."

Source: [www.dw.com](http://www.dw.com)

## Chapter 30: Foreign relations



By: Nikola Djonović

Within this chapter, special focus must be placed on mutual trade and development policy within wider frameworks, along with the promotion of democracy, stability, respect of human rights and economic development. Acqui which covers those areas stems from multilateral (in some cases bilateral) trade obligations of the EU, as well as from some autonomous trade measures.

The Stabilisation and Association Agreement (SAA) between Montenegro and the EU established a free trade area between the two parties, which made Montenegro subject to international obligations and rules of the World Trade Organisation (WTO), GATT and other relevant international organisations, for a period of five years from the day the SAA came into force (May 1. 2010). Specifically, Montenegro committed to gradually abolishing customs on the import of goods which come from European Union during the period of accession. In return, Montenegro was granted greater access to the markets of EU member states, enabling its producers to reach customers in the EU.

During the past period, Montenegro succeeded in creating the required institutional basis for trade cooperation. In addition to the SAA, Montenegro is a signatory to CEFTA agreement, based on which it successfully established trade cooperation with Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Serbia and Kosovo, and it also signed bilateral trade agreements with Turkey and Russia. Over a mere six years, Montenegro achieved a remarkable level of liberalisation with a significant number of states, as well as complete liberalisation with Bosnia and Herzegovina, Macedonia, Serbia and Kosovo. Special regulations were retained retarding trade with Albania, Croatia and Moldova, most of them in the area of agriculture, which is covered by special quotas or higher customs duties, but is still significantly more favourable than the MFN.

According to the latest reports and data presented in the Opinion of the European Commission, average Montenegrin *ad valorem* MFN customs tariff amounts to 13.16% for agricultural products, 8.6% for fish and fish products, and 3.9% for industrial goods. The overall average is 5.9%. At the same time, the average EU *ad valorem* MFN customs tariff is 9.74% for agricultural products, 10% for fish and fish products, and 3.75% for industrial products, with a general average of 4.83%. Once it joins the EU, Montenegro will have to implement the Mutual customs tariff of the EU.

Montenegro signed a Free Trade Agreement with Turkey in Istanbul on 28 November 2008. The list of industrial products it contains is identical to the one included in the agreement between the EU and Montenegro, while the list of agricultural products is more restrictive. According to the internet presentation of the Ministry of Foreign Affairs and European Integration, agricultural products for which Montenegro received concessions from Turkey are: EU treatment on tariff line 1902 (pasta) up to 500 tons; 30% reduction from Turkey's MFN tariff on line 2007 (jams) up to 300 tons;





75% reduction of MFN on line 2204 (wine) up to 2500 hl. In turn, Montenegro reduced duties for the following Turkish products: for tariff 0713.40 (lentils) duty-free import on unlimited amount; and for tariff 0813.10 (dried apricots) duty free import up to 100 tons.

Bilateral trade relations with Russia are based on the implementation of Agreement between the Federal Republic of Yugoslavia and Russian Federation. Montenegro and Russia began negotiations to amend this Agreement, with the aim of reviewing the list of exceptions from the free trade regime and further liberalizing trade. Intergovernmental Committee for trade, economic and scientific-technical cooperation was also formed in December 2006 in order to enhancing cooperation between economic sectors. The Committee met four times in the first four years of its existence, last time on 26 and 27 October 2010 in Moscow. Figures show a remarkable level of cooperation between Russia and Montenegro, with the total amount of goods trade between the two states reaching EUR 21.948 million in 2010. For Montenegro, this meant import of EUR 19.2 million and export of EUR 1.7 million.

The EU's trade policy is based agreements concluded within the World Trade Organisation (WTO). On 12 December 2011, Montenegro finished a long and challenging process of accession

*Having harmonised its trade legislation with that of the EU, Montenegro should now work to strengthen the administrative and institutional capacities for multilateral trade, development and humanitarian aid.*

*In the upcoming period, Montenegro will have more of obligations in this area, hence, it will be necessary to raise the awareness of obligations that stem from signed agreements. By signing multilateral trading agreements, Montenegro secured its citizens' access to the goods which are more price-efficient and which were manufactured in line with international standards.*

*However, this chapter also represents a certain risk for the domestic economy, as during negotiations it ought to identify those branches of the economy that are insufficiently developed, in order to provide them with assistance for revitalisation, before they can be exposed to additional Euro-Asian competition. Citizens of Montenegro will have more products at their disposal, at a lower price, which is positive, however, with the inflow of foreign goods national manufacturers may lose their competitiveness.*

to WTO, and was accepted into membership by signing the Protocol on Accession of Montenegro in WTO at the Conference of Ministers in Geneva. It thereby became a member of one of the most relevant global organisations which covers about 90% of world trade exchange. Montenegro filed its request for the membership in Organisation back in December 2004, after which the Government formed a Working group which was in charge of the review of harmonisation of Montenegrin legislation with WTO rules. However, its accession was for many years blocked by Ukraine which demanded tariff reductions on certain product groups, mostly agricultural. After years of negotiations and seven rounds of bilateral consultations between economic



experts of the two governments, a solution was found in 2011 in a bilateral agreement with Ukraine, which envisaged gradual reduction of customs rates on those products on which Ukraine had insisted.

The so-called GSP schemes (*Generalised system of preferences*) will be of relevance for this negotiating Chapter as well. They represent a tool of trade policy aimed at developing countries that offers preferential trade terms to a group of countries in order to stimulate their export, industrialisation and economic growth. Currently, Montenegro is not applying any GSP schemes.

Montenegro also lacks any formal schemes of export loans. In that respect, before it joins the EU Montenegro will have to ensure that its short-term system of export loan insurance is in line with EU's competitiveness rules. Similarly, it needs to align its legislation with the EU *acquis* on medium- and long-term export loans.

Harmonisation with the *acquis* should continue in order to improve national legal framework for the control of export of dual use goods. According to the opinion of European Commission, some elements of regulations in this area are contrary to provisions of Regulation 428/2009 which prescribes the establishment of mutual regime for the control of export, transfer, mediation and transit of dual use goods.

In the upcoming period, Ministry of Economy needs to strengthen the administrative capacities of the Department for multilateral trade cooperation and international economic relations. It is necessary to develop human resources and increase professionalism of the Department for trade for better efficiency of this sector.

*As a small state, Montenegro was not involved as a donor in development and humanitarian aid policies to date, and was rather to a greater or lesser extent a recipient of aid. No European law regulates development policy or administrative structures that ought to be established in this field. Consequently, decisions on humanitarian activities are made without the legislative framework. EU Development policy is focused on the suppression of poverty, reform of institutions, development of infrastructure, and promotion of human rights in less developed states on all continents.*

Hungarian anti-immigrant curtain on the border with Serbia

## Walls are not the solution



By: mr Vladimir Vučković

Following the increase in the number of illegal migrants from Northern Africa and Middle East, the Hungarian authorities made an urgent decision in late June to erect a temporary fence, four metres high and 175 kilometres long, along the border with Serbia. The Hungarian government underlined that the move was not due to any dispute with Serbia, with whom the relations have in fact never been better, but a measure to prevent illegal immigration.

According to the data of the Hungarian ministry of interior affairs, more than 61.000 illegal migrants have entered Hungary in less than 6 months, a large number of them via Serbia. Most of the migrants apply for a refugee status in Hungary, but after submitting the application the majority moves on to some of the wealthier member states of the EU.

This is also why the Hungarian authorities initially planned to provisionally suspend application of Dublin III rules (European rule on asylum), which stipulate that the asylum application must be processed by the first European state to which the migrant arrives. Until the decision is made, the migrant is not allowed to move to other EU member states, and will be returned to the first state of entry if apprehended by authorities. Suspending the latter part of the rule would have allowed Hungary to refuse to take back the migrants who have been returned by other states, especially by Austria and Germany.

Even though the EU emphasises the abolition of borders among all states of Europe as its main foreign-policy, moral and cultural goal, a decade into the 21st century there are still fences and walls between member or neighbour states. Cyprus has been divided since 1974 by a green transversal into a Northern - Turkish and Southern - Greek part of the island. There are also anti-immigrant fences on the borders of Bulgaria and Turkey and Greece and Turkey, the Wall of Peace in Northern Ireland, fences around the Spanish cities Melilla and Ceuta in Northern Africa. Nevertheless, the EU member states generally do not approve of the construction of the temporary fence with Serbia.

**Natasha Bertaud**, spokesperson of the European Commission for Justice and Home Affairs, said as

much in reaction to the Hungarian decision to raise a four-metre fence on the border with Serbia to stem illegal immigration. "We ridded ourselves of walls in Europe just recently, so we should not be raising them again", Bertaud said.

"The EU member states have the duty to protect their borders, especially the external borders of the Union, but all such decisions must be in line with the international laws and principles, including respect for the human rights of immigrants. Asylum seekers cannot be returned to their state if there is a possibility that they will be persecuted there, or if they require international protection" Bertaud warned. History is rife with examples of countries that, due to military or political reasons, surrounded themselves with concrete walls or barb wires, but none of these lasted. The humanity has a deep-set urge to demolish and abolish them in order to achieve freedom as its fundamental right. It was precisely on those concepts and foundations that the post-war Europe, and later on the EU, was established.

We must not forget that Hungary accepted these postulates when it became part of the European family in 2004. Raising a fence on the border with Serbia is not in the spirit of European culture and civilisation, and reminds one all too keenly of the period of Soviet repression. Hungary should do well to remember those times of 40 years ago.

Hungary should try to find a joint solution with Serbia and the EU to handle its problem of illegal migrants, instead of taking unilateral political decisions. This type of decision can only affect negatively the Hungarian-Serbian relations by transferring the problem of asylum seekers to Serbia, and thereby jeopardising stable and friendly relations between the two states.

Moreover, raising the fence will not prevent the inflow of migrants to Hungary's territory. They will come up with new routes, like they did when Greece closed a part of its border with Turkey with walls in 2011. The only ones to benefit from these policies will be the smugglers who will make ever greater profits on the suffering of the people who continue to arrive to the EU shores.

Finale of the debt crisis in the south of Europe

## No solidarity for Greece



By: dr. Vera Šćepanović

Years of drama surrounding the bankruptcy of the Greek economy seem to be finally coming to some kind of end. On midnight 23 June the bailout fund on which the country has relied for the last five years ran out, leaving Greece without resources to repay a EUR 1.8bn instalment on a loan from the International Monetary Fund (IMF). This makes Greece the first developed country to fall into debt arrears – the only other countries in a similar position are Zimbabwe and Somalia. Eurozone member states refused to extend the bailout programme to the Greek economy after it became clear, during the summit of the EU ministers of finance on 22 June, that Greece will not accept the conditions its Eurozone partners demanded in exchange for another EUR 35 bn loan. The European official insisted that no further financing will be available until an agreement is reached, prompting the Greek Prime Minister **Alexis Tsipras** to announce that he will not sign such a “humiliating” document and that he will leave it to the Greek people to decide whether or not they want to accept the conditions of the European Union. The referendum on the bailout extension deal is scheduled for 5 July.

While both sides agree that Greece needs reforms in order to be able to repay the remaining debt, there are serious disagreements on the way in which the reform should be conducted. Greece has already agreed to a plan that would ensure a budget surplus of 1% GDP in 2015, 2% in 2016, 3% in 2017 and 3.5% in 2018. To that end, it proposed to increase the VAT as well as to raise the corporate income tax from 26 to 29% and social contributions from 2% to 3.5%. Eurozone representatives consider these measures to be insufficient, and maintain that such an increase in corporate taxes and contributions would only weaken the economy further. Instead, they believe additional savings could be found in the reforms of pensions and the labour market. This would mean, among other, freezing the pensions at the current level until 2021

*German chancellor Angela Merkel warned that should the Greeks reject the bailout package, the country will have to leave the Eurozone.*

*Should the Greek citizens choose to agree to the bailout terms at the referendum, Prime Minister Tsipras and his government would be forced to resign. This would be bad news for the Government, but also for the Troika, as nobody knows who would succeed them in power. Given the already difficult economic situation, a political crisis is the last thing Greece needs*

and imposing stricter conditions for early retirement. The Greek government, on the other hand, does not consider further welfare cuts to be either just or politically tenable. Five years of efforts to balance the budget through various austerity measures have already halved pensions and welfare payments relative to 2009, while the unemployment rose to 25.9%.

More contentious than details of reforms, however, is the Greek demand for debt restructuring. Prime Minister Tsipras and Minister of Finance **Yanis Varoufakis** say there is no point in pushing forward with painful reforms if after all that the country is to end up as indebted as it is now. Worse, even the creditors seem to know that. In the midst of the crisis over the Greek referendum, the press got hold of a leaked analysis by the ‘Troika’ (European Commission, European Central Bank and IMF) that show that even if Greece was to implement all tax and budget reforms demanded of it, and assuming an optimistic annual growth rate of 4% until 2030, its total debt would still be around 118% of GDP fifteen years from now – well above the level considered sustainable by these institutions. The current level of debt is 175% of GDP. As long as the debt is so high, even the most generous bailout programmes do little but enable the country to keep paying back the old loans. The analysis also shows that 93% of the new bailout fund would go straight to cover the cost of maturing debt.

And this is precisely what fuels the vicious circle of mutual accusations between Greece and other Eurozone members. For their part, the Eurozone countries point out that they have already given Greece over EUR 225 billion since the beginning of the crisis, and that all this money made practically

no difference as the country remains on the brink of bankruptcy. Greece, on the other hand, says that nearly all of that money was sent back to pay maturing loans and that without genuine help, and with continuous insistence on budget cuts, the Greek economy will never recover to the point where it will no longer depend on outside help.

That both sides are right does not help finding a solution, and the announcement of a referendum on the bailout conditions only pushed Greece further into the corner from which it won't get out easily. Officially, the question on which the Greek voters are asked to give an opinion is whether or not they agree to the conditions for a six-month bailout extension programme proposed by the Troika. Everybody, however, knows that things are not that simple. The details of the plan are too complex, and the time too short to allow ordinary citizens to form an informed opinion. After years of negotiations, both the Greek and the international media, and most likely even the ordinary citizens, consider this to be a vote on whether or not they wish to remain in the Eurozone. This is exactly what the Greek government does not want. On the one hand, if the citizens believe that voting "no" at the referendum will mean agreeing to leave the Eurozone, many of them might not wish to take on that risk. After months of demonstrations against the EU and the Troika in the streets of Athens, the end of June saw for the first time a protest in support of the European Union. In addition to this, the expiry of the bailout fund and the announcement of the referendum have further undermined the citizens' trust in the future of the economy, and the government had to introduce strict capital controls and limit daily withdrawals to EUR 60 in order to prevent a massive bank run. The public mood is souring, and should the Greek citizens choose to agree to the bailout terms at the referendum, Prime Minister Tsipras and his government would be forced to resign. This would be bad news for the Government, but also for the Troika, as nobody knows who would succeed them in power. Given the already difficult economic situation, a political crisis is the last thing Greece needs.

On the other hand, should the Greeks reject the bailout agreement at the referendum, it is unclear what the Government's next steps would be. Tsipras is hoping that a popular rejection of the agreement would add democratic weight to his demands and force the Troika to agree to restructuring of Greece's debts. Indeed, many believe that the referendum was

*In the midst of the crisis over the Greek referendum, the press got hold of a leaked analysis by the 'Troika' that shows that even if Greece was to implement all tax and budget reforms demanded of it, and assuming an optimistic annual growth rate of 4% until 2030, its total debt would still be around 118% of GDP fifteen years from now*

initially no more than an empty threat to convince Troika to continue negotiations. If so, the manoeuvre failed. Despite cautious noises from the IMF that they may have pushed Greece a bit too far, Eurozone members are insistent on showing Greece that they cannot be toyed with. German chancellor Angela Merkel refused to continue negotiations until the referendum results are known and warned that should the Greeks reject the bailout package, the country will have to leave the Eurozone. Other countries are shaking their heads and saying that none of them wants to see Greece out of the Eurozone, but it is clear that they are getting ready for this scenario. This is especially true of the East European member states, all of which are still far poorer than Greece and thus see no reason that they should step in and help a richer member state to pay off its debts. Slovak Prime Minister **Robert Fico** thus said that Slovakia wants Greece to remain in the Eurozone, but "not at any cost". "We are psychologically and technically ready for a Grexit scenario", Fico said. Also ready is Bulgaria, which is not in the Eurozone but has much stronger economic ties with Greece. Its Prime Minister, **Bojko Borisov**, recently announced that Bulgaria has taken measures to prevent withdrawal of deposits from the Greek banks in Bulgaria and the transfer of money to Greece. Czech Minister of Finance, for his part, says that Greece should finally go bankrupt "as this is the only way that the space gets clean". The situation is no better in Western Europe. Although the ruling Socialists in France have expressed their support for Greece, the opposition claims it is high time that the French citizens stop paying "the wages and pensions of Greek public servants".

These are bad news for Greece, which is likely to need assistance from EU member states for a number of years to come, regardless of whether it stays or exits the Eurozone. Solidarity, however, seems to be running short. And this is also bad news for everyone else in the EU.

## What has Prosecution done with SAI's reports?

The State Audit Institution (SAI) has in eight instances submitted particularly worrying audit reports to the State Prosecutor's Office. In response, five non-governmental organisations - Institute Alternative (IA), Human Rights Action (HRA), Centre for Civic Education (CCE), Centre for Development of Non-Governmental Organisations (CDNGO) and Monitoring and Research Centre (CEMI) - asked the Supreme State Prosecutor (SSP) to inform the public about the actions undertaken in relation to these reports, as well as in relation to other publicly available reports by SAI.

The reports in question are audits of the Institute for Textbooks and Teaching Aids, Centre for Contemporary Arts, Centre for Vocational Education, Radio and Television Montenegro (RTCG), University of Montenegro, Montenegrin National Theater, Democratic Party and the report on state guarantees. These entities have received a negative opinion from SAI and represent some of the worst examples of the way publicly funded institutions treat the taxpayers' money - including

shocking data on enormous amounts being misrepresented in their financial reports, overspending, misallocation of funding, illegal and detrimental contracts that were not even delivered upon, illegal activities, public procurement mismanagement etc. Among the reports submitted to the Prosecutor are also audits of state guarantees, in which the SAI demonstrates activities by public institutions and individual officials that undermined public interest and harmed public budget.

Given the repeatedly proclaimed cautious policy of the SAI in this matter, formal submission of the reports to the State Prosecutor's Office could be regarded as a de facto criminal charge. The very act of submitting these reports to the Prosecutor testifies to the awareness that the state of affairs in these public institutions these state authorities is in the realm of criminal responsibility. The NGOs urged the SSP to also investigate the potential culpability of responsible prosecutors who ignored these reports in the past.

Audited institution	What the SAI said	What the Prosecution said
State guarantees issued by the Government of Montenegro in 2010 and 2011	"State guarantees were issued without a detailed analysis of the financial situation and economic sustainability of the Financial Restructuring Programme of the beneficiaries ("KAP", "Željezara", "Pobjeda") and without adequate assessment of the possible repercussions of their activation for the public budget. The guarantees were issued without solid counter-guarantees, and without an assessment of the financial situation of "KAP", "Željezara", and "Pobjeda", which would have suggested that they were unable to service these loans from own resources, and that the future of their businesses was under a question mark. The Government guaranteed KAP's loans in the amount up to EUR 135.000.000 without adequate counter-guarantees..."	<i>"We are awaiting the report of the expert witness" (already for seven months)</i>
Institute for Textbooks and Teaching Aids	"The Institute was managed without due care, leading to uneconomic performance and a loss of EUR 669.797,23. Irregularities were found with respect to the Law on Public Procurement worth over EUR 850.000. Sponsorship payments worth EUR 53.096,15 were approved merely based on the requests for sponsorships, without prior decisions or due procedure. Payments to the trade union worth EUR 113.500,00 were issued although they were not included in the Financial plan of the Institute, and a payment of EUR 23.500,00 was not even covered by an official decision. On account of housing assistance to employees the Institute spent EUR 90.000,00, without first conducting due procedure. Three (3) items in the financial report were misrepresented, by a non-trivial amount: revenues by EUR 2.939.405,00; liabilities were understated by EUR 177.286,81..."	<i>"The case is currently in the investigation phase and we are awaiting information from the Ministry of Education"</i>
Democratic Party	"Materially significant mistakes were made in documenting part of financial transactions based on incomplete documents. EUR 23.430,00 in cash was withdrawn without receipt, an amount equal to 38% of the total resources of the audited entity. There is also evidence of inconsistent implementation of laws and other regulations..."	<i>"The collected documentation is currently being analysed"</i>

Audited institution	What the SAI said	What the Prosecution said
Centre for Contemporary Arts	<p>"Director made unilateral decisions on the purchase of art pieces, without consulting the Managing Board (Council). Employees were recruited without public call. Financial transactions were conducted through accounts that were not opened in line with the law. The institution spent 10% more than envisaged by its financial plan. EUR 57.197,80 was spent on purposes other than those envisaged by the plan. The treasury disbursed EUR 255.745,64 of which EUR 107.841,00 in authorship fees. All procurement conducted through direct agreements..."</p>	<p><i>"There are no grounds for pressing criminal charges"</i></p>
Centre for Vocational Training	<p>The Centre did not submit information of its equipment and real estate to the Property Directorate. Within public procurement, an amount of around EUR 60.000 was spent without due procedure. Nearly half of the total of public procurement was contracted through direct agreements, in some cases purchases were divided. The Centre collects its revenues through a commercial bank account which does not bear the official mark and is not included in the consolidated account of the Treasury. The Centre's Treasury cannot account for about EUR 25.000..."</p>	<p><i>"There are no grounds for pressing criminal charges"</i></p>
Radio Television Montenegro	<p>"Failure to account for a loan of EUR 858.256,00. Employment contracts of the directors illegal, allowing their salaries to be increased contrary to the Labour Code (in a year, four directors received a total of EUR 138.000 in net wages). Regular bonus payments despite the fact that RTCG has chalked up tens of millions in losses. Over EUR 1.1 mn withdrawn from treasury. A third of public procurement contracted through direct agreements. Over EUR 80.000 spent on public procurement through compensation without application of the Law on Public Procurement. RTCG owns and rents out 27 apartments, but the monthly revenue from rents amounts to EUR 36. RTCG took out a loan of nearly EUR 900.000 without specifying the purpose, and the loan was eventually taken over by the Government..."</p>	<p><i>"There are no grounds for pressing criminal charges"</i></p>
University of Montenegro	<p>"The University does not have a unified accounting system. All organisational units have their own accounts through which they conduct financial transactions. The reported spending is EUR 946.520,34 less than the amount derived from bank receipts. Authorship fees are accounted under wrong item lines (spending on equipment and services)..."</p>	<p><i>"There are no grounds for pressing criminal charges"</i></p>
National Theatre of Montenegro	<p>"The National Theatre has illegally opened accounts. Agreement made with a private person to rent out the restaurant "Thalia". Space not owned by the Theatre rented out, the revenue guaranteed by the contract never transferred to the Theatre, and the Theatre failed to press charges or cancel the agreement... Authorship fees and payments for additional engagements set at the director's discretion. EUR 290.108,71 spent on items not accounted for in the financial plan, transferred from the regular account to the treasury. Without the necessary procedure, the Theatre issued free of charge entry tickets worth over EUR 50.000. Failure to observe the Law on Public Procurement during procurement of goods, services and works worth EUR 526.610,23..."</p>	<p><i>"There are no grounds for pressing criminal charges"</i></p>

## Action plans for chapters 23 and 24: Where are we after two years of implementation?

Montenegrin Ministry of Foreign Affairs and European Integration organised on 26 June 2015 in Podgorica a public debate titled "Action plans for chapters 23 and 24 - *Where are we after two years of implementation?*" The participants were **Svetlana Rajković**, negotiator for chapters 23 and 24, H. E. **Mitja Drobnič**, Head of the EU Delegation to Montenegro and **Slaven Radunović**, president of the Committee for European Integration in the Parliament of Montenegro. Introductory speeches were followed by a presentation of activities within each chapter. Developments within Chapter 23 were discussed by **Branka Lakočević**, head of the Working Group for that chapter, and **Jovana Marović**, a WG member from the NGO sector. Activities and achievements within Chapter 24 were presented by the head of the Working Group **Mira Cerović**, and the NGO representative in the WG **Vlado Dedović**. **Boris Marić**, senior legal advisor and **Ana Vujošević**, programme coordinator for European integrations in the Centre for Civic Education participated in the public debate on behalf of CCE.

## Education - Vocational training - Business counselling - Business perspectives

Between 12 and 14 June 2015 in Skoplje Friedrich Ebert Foundation (FES) organised a training titled "*Education - Vocational training - Business counselling - Business perspectives*". The participants were representatives of the youth sections of political parties and non-governmental organisations from Montenegro, Serbia, Kosovo, Macedonia, Bosnia and Herzegovina, Albania, and Turkey. Through a theoretical overview and practical exercises with experts in the field of employment and education, the participants worked on strengthening their own capacities and exploring the role of the civil society in helping citizens to identify their vocation. The participant from Montenegro was **Mira Popović**, CCE programme associate.

## Review of the 2014 Report on the Montenegrin Protector of Human Rights and Freedoms

As part of its regular activity following the Parliamentary committees active in its field of interest, Centre for Civic Education (CCE) participated in the work of the 51st session of the Committee for Human Rights and Freedoms. The Committee held a control hearing, in line with Article 162 of the Regulations, reviewing the 2014 Report on the work of the Protector of Human Rights and Freedoms, with participation of the Protector's office, representatives of the relevant state institution, EU Delegation to Montenegro and non-governmental organisations active in the field of human rights. **Petar Đukanović**, coordinator of the Human Rights programme in CCE also commented on the Report. Đukanović warned that the Protector's Office lacks the human resources necessary to tackle the large scope of responsibilities assigned to the Office, which simultaneously performs the duties of the National mechanism for the prevention of torture and the Institutional mechanism for the protection against discrimination. "The lack of effectiveness of the Institution, due to the lack of human resources, continues without adequate explanation. In fact, over the last four years, the Office of the Protector of Human Rights and Freedoms returned unutilized funds to the Budget, without deploying them towards these ends. It is essential to produce a clear strategy towards resolving this problem, as this is the most fundamental issue, which undermines the effectiveness of the Institution", Đukanović said.

## Transfer of knowledge between higher education, research and industry

On 24 June 2015 in Podgorica an Info Day was held at the Rectorate of the University of Montenegro, to invite project proposals for the funding scheme "Transfer of knowledge between higher education, research and industry", as a part of the Measure 2.2. "Support to the improvement of innovation capacities of higher education, research and economy". The potential applicants were introduced to the possibility of using IPA funding within this call. The info session was opened by Ms. **Smilja Kažić Vujačić**, head of the Directorate for International Programmes and European Integration of the Ministry of Science. The Ministry presented the key information on the call, the general and specific goals of the programme, eligibility and the available resources, while the representatives of the Ministry of Finance described the technical conditions of the call. **Nikola Donović**, programme coordinator in the Centre for Civic Education attended the session on behalf of CCE.

## Civil society members resigned from the Operative Team

All members of the Operative team from the civil sector resigned on 19 June from the Government's Operative Team for Open Governance. Four members of the Operative Team from the civil sector - **Boris Marić, Dina Bajramspahić, Milica Kovačević** and **Vuk Maraš** - resigned after the majority of the Government members of the Team voted against the proposal of the civil society organisations to organise a public discussion of the reasons behind the Government's decision to *de facto* abolish the Operative Team a week earlier.

## IPA 2015 programme presented to the civil sector

Ministry of Foreign Affairs and European Integration organised on 3 June consultations with civil society representatives on the programming of 2015 IPA. The national coordinator for IPA, **Aleksandar Andrija Pejović**, presented the four priority sectors to be funded in this period. A total amount of EUR 36.55 from the European Union pre-accession assistance for this year will go to projects under: Democracy and Governance; Rule of Law and Fundamental Rights; Education, Employment and Social Policy, and Agriculture and Rural Development. Ambassador Pejović pointed out the opportunities available to the civil society organisations, not only within the Civil Society Facility, but also within the eight EU programmes of which Montenegro is a part, as well as through cross-border and transnational cooperation programmes. Civil society representatives expressed their interest in future calls for projects to be published under IPA II and stressed the importance of continuous promotion of the available funds to potential beneficiaries and their more active involvement, not only in the programming of IPA, but also in the implementation and monitoring of projects. **Jelena Nedović**, programme assistant in the Centre for Civic Education, attended the presentation on behalf of the CCE.

A.V

## Kofi Annan Fellowship For Developing Countries

The **Kofi Annan Fellowships** aims to stimulate local entrepreneurship by creating a new generation of innovative and socially responsible entrepreneurs in developing regions through tailor-made and practice oriented study programs. The goal of the Kofi Annan Business School Foundation is to provide the opportunity for talented and motivated students from developing areas, who do not belong to a privileged class and lack sufficient financial means, to study at and obtain a diploma from one of the associated business schools in Europe. ESMT's one-year Full-time MBA program is a management acceleration program aimed at early to mid-career professionals with at least three years of professional experience. After graduation, Fellows are expected to commit to returning to their home countries or regions to participate for at least three years in the development of the local or regional economy. Assistance with placement will be given by ESMT.

*Eligibility:* MBA applicants with bachelor's degree from any academic discipline and demonstrate three years of post-graduate professional experience, and proficient English skills; All applicants should have a willingness to contribute to building the economy and society of their home country with entrepreneurial impetus; Applicant must be residents of one of the UN-listed LDCs, LLDCs, or of Palestine ([country lists](#)). Other countries will be considered by the Kofi Annan Business Schools Foundation upon request.

Fellowship: EUR 58,000 and covers full tuition fees and course materials in addition to a living stipend of EUR 1,000 per month for the duration of the MBA program. Also, the fellowship covers one round-trip plane ticket to Berlin from the Fellow's home and can be awarded only after a candidate has been admitted to the ESMT MBA program.

Deadline for application: **30 September 2015**. Applications are only accepted [online](#) via [ESMT's website](#). Potential applicants may also submit a CV for a preliminary check to determine whether they are eligible to apply.

For more information please visit: [https://www.esmt.org/fm/291/ESMT\\_Kofi\\_Annan\\_Fellowship.pdf](https://www.esmt.org/fm/291/ESMT_Kofi_Annan_Fellowship.pdf)

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