

The background is a stylized illustration of a mountainous landscape. In the foreground, a blue helicopter is parked on a brown, rocky cliff. A small figure of a person stands next to it, looking out over a deep valley. In the middle ground, a long, narrow bridge or viaduct spans across the valley. The background features jagged, grey mountains under a yellowish, hazy sky. The overall style is painterly and somewhat surreal.

THE ADRIATIC JOURNAL

CORPORATE BRIEF ON GEOPOLITICS & LIVING

ISSUE 9, JANUARY 2021

STRATEGIC FORESIGHT 2021

Illustration by Cirił Horjaki

GEOPOLITICS: KEY RISKS IN 2021 | THE FUTURE USED TO LOOK LIKE THIS |
THE AUTOMOTIVE INDUSTRY IN A GEOPOLITICAL CONTEXT

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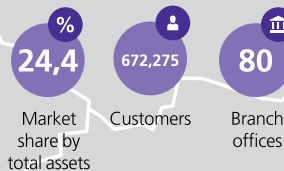
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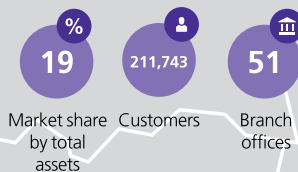
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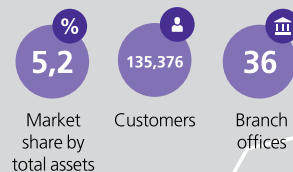
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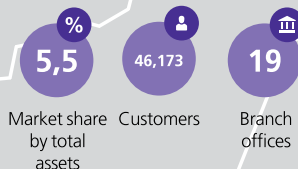
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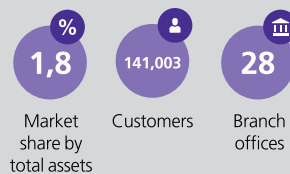


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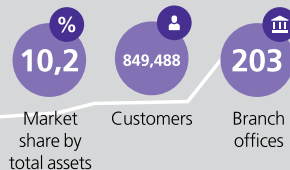


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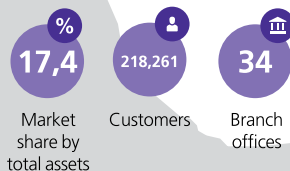


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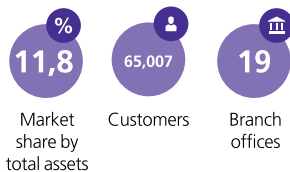
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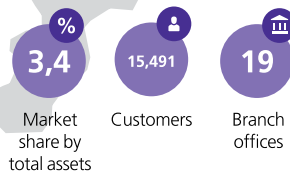


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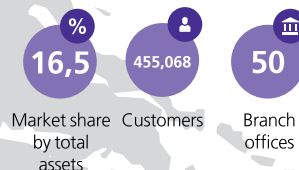


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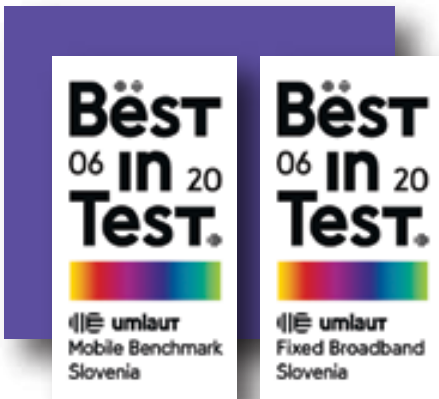


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THE ADRIATIC JOURNAL: STRATEGIC FORESIGHT 2021

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EDITORIAL

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ABOUT THE ADRIATIC JOURNAL

This is the Strategic Foresight edition of The Adriatic Journal, a corporate brief on geopolitics and living in Europe's south-east region. The brief is the extended arm of the Institute for Strategic Solutions (ISR). For readers familiar with ISR's prior publications, our

subjects will come as no surprise: we endeavour to bring the latest news, analysis and facts from the region to expat and local community in Slovenia and the Western Balkans as well as to those with particular interest in this part of the world.

The Adriatic Journal is based in Ljubljana, Slovenia's capital, but our fo-

cus includes the politics and living in other regional centres of power: Zagreb, Belgrade, Sarajevo, Pristina, Skopje and Podgorica. Our expert analysis of political and financial developments helps our readers understand how various aspects impact investments as well as every day living in southeast Europe.

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ABOUT OUR FRONT PAGE

This dark landscape is a portrait of the current economic and political situation. These truly are precarious times. A bridge over a deep river has been destroyed. Jagged mountains dominate the skyline.

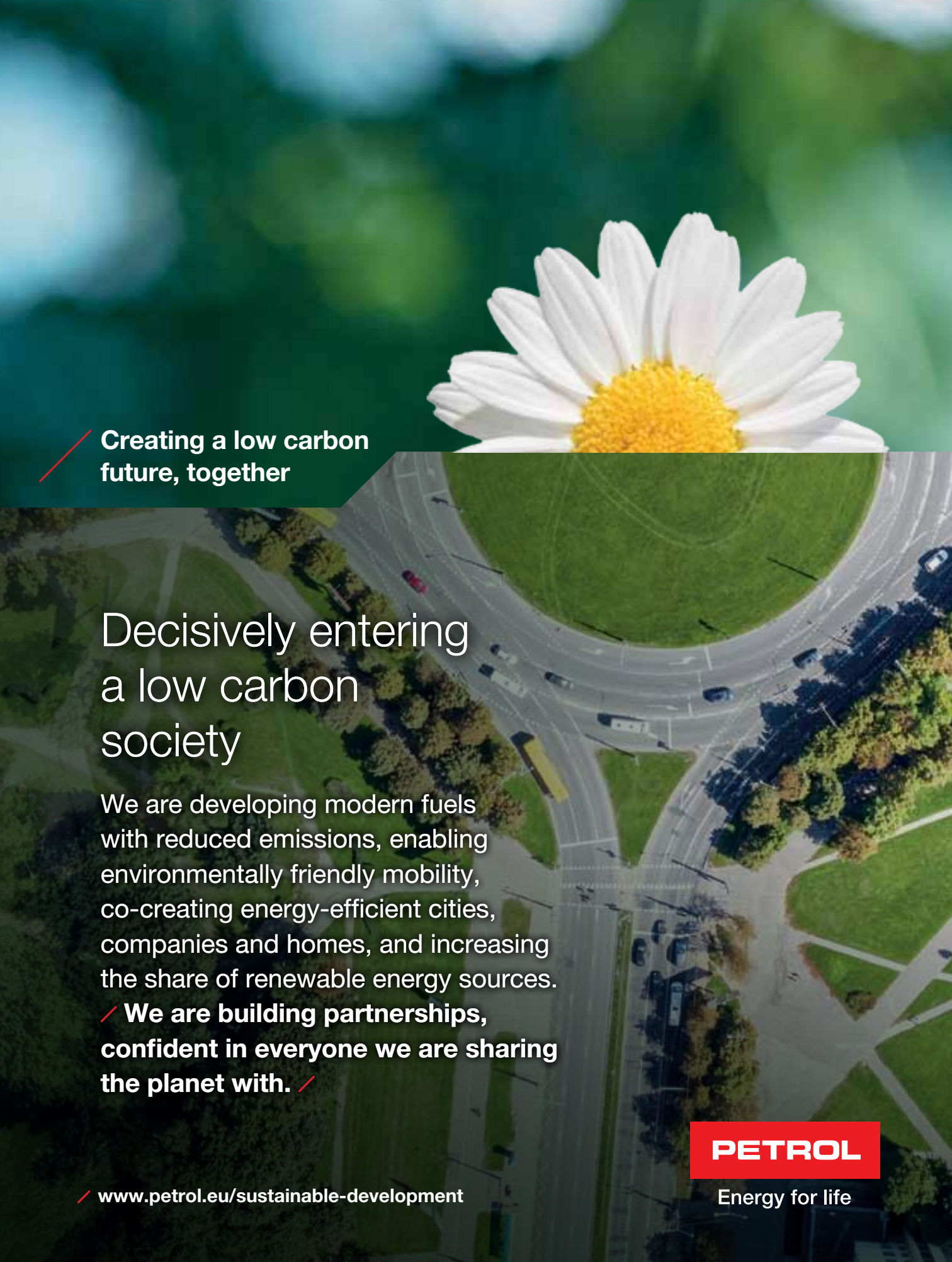
**THE GORGE HAS TO BE
CROSSED OVER, BUT HOW?**

Helicopter can be a solution. The line of the mountains resembles the fluctuation of the price of gold in dollars. The Bretton-Woods deal period is the plateau on the left, the toothed edge in the middle is the Volcker shock.

**WHAT LIES BEYOND THE
GOLD STANDARD?**

Image is enigmatic just as are times that we live in. But there, just over the mountains, lies the shining hope.

THE FRONT PAGE ILLUSTRATION WAS CREATED BY CIRIL HORJAK



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A WORD FROM THE EDITOR-IN-CHIEF

THE YEAR OF CERTAIN UNCERTAINTY

T

I will not go into the Donald Rumsfeld's framework of design thinking of known unknowns, but if you are in the business of risk, as we at ISR are, then uncertainty is the word for any work day. Amid the unknowns that last year brought upon all of us, rare are those who cannot concur that only uncertainty is certain in the months to come.

The reason we try to predict the future is because we look for certainty. People always attempted to foresee the future, but predictions were more than often erroneous. Hence, in the Adriatic Journal edition in front of you, you can read about how the world of today was predicted to be by a chocolate factory from Paris at the beginning of the 20th century. Little did they anticipate all the turmoil that was just around the corner. In fact, they knew as little as we know today what awaits us tomorrow. But businesses need to forecast, as planning is important for

their development. So, we once again prepared our Strategic Foresight for the region, which has been impacted by the Covid-19 crisis less than many more developed countries.

Reasons for a softer landing could be that economies have indeed opened more to foreign direct investment in the past years. You are invited to read about some most prominent business transactions in the region, such as NLB's acquisition of the Serbian Komercijalna Bank. In these risky times, it is the insurance

sector of all that is ready to take on new challenges as it used the last crisis to digitalise its operations further and assess new developments.

The front cover for the Adriatic Journal was once again designed by the great Slovenian cartoonist Ciril Horjak. The inspiration was the painting The Raft of the Medusa by Théodore Géricault and the environment that inspired the painter draws obvious parallels to today: France at the beginning of the 19th century is a synonym for uncertainty and political instability. Sounds familiar?

Enjoy 2021.



Photo: DELO

TINE KRAČUN

TAKING THE LONG VIEW – KEY EVENTS OF THE LAST 200 YEARS

Historical events mark our view of the future. Every now and then, it makes sense to take a deep look back, reflect on the timing of events, and learn from them. This time, we start our journey in 1820 and continue to this day. Along the way, we will look at social, political, and above all financial milestones that have had a major impact on Slovenia and the region.

AUTHORS: JURE STOJAN DPHIL, GREGOR VAVDI



1820 – The establishment of Kranjska Hranilnica, the first savings bank in Ljubljana and the second in the entire Habsburg monarchy.

1835 – First steam engine put into use on Slovenian ground in Ljubljana's sugar refinery.

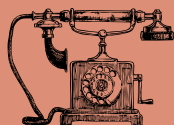
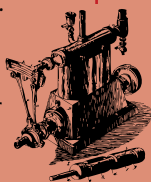
1837–1857 – Railway contradiction on Vienna – Trieste.

1847 – The price of food-stuffs increases because of a poor harvest. This triggers an agronomical crisis which, after a year, affects all industry.

1848 – The March Revolution.

1862 – Municipal savings banks established in both Maribor and Ptuj.

1867 – The Austro-Hungarian monarchy is formed.



1868 – The establishment of the Ljubljana bank for craftspeople, the first banking joint stock company in Slovenian lands.

FROM 1870 TO THE END OF CENTURY – An agrarian crisis triggers massive emigration of the peasant population.

1883 – The first light bulb in Slovenia lights up in Maribor.

1889 – The establishment of Ljubljana Municipal Savings Bank.

1892 – The first telephone connection Vienna – Trieste.

1895 – Easter earthquake in Ljubljana.

1900 – Establishment of Ljubljana credit bank.



1908 – Antigerman protests in Ljubljana.

1914–1918 – The First World War.

During the war, financial uncertainty exploded because of rapid price growth, food shortages, growth in the money supply, and excess liquidity of banks. Investments in "war loans" – bonds used to finance the war – are on the rise. At the end of the war, the Habsburg monarchy disintegrated, and the Slovene ethnic space is divided between Yugoslavia, Italy, Austria, Hungary, each introducing its own currency (the Habsburg Krone is exchanged into dinar, lira, shilling and pengő).

1918 – The founding of the Kingdom of Serbs, Croats and Slovenes, renamed the Kingdom of Yugoslavia in 1929.





1924 – The establishment of the Ljubljana Stock Exchange.

1928 – Radio Ljubljana starts broadcasting the program.



1929 – Global economic crisis breaks out but initially leaves Slovenia untouched.

1931 – The crisis reaches Yugoslavia / Slovenia.

1941–1945 – The Second World War in Yugoslavia.

1945 – Formation of the Federal People's Republic of Yugoslavia. Since 1963, the Socialist Federal Republic of Yugoslavia.



1947–1952 – The first five-year economic development plan. Accelerated industrialization and electrification.

1948 – Yugoslavia breaks ranks with the Soviet Union and its allies. Starts searching for a third way between the East and West.

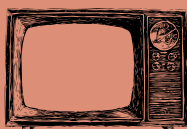
1950 – Companies are declared 'social property', 'managed' by workers' councils (they make no decision either on income sharing or employment). The introduction of a socialist self-management system begins.



1956 – Communal banks establish the Association of Slovenian Banks.

1957 – The Port of Koper is established.

1958 – Television Ljubljana starts broadcasting a regular program.



1961 – The first conference of the non-aligned in Belgrade. The declaration sets out three basic principles of operation: decolonization, peace and security, and economic integration.

1961 – Economic downturn results in falling industrial growth, inflation, rising prices and excessive borrowing. Limited economic reform did not bring the desired results.

1961 – The urban complex Trg revolucije, today Trg republike (designed by Edvard Ravnikar, 1961–1983), is beginning to emerge.



1967 – The construction of a new railway line between Prešnica and Koper. Passenger traffic starts in 1972.

1970 – The electrification of the railway line Ljubljana – Zidani most – Dobova is completed. Throughout the country, the railway electrification was carried out between 1962 and 1977.



1972 – The political fall of Stane Kavčič, the head of Slovenia's local government, and a confrontation with Slovene "liberalism".

1972 – The opening of the Vrhnika – Postojna highway section, the first modern four-lane road in Yugoslavia.

1973 – The oil embargo by Arab oil exporters of Western countries that supported Israel does not affect Yugoslavia. The second oil crisis of 1979 hits harder due to a lack of foreign exchange to buy expensive oil.

1974 – A new constitution grants individual republics more autonomy.

1980 – The introduction of stabilization measures (today we would call them austerity measures) due to the economic crisis. Yugoslavia lacks foreign exchange to buy imported goods, including oil. Fuel vouchers are introduced, dinar devalued by 30%, and prices frozen. The economic crisis is intertwined with the political crisis that last until the break-up of Yugoslavia.

1980 – The communist leader of Yugoslavia Josip Broz Tito dies.

1991 – The independence of the Republic of Slovenia and the war of independence.

1991–2004 – The transition from a socialist economic system to a capitalist economy.

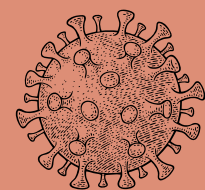
2004 – Accession to the European Union.

2007 – Entry into the euro area.

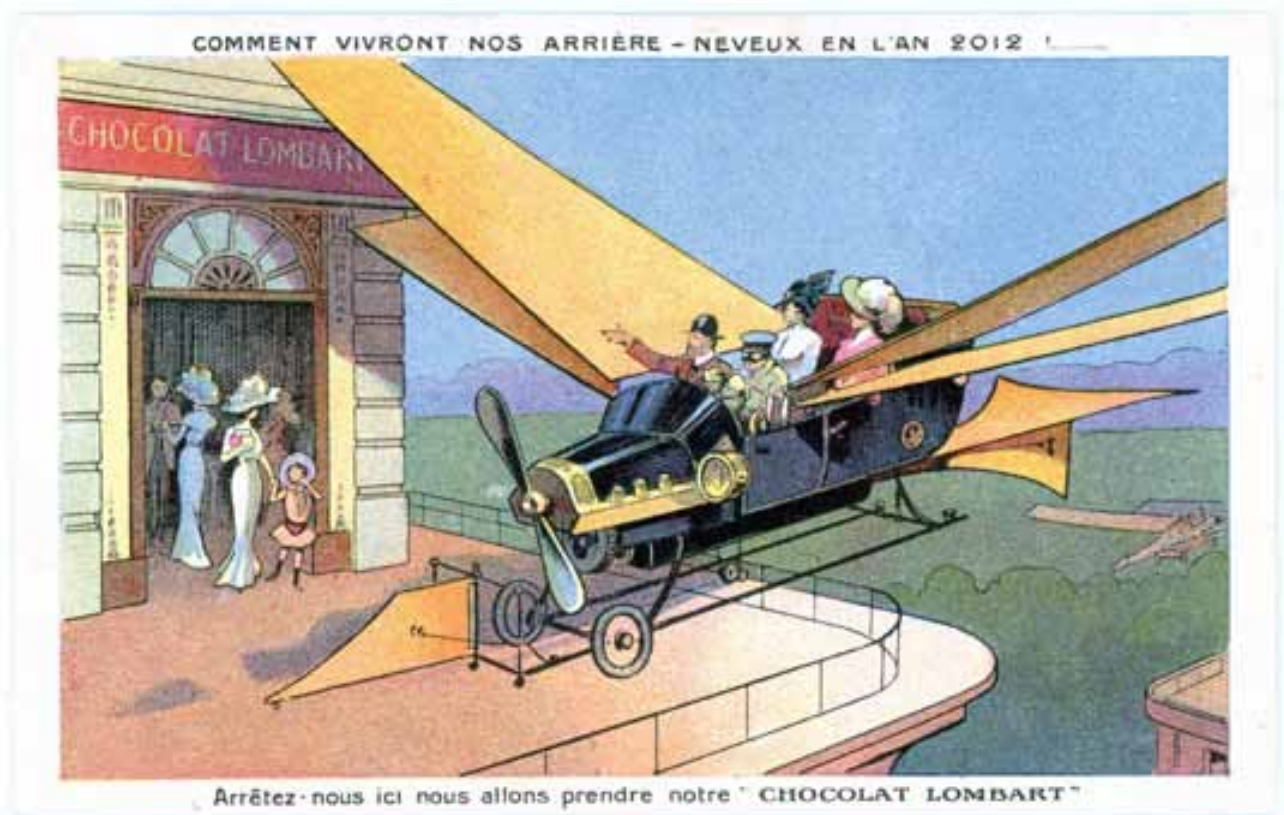
2008 – The global financial crisis erupts, initially leaving the Slovenian economy untouched.

2009 – The crisis hits Slovenia.

2020 – Coronavirus (Covid-19) infects the world and shakes the world economy.



THE FUTURE USED TO LOOK LIKE THIS



Stop here, we're going to take our "CHOCOLAT LOMBART"

'How will our great-grand-nephews live in the year 2012?' This was the design brief that landed, in 1912, with the renowned Parisian art printers Norgue.

AUTHOR: JURE STOJAN, DPHIL



T

The client was the Parisian chocolate maker Lombart – at the time, chocolatiers competed not only on taste of their produce but also on the quality of collectible cards included with food packaging. This commission resulted in a set of six postcards that have since achieved anthological status in the history of advertising art – sometimes referred to as ‘chromo’ since it was printed in chromolithography, a technique invented in the 19th century. These postcards also feature in the classic reference work on the topic (mostly, a showcase of Bibliothèque Nationale’s collections) – Christophe Canto’s and Odile Faliu’s *The History of the Future: Images of the 21st century* (Paris, 1993).

PARALLEL WORLDS

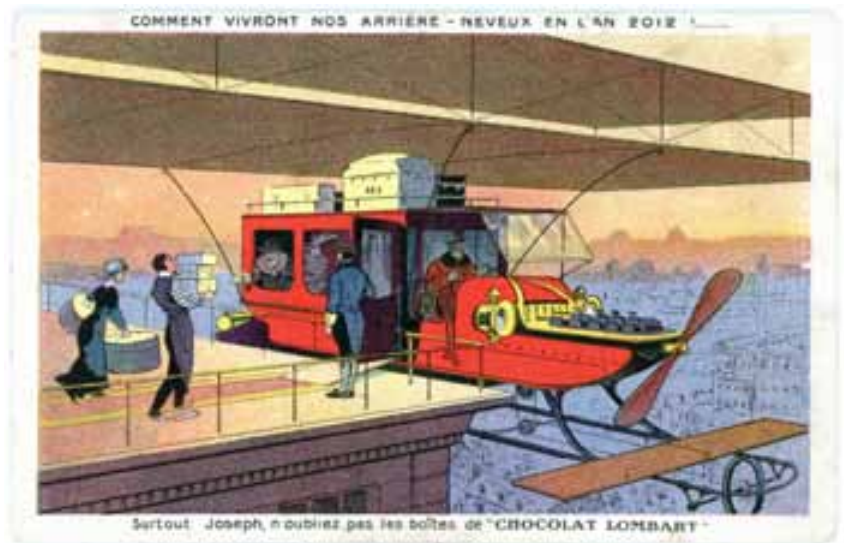
The Chocolat Lombart cards depict an eery kind of parallel reality – what is supposed to be our contemporary life but evidently imagined in the waning years of the Belle Époque. They represent vintage steampunk, to use 21st-century keywords. All characters are dressed in the latest fashions of 1912 – an understandable artist’s choice. After all, fashion is supposed to be in touch with the future (at least this is what designers have argued for cen-

turies). But it is not only the clothes and the grooming that make the images instantly dated (in both senses of the word). They reflect a rigid social world which is clearly structured and hierarchical. Servants bow to the whims and desires of the select few which literally hover above the masses. Ironically, these two aspects appear less anachronistic in 2021 than they did, say, in 1951 – a consequence of hipster fashion, both in apparel and facial hair, and of rising economic inequality.

Another sure giveaway is the central deceit of these images – all of them imagine how in 2012, consumers are driven by an unstoppable urge to fetch Lombart chocolates. This is, of course, blatantly untrue. Unimaginable as it might have been in 1912, neither the brand nor the company survived to see the new millennium. They disappeared in 1957 (in this case, business longevity did not equate with immor-

tality – Lombart had claimed to have been founded in 1760).

Such details aside, two out of six predictions proved to be remarkably prescient. We really did have video calls in 2012, even though only a minority would opt to use a video projector. There really are tourist submarines touring the seas, including in the Adriatic, even though they operate at much shallower depths than imagined in 1912 and do not dock to special under-water stations. Another prediction was a near-miss – while humanity did indeed make it to the Moon in 1969, there are still no regular civil flights between Earth and its natural satellite. And interplanetary rockets decidedly look very unlike the space car imagined in the name of Chocolat Lombart. The artist most obviously failed in the prediction apparently designed to flatter the client’s ego. It almost feels petty to point out that in 2012, there were no regular



Above all, Joseph, do not forget the cases of “CHOCOLA LOMBART”



deliveries of Lombart chocolates, by zeppelin, from Paris to London.

There was a prediction the artist was apparently most confident about – as implied by the fact that it is laid out over two cards. Namely, that of the flying car. Now, the flying car is a somewhat of an iconic object, existing in numerous plans, drawings, and science-fiction films and, even as working prototypes – but not (yet) in the lifestyle-defining way the artist envisioned. To the late anthropologist David Graeber, the very absence of flying cars was damning evidence that capitalism had lost its mojo (he blamed all-pervasive bureaucratization). Incidentally, Graeber's essay was published in 2012. But it should be noted that the flying cars he had in mind were those predicted for 2015 as recently as 1989 in the movie *Back to the Future II*. Many will be heartened to hear that in 2021, flying cars are once again being developed by several companies around the world.

LESSONS OF (FAILED) PREDICTIONS

The futuristic prints distributed by Chocolat Lombart in 1912 are charming pieces of printed ephemera. But they are also vivid illustrations of what works – and what doesn't – in future studies, technological predictions, and economic forecasting (the process of trying to guess the future carries many names depending on the field of study). It all follows from one central observation. Namely, that Chocolat Lombart's year 2012 is merely a 1912 with fancy stuff attached to it.

First, while it makes sense to predict



Good afternoon my child – we're going to send you your "CHOCOLAT LOMBART" by Southeast Asian airship



HELLO! Captain ... Stop at the "CHOCOLAT LOMBART" submarine station

the short run by extrapolating from the most recent data points (say, the latest Paris fashions in coiffures), this yields extraordinarily twisted and distorted visions of the long run.

Second, even though the biases of extreme extrapolation may be easy to spot in its total effect (in aggregate) mere decades after the prediction was made, it is difficult to say which particular detail will turn out to be most off the mark. The sumptuous beards displayed in some images would have marked them as ridiculously out-of-date by the late 1930s. After the spread of hipster fashions of the 2010s, pre-World-War-I trends in

facial hair and clothing no longer appear that anachronistic.

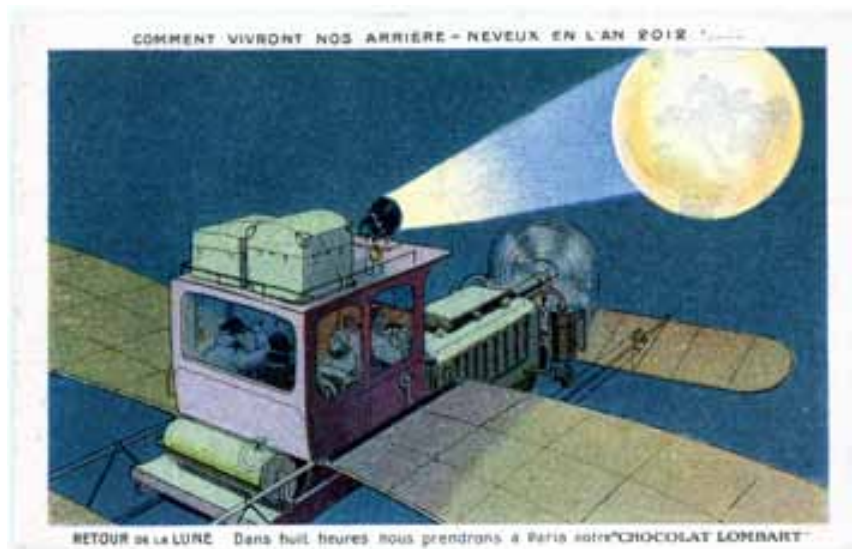
Third, predictions work best when consumer experience takes centre stage, and the forecaster imagines what invention could possibly bring further ease and comfort.

Fourth and last, even when making predictions about technology, leaving out the society seriously derails the forecast. Working at a time when the gap between the haves and the have-nots appeared unsurmountable, the artist could not imagine that 20-century airline industry would be based on mass mobility. Airbus's A340-600 can carry up to 475 pas-



Arrival at London of the "CHOCOLAT LOMBART" delivery airship

sengers in high-density seating. The cars imagined by Norgue's printers could carry at most six. One detail is especially telling – the driver of the flying limousine does not share the cabin with the exalted passengers but must freeze outside. This implies the chauffeur's comfort was not considered part of technological progress, it was not something flying car makers were supposed to think about. (Ironically, even this appears less absurd in 2021 than it did as recently as in 2019 – having the passengers and drivers physically separate would greatly aid pandemic mobility).



ON RETURN FROM THE MOON. In eight hours, we'll take our "CHOCOLAT LOMBART" in Paris



STRATEGIC FORESIGHT 2021: WESTERN BALKANS

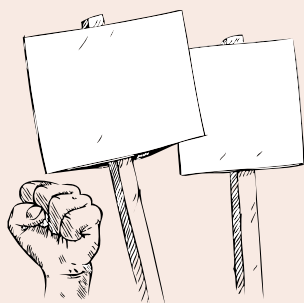




TOP RISKS

1 The invincible pandemic

Will the vaccine roll-out be swift enough to cut short the pandemic? Is the medical science keeping up with COVID mutations? In 2021, COVID-19 remains the biggest risk to economic recovery throughout the world.



2 Backlog of structural reform amid civil unrest

Structural reform is hard even at the best of times. It will become even more fiendish in times of a post-pandemic recovery. The COVID crisis has exacerbated long-standing social fissures and worsened the lot of great sways of the population. This could easily fan the flames of civil unrest, in particular once epidemiologic restrictions are lifted, and street protest is made easier again. But the COVID pandemic has also made it abundantly clear that healthcare systems, long-term care facilities and pension systems throughout the Adriatic region need to be brought up to date for 21st-century needs.

3 Paying lip service to climate change no longer enough

International agreements stipulate that greenhouse gas emissions must fall. With deadlines approaching, regulatory frameworks for conducting business operations are now tightening across the world, the Adriatic region being no exception. While the strictest disclosure rules are being rolled out in the finance industry, this is bound to trickle through to other sectors of the economy.





CROATIA:

This year assessment of the investment environment shows that Croatia is going to improve to moderately stable due to the recovery measures and stimulative economic climate after COVID-19 crisis. This will be coupled with an encouraging political environment in Croatia after four years of instability. The indicators with most uncertainty are the rule of law and socio-economic conditions as the government didn't do much to address the much needed structural reforms. Analysts at the Institute for Strategic Solutions will closely follow the situation with announced tax reforms that has the potential to stimulate domestic consumption and ease up the existing tax barriers for companies.

SLOVENIA:

The general Investment Environment Assessment is expected to remain moderately stable as it was in 2020. The biggest risk that could potentially impact the general Investment Environment Assessment this year are the continued civil unrests. Expected are diplomatic pressures imposed by EU due to the alleged harmonisation of political stances with the Visegrad group. Socio-economic environment will improve in 2021 but the situation regarding public debt, pensions, healthcare, taxation system and housing policy will remain the same.

BOŠNIA AND HERZEGOVINA:

The general investment environment is likely to improve due to the expected better performance in 2021 but will remain moderately uncertain. The political indicators will stay highly visible due to the continuing non-cooperation pattern on the state level. Analysts will closely follow the security situation in BiH as there are potential risks due to the migrant crisis that still persist in the northwestern part of the country.



SERBIA:

Analysts at the Institute for Strategic Solutions expect the general investment environment to remain moderately uncertain but will improve due to better economic indicators alongside the robust investment growth for 2021. However, the political climate in the country remains to be under close watch from the EU, as the ongoing civil unrest continues to fuel the existing polarisation of the socio-economic landscape.



KOSOVO:

This year assessment of the investment environment shows that Kosovo is going to stay moderately uncertain, but will improve due to lower socio-economic and political risks. The latter are associated with robust economic growth after COVID-19 crisis. Analysts at the Institute for Strategic Solutions will closely monitor the dialogue between Priština and Belgrade as the new developments in 2021 signal that talks are entering a new era, which was also evident in 2020 when 100% tariffs on Serbian goods were removed.



NORTH MACEDONIA:

This year's assessment of the investment environment shows that North Macedonia is going to remain moderately uncertain, and will improve due to the political and security situation. The latter corresponds with decreased social unrests due to the Euro-Atlantic impetus of North Macedonia in 2020 with membership in NATO and green light for the EU negotiation process. Analysts at the Institute for Strategic Solutions will closely follow the EU-dimension vis-a-vis Bulgarian veto as this externally-driven dilemma has the spillover effect potential for determining the socio-political environment in 2021.



MONTENEGRO:

This year's assessment of the investment environment shows that Montenegro is going to stay moderately uncertain, but will improve in terms of the political indicators. In addition, the risks in correlation with the socio-economic situation will be reduced. It should be noted that civil unrests are likely to end due to the political change but the new government has a thin majority that is subjected to bigger risks than the previous one, which has governed practically alone.



MOBILITY AT CROSSROADS

THE AUTOMOTIVE INDUSTRY IN A GEOPOLITICAL CONTEXT



Photo: Shutterstock

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Germany represents an important car-cluster, and 800,000 jobs are likely to be affected by the transformation in the automotive sector. This also holds true for the Slovak capital

The automotive industry is cyclical, and it is currently in an unprecedented downturn within a major transformation of mobility. This industry is among the last key-industries remaining in the EU, a major employer for up to five million employees.

AUTHOR: KARIN KNEISSL, PHD,
FORMER MINISTER OF FOREIGN
AFFAIRS OF AUSTRIA

Bratislava, which might not be the Detroit of the 1950s but carries the risks of the Detroit of the late 1990s. And the list goes on for a range of EU countries, mostly suppliers to the remaining car producers in Germany and France. Slovenia ranks among those in the supply chain under pressure. In my recent book “Die Mobilitätswende” (Mobility in transition), published by Braumüller in Vienna in September 2020, I focus on the geopolitical and social aspects of this major shift. Who will dominate the future of this market? Will coming revolts happen in the name of mobility?



CRISIS STARTED PRIOR TO THE PANDEMIC

Like in all other areas, the pandemic only amplified an already existing reality. In the case of the car industry, the decline in demand went from bad to worse. However, driving a car remained attractive in the lockdowns, while public transport lost out. The recurrent topic is “backshoring”, in contrast to the offshoring of past decades of globalization. It is about bringing production back to Europe. Supply chains have to be rethought. The Chinese Communist Party’s particular suppression of the coronavirus has enabled China to recover its former pace of economic growth and turbocharged its transition to become the world’s largest economy. With China’s neighbours also emerging quickly from the pandemic, East Asia has become the epicentre of global economic growth. The Free Trade agreement between the EU and China reflects this reality: 30% of all German car sales are done in China. This industry is the backbone of Germany, in case of its damage, we might see a different Berlin, not one leading the EU.

The State comes back as an important shareholder, as we can see in the aviation business. Obviously, liquidity is absolutely vital to sustaining the business through the crisis. However, new /old problems might overshadow the entire endeavour: who manages whom?

FACTORIES BECOMING MUSEUMS

This transformation had already had its victims during previous decades. The Fiat factory in Turin, Italy, which

was the biggest and most modern in 1909, has turned into an automobile museum. Similarly, Detroit harshly hit in the past years cherishes its old grandeur in the shadow of Henry Ford who transformed the industry a century ago. Mobility is currently reinvented on many levels, from high-speed trains to autonomous driving to drone transport of goods; one trend is certain: the car of the future will neither be produced in Europe nor in the US. I have been predicting for years they might be produced on the African continent. Africa, for many car producers, is the new frontier. The iPhone reads, “designed in California, assembled in China”. A simi-



Photo: Shutterstock

CORONA IMPACT:
Decline in demand went from bad to worse

lar inscription on the car of the future might read, “designed in China, assembled in Africa”. And we might see more industrial corpses in the once major industrial areas of Europe.

We are still living off the ingenuity of past generations. Approximately 8 of the 10 stock market listed Dax companies were founded before World War I. This comprises the entire automotive industry.

Carl Benz and his remarkable wife Bertha were the pioneers of the late 19th century, alongside the Agnellis in Italy, and others such as Rudolf Diesel and Siemens. They laid the basis for today’s mobility and in particular the European automotive industry.

Before the pandemic turned our lives upside down, it was the climate change agenda and the EU Green deal, such as moving away from the combustion engine, that dominated the debate on the future of the car industry. While some voices in governments and science claim that this is the right moment to transform mobility completely and move into a green society of electric autonomous driving, less aviation and more high-speed trains, others are more reluctant. I am one of them.

Given the tremendous rise in unemployment that has occurred, people have less to spend. Many will continue driving their old diesel cars instead of opting for carsharing, which is difficult in social distancing times, anyway.



In order to make realistic decisions about the future, it is useful to understand human nature and not get lost in statistics. Humans wish to move. The car has been a symbol of mobility and freedom for the past century; even when stuck in traffic jams. The automotive industry is indeed at a critical turning point.

Prominent representatives of the industry describe 2020 as a “year of painful decisions”, which will affect the automotive industry, result in mergers (latest example: PSA Fiat-Chrysler) and considerably affect the overall automotive supply chain from steel to tyre.

CHINESE COMPANIES run a majority of the lithium-ion battery market

WHAT WILL BE THE IMPLICATIONS FOR THE OIL AND GAS SECTOR?

Peak in demand rather than peak in supply will probably shape the oil market, and directly impact the gas market, too. Former Saudi oil minister Zaki Yamani coined the wise phrase: “The stone age did not end for lack of stone, and the oil age will end long before the world runs out of oil.” Stepping out of the combustion engine, which has been shaping the hydrocarbon age since World War I, could result in a massive slow-down of demand for oil and eventually for gas.

THE E-MOBILITY DOCTRINE AND ITS GEOPOLITICAL IMPLICATIONS

The re-emergence of the electric vehicle, which was commonly seen on

European roads at the beginning of 20th century, is currently dominating all political and technological agendas. Demand stems, in particular, from China. However, Beijing has been revising its mobility agenda and might gradually shift away from e-mobility. Until then, it will continue to control battery production. Chinese companies run a majority of the lithium-ion battery market, and China has better access to cobalt and copper resources from Congo to Afghanistan and beyond. While the US has focused on sourcing its raw materials domestically, China is increasingly dominating the battery market. But Europe will probably fall further behind because it simply lacks battery manufacturing capacity.



ALL FORMS OF ENERGY AND MOBILITY NEED RAW MATERIALS

There is no such thing as “commodity-free mobility”. Energy density and efficiency are the main reason for the century-long success of the combustion engine. Demonizing oil and gas to the advantage of other rare commodities – with doubtful ecological production processes – could only harm a key European industry and lead to new waves of unemploy-

ment and a risky peak in demand for producing countries. The game-changer policy of a very rapid green deal and the complete demise of the combustion engine could, in the best-case, end up as a market failure, and, in the worst case, as a major social and geopolitical conflict in the producing countries. There is a “yellow vest” in every car.



THE MULTIFOLD IMPACT OF A TRANSFORMING AUTOMOTIVE INDUSTRY:

These major upheavals in the industry could trigger social unrest. The yellow vest movement in France stems from a tax on driving. While revolutions in the past were preceded by bread riots, today's revolutions are about access to energy, housing and mobility. Furthermore, a decline in oil prices could heighten social tensions in oil- and gas producing countries.

THE GEOPOLITICAL IMPLICATIONS OF AN EXIT FROM COMBUSTION ENGINES HAVE BEEN UNDERESTIMATED SO FAR.

Given the **MIGRANT WORK-FORCE IN MANY OIL- AND GAS PRODUCING COUNTRIES**, 2020 has caused huge lay-offs, which affect remittances sent to their home countries and result in further migration. Everything is interconnected – this commonplace is missing in the political debate in Brussels.

CLIMATE CHANGE:

Currently defined as the major geopolitical risk of this century.



DECARBONISATION ABOVE ALL:

This credo by EC President Ursula von der Leyen marginalizes macroeconomics. What will happen to the combustion engine? The rigid timetable imposed on the industry and the levying of high penalties for those not complying with it could do tremendous harm to the industry. Instead of free market forces, this could result in some sort of European planned economy.

UNCERTAINTY: Will e-mobility dominate the energy transition, or should research be more open to other avenues, e.g. hydrogen, synthetic fuels, natural gas, etc.? Enigmatic policies make life harder for both researchers and producers. Plus, the consumer is hesitant which type of vehicle has a future.



IDIOSYNCRATIC FACTORS:

Within the EU/ Germany, scandals such as “dieselgate”, cartels, and rigid legislation and prohibitions could make the European automotive industry less competitive. Similarly, in the US: pending government regulations on emissions control and safety.

TECHNOLOGICAL ADVANCES

(Artificial Intelligence and Internet of Things) are fundamentally transforming the automotive industry.



Consumer trends and demographic shifts are creating additional risks to the industry: **WHO STILL WANTS TO BUY AND DRIVE A CAR?**

THE ASIAN, IN PARTICULAR, CHINESE COMPETITION IS ON THE RISE. It is not only about labour costs and regulations, but also about leadership in technology. China works already on the G6 grid to advance autonomous driving.



The truce brokered by EC President Juncker and US President Trump in the summer of 2018 remains under threat as an even **LARGER TRADE WAR COULD EMERGE BETWEEN THE US AND THE EU DIRECTLY AFFECTING CAR TARIFFS UP TO 25%.**



NEW CHAPTER

NOW THE UK HAS LEFT THE EU

On 1 January 2021, the UK left the EU but entered into a new trade agreement with the block, finalised in the last days of 2020. We welcome this agreement as it ends the period of uncertainty. The UK has left the single market and the customs union, which means many changes for trade. Companies will have to adapt to new rules on exports, imports, tariffs, data, and hiring (more on which can be found at <https://www.gov.uk/eubusiness>).

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AUTHOR: BARBARA URANJEK, CEO,
BRITISH SLOVENIAN CHAMBER OF
COMMERCE



Photo: mediaspeed.net

From January 2021 onwards, there will be additional procedures of taxation and customs, with some exceptions for Northern Ireland. Companies will have to comply with the necessary paperwork when trading goods, and they will need to take into consideration the possible customs checks and longer transport times than before.

The trade agreement sets out zero quotas and zero tariffs. However, rules of origin will apply, which will put EU and UK products at an advantage before third countries. This could result in a change of future supply chains, with more products of British or EU origin, as well as changes in the production and packaging.

EU and UK citizens will also need to adapt to a new immigration culture,

resulting in more thorough border checks as the free movement of people has ended. The UK has introduced a points-based immigration system for assessing the migrants'



Photo: Shutterstock

talent and education, aimed at attracting highly educated and trained people to the UK.

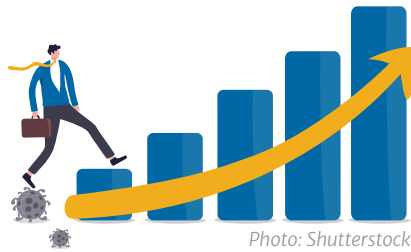
The UK, nevertheless, remains an interesting market for business. Not only is it the second largest European economy, with a population of 66 million, but also one of the best places in the world for the ease of doing business. The UK market is one of the most open markets for innovation and novelties, a great place to go global from. The British government has outlined numerous large energy and infrastructure projects, which should boost GDP growth in the coming years – also an opportunity for companies from the Adriatic region. In November 2021, the UK will host the COP26 climate change conference in Glasgow, thus paving the path to cleaner energy and businesses, as well as environmentally-friendly investing.

Every change needs adaptation and effort. The new trade agreement will also take a bit of time to settle in. We are, however, confident that trade and investment between the UK and Slovenia will continue to grow even with this new relationship.

EU FINANCIAL MEASURES TO STRENGTHEN INVESTMENT ACTIVITY

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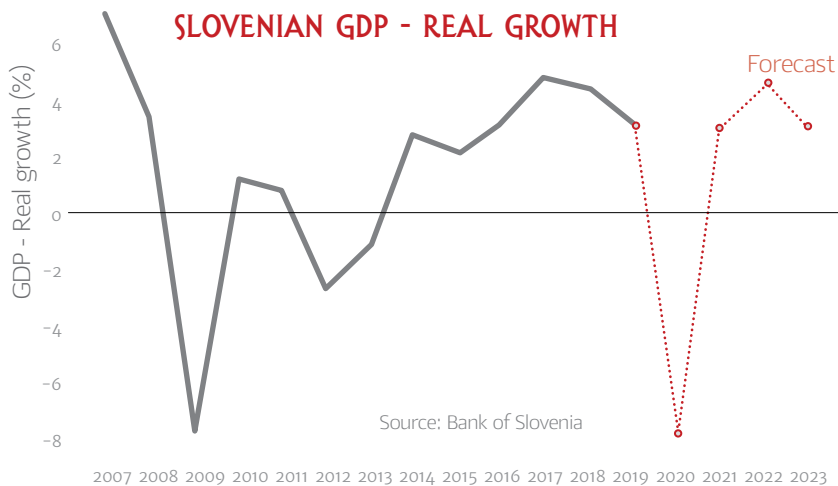
Relatively low investments in recent years have been, in addition to structural gaps, one of the main reasons for Slovenia's modest productivity growth after 2008. The key to increasing the competitiveness and productivity of the country's economy is the creation of products and services with higher added value. This can be achieved through measures to support innovation, basic and applied research, promote the digital transformation of the economy and the internationalization of companies, support the transition to a sustainable and circular economy, as well as foster an effective and supportive environment for companies. To ensure a stimulating and predictable business environment, the implementation of structural reforms is particularly important. Above all, this requires political stability and consistency in the



Due to the outbreak of the COVID-19 pandemic, Slovenia's GDP was forecast to contract by 7.6% in 2020. Intervention measures have provided conditions to preserve the potential of the economy. Given the projected slower recovery of the Slovenian economy in 2021, it will be crucial to strengthen investment activity in the coming years, to which funds from the new EU Recovery Instrument will be able to make an additional contribution.

AUTHOR: GREGOR UMEK,
*representative of the Slovenian
 National Contact Point for OECD,
 Ministry of Economic Development and
 Technology*

implementation of reform measures. In its December Forecast of Macroeconomic Developments, the Bank of Slovenia predicts a 7.6% decline of Slovenian GDP for 2020 as well as slow economic recovery in 2021. According to the bank's estimates, the intervention measures and the EU Recovery Instrument funds will offset the 2020 decline in economic activity by slightly less than 4% and maintain the GDP level higher by 1.3% at the end of 2021–2023 compared to a scenario without these measures. It is also interesting to compare the impact of intervention measures on one hand and the resources of the EU Recovery Instrument on the other. The cumulative effective multiplier of intervention measures in the period 2020–2023 is expected to be around 1.3%, while in the case of the EU Recovery Instrument it is even higher, estimated at around 1.9% for the period 2021–2023. The bank attributes the latter difference to the fact that the EU Recovery Instrument is intended to strengthen both public and private investment, so that their effect on the economy will be more lasting compared to intervention measures that affect the economy mainly through private consumption.



Structural reforms and the reduction of administrative burden of the economy are particularly important. In the framework of the Recommendations for individual Member States in 2020, the European Commission highlighted Slovenia's following substantive areas which needed to be addressed through reforms or structural changes:

- ✦ In the field of the labour market, it is necessary to regulate flexible forms of work, including teleworking, to maintain and promote employment, especially the first employment for young people, and to regulate housing issues.
- ✦ With regard to the reform of social protection and long-term care, it is necessary to regulate the system of long-term care, and to carry out health care reform.
- ✦ In the area of the financial and fiscal system, access to alternative sources of financing, including equity financing, should be improved.
- ✦ The key area that needs to be regulated is the reduction of administrative barriers in business environment.

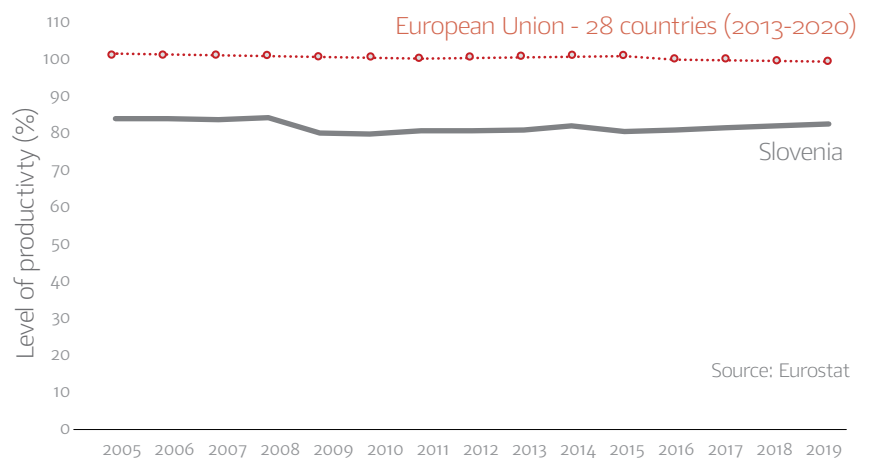
WEAKER INVESTMENTS DUE TO SLOW RECOVERY IN DOMESTIC DEMAND AND AFTER-CRISIS TIMIDITY

Investment activity is also strongly related to productivity. The Development Report 2020 by the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) states that Slovenia still lags far behind the EU average in terms of productivity. In 2018, the level of productivity in Slovenia amounted to 82% of the EU average, without improvement from 2008 when it had reached 83%. Average annual productivity growth in the period 1996–2008 was 3.5%, slowing down to 0.5% over 2009–2018 and then settling to 1.2% in the period 2014–2019. IMAD emphasises that, in addition to structural reasons, relatively low investment is the main culprit behind modest productivity growth after 2008.

IMAD attribute weak investment activity in the initial years after the financial crisis to a slow recovery of domestic demand, and to more risk aversion in corporate investment due to crisis-

damaged balance sheets and dampened expectations for the future. It should be noted that companies cited bureaucratic obstacles, in particular lengthy procedures for obtaining various permits, as the main reason for lower investment activity. According to IMAD, this factor could have an even greater negative impact on the companies' investment activity in coming years, given the ever-faster dynamics of the introduction of new products and services.

LEVEL OF PRODUCTIVITY





HIGHER PRODUCTIVITY REMAINS A KEY PRIORITY

All these areas are also addressed in the draft National Recovery and Resilience Plan. These are the five pillars of development, followed by investments that will support reforms and structural changes. The development pillars are as follows: sustainable and green transition, Digital Slovenia, supportive environment for companies, knowledge-based society and tourism and culture. The sustainable and green transition pillar in particular aims to support investments in renewable energy and energy efficiency, sustainable renovation of buildings, adaptation to climate change, circular economy, sustainable mobility, and connectivity. The Digital Slovenia pillar is intended for investments in the digital transformation of companies, government, and local communities. To achieve a knowledge-based society, a range of investments will be supported – those with an aim to strengthen development and innovation, as well as knowledge and competences (especially digital ones, required by the new professions of the future and investment in research). To provide a stimulating and predictable environment for companies, it will be important to encourage investment in companies and strengthen the supportive environment for companies. For this purpose, it will be necessary to further strengthen the development and opti-

misation of the ecosystem, to support the creation and development of companies and promote entrepreneurship and innovation (SPOT points, subjects of innovative environment – SIO, economic business zones), co-finance process improvements and introduction of digital business models in companies, encourage start-ups and companies in the transition to the next phase of growth. In addition to the above-mentioned incentives, the internationalisation of companies is particularly important for increasing the productivity of the economy through the creation of high value-added products and services in global value chains.

To support the internationalisation, it is necessary to continue with measures to finance partnerships in foreign markets, promote and strengthen brands of products and services in foreign markets, trade fairs, market research and digitalisation of inter-

national business and support new measures, such as international development cooperation, feasibility studies and pilot demonstration projects and their investment components.

GREAT INVESTMENT POTENTIAL IN MULTIBILLION FINANCIAL STIMULUS

The National Recovery and Resilience Plan will provide extensive financial support for reforms/structural change and investment, with the aim of mitigating the economic and social impact of the coronavirus pandemic and making the economy, the public sector, and society as a whole more sustainable, resilient, and better prepared for the challenges posed by green and digital transitions. Under the national plan, Slovenia will have at its disposal approximately EUR 1.6 billion as grants and EUR 3.6 billion as loans.

This financial stimulus brings great potential for investment and reform, which can significantly contribute to alleviate the challenges mentioned above, and to increase the competitiveness and productivity of the Slovenian economy. Of course, it is essential that these reforms and investments are implemented, leading to the results expected at the milestones as set out in the draft national plan. Political stability, reform commitment, and continuity of current and future governments, are essential for this.





INTERVIEW: MARKO VOLJČ, CO-FOUNDER
OF THE ADRIATIC COUNCIL

THE ADRIATIC COUNCIL IS PREPARING FOR SLOVENIA'S EU PRESIDENCY

W

What is the mission of the Adriatic Council?

Some seven years ago, the Adriatic Council (AC) was established with a clearly defined mission, namely that we want to ensure peace and security, economic integration, and the participation of young people through cooperation, dialogue, and the exchange of best practices in the region. Thus, the Council attempts to help further development in the so-called Adriatic Region, from the Alps to the Ionic Sea, from the Black Sea to the Adriatic Sea, and therefore ensure its objectives of more cooperation between different stakeholders, a greater degree of security and stability in the region, and better connecting the region with the rest of the world.

Despite our efforts, the work of the Council has somewhat stalled over



Interview with Mr. Marko Voljč from the Adriatic Council, an organisation that promotes cooperation in the region, based in Ljubljana, Slovenia. The Council is a private initiative of individuals and organisations, aspiring towards better and more advanced cohabitation in the region. We asked him how they see civil society in the Western Balkans, and what opportunities they perceived in the Adriatic Region.

AUTHOR: JAN TOMŽE
PHOTOS: VLADIMIR TATAREVIĆ/
JADRANŠKI SAVET BEOGRAD

the last couple of years due to a number of factors. To instil new dynamism to our efforts, which were severely hampered by COVID-19, Mr. Milan Martin Cvikl, the former member of the Board of Directors of the EBRD, was invited by the Council's co-founders, Mr. Dejan Novaković and me, to provide an updated approach for the Council's work in the region. We appointed him as Vice President for Programming and Development of the Council, and asked him to prepare a revised Framework Program of the Council for the period 2020–25, recently approved by its governing bodies. My fellow co-founder and I are confident that this new program (available at www.adriatic-council.eu) provides a solid basis for strengthening the Council's work for cooperation in the region.

What is the role of the civil society in Western Balkans, especially in terms of fostering economic development?

Civil society will inevitably be crucial for the success of all countries in the region, and its role and contribution to the wellbeing in the region are far from completed. Also, institutions similar to the Adriatic Council such



as, for example, the Trilateral Commission, of which I was a member for almost 20 years as the first representative from Slovenia, have made a significant contribution to building trust and confidence among various stakeholders in the region. Economic development is always crucially dependent on ensuring that domestic and foreign investors, local policy makers, labour and other stakeholders of the society at large, find an appropriate modus operandi to achieve prosperity. I believe that without respecting the rule of law, economic and social development become very elusive – while the rule of law is respected in Western Europe, including in Slovenia as well as in Croatia, a lot remains to be done to reach a clear framework for economic cooperation, customs union, free movements of goods, services, people and capital in other countries that are not yet part of the EU.

In this context, civil society organizations like Institute of Strategic Solutions could play a major role, ensuring that we are building economic bases for sound development, and setting a foundation for an open society. A society that is able to show the rest of the world what is the best in the region: pristine nature, the open, highly educated and stimulating people, made of South Slavs, Albanians and others, living in peace and prosperity. Some other regions of the world like Benelux and the Nordic regions have shown that it is possible, after centuries of turmoil and violence, to find an appropriate modus vivendi for eco-

nomic, societal, cultural, and political cooperation. We need to ensure this also holds for the Adriatic region. We need to reach closer cooperation that could perhaps lead to more connected, even (semi)formal institutions of regional governance.

Where do you see Slovenia's role and opportunities as the link between Central Europe and the Western Balkans?

Slovenia is very well positioned both in the world and Europe, being at the crossroads of the fifth and tenth EU transport corridors, situated on the northern edge of Southeastern Europe but also being part of Central Europe. Slovenia was the first among former Yugoslav republics to become member of the Euro-Atlantic alliance (EU, NATO), and it is thus well placed, possesses the necessary experience, and has the moral duty to assist other states in the region. Slovenia needs to ensure that EU enlargement continues and that the whole Adriatic region becomes part of the EU sooner rather than later, and that the Schengen border moves from the border between Slovenian and Croatia to the border between Bulgaria and Turkey.

Economically speaking, Slovenia certainly could be a potential model to be emulated by other countries and nations of the Adriatic Region: with the euro as its currency, it is highly open to foreign trade and investments with the rule of law, has a low level of economic inequality and a high level of preserved social services and standards. As an institution

devoted to cooperation in the region, the Adriatic Council is trying to contribute positively to these legitimate aspirations of the people in the region.

What sectors in the region have the best perspective for the future?

Given that the recent economic crisis has led to a certain degree of de-globalisation, this region has new economic potential as a location for manufacturing industries, both for the European and the global markets. In addition, since the region is home to a highly educated and well-skilled workforce, considerable potential exists in all the Adriatic countries for building new services, linked to industry 4.0 and society 5.0. In this context, we need to develop and foster even more cooperation at every level – the level of businesses, societies at large as well as parliamentarians, executive powers and at level of Presidents. In the Council's new program for 2021–25, we propose some of these activities and hope to transfer the best experiences of the Benelux Union and the Nordic Council to the Adriatic Region.

What do you perceive as the biggest obstacles for the Adriatic Region to achieve unified goals and become more prosperous, more business- and living-friendly environment?

From my point of view, the biggest obstacle is the endemic lack of ambition and the occasional lack of self-esteem, resulting from decades of



conflicts, wars, and upheavals with thousands of casualties, as well as the fact that thousands of young generations are leaving the region. When you add religious conflicts and populism into this mix, it becomes clear overcoming these problems will be a huge challenge.

Slovenia could again serve as an example, though not always a positive one. When the entire society joined forces to achieve independence in 1991 and EU membership in 2004, the country was able to overcome many of its historical and political differences and to embark upon a path toward more open, self-confident and open society, gradually becoming a modern European country. I see no reason why other countries in the region could not follow Slovenia's example. Hopefully, economic necessity and aspirations of their societies can gradually change political realities. I am cautiously optimistic that this will be the path other countries in the Adriatic region will choose.

How can businesses benefit from Slovenia's presidency of the EU Council in the second half of 2021?

We would hope that the Presidency of the EU Council would be used as an opportunity to present Slovenia both as a successful economy and open society as well as to identify new possibilities for the EU-wide and regional economic and political cooperation like the one of the Adriatic Council has been embracing since its creation in 2013.

Therefore, we have proposed to the Slovene government to jointly organise, in the fall of 2021, a conference entitled »Adriatic Dialogue, Ljubljana 2021«, preferably under the auspices of the Slovenian parliament with panels on (1) Economic cooperation in post-COVID period, (2) Democracy

and Human Rights and (3) NATO and the Adriatic Region. We would hope that if such a Dialogue took place on the margins of the EU-Western Balkans Summit, it would result in more cooperation and a push towards a more forceful EU enlargement process.





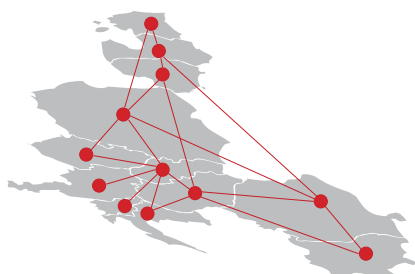
THREE SEAS INITIATIVE (3SI)

INTEGRATION IS KEY TO HIGHER ECONOMIC AND SOCIAL GROWTH

The Three Seas Initiative is aimed at promoting cooperation and stimulating more rapid economic and wider social development. The 12 participating states share many common traits, but there are also major differences between them. The Ministry of Foreign Affairs of the Republic of Slovenia gives some perspectives on the Initiative's main goals and objectives.



AUTHOR: ROK TOMŠIČ, MINISTRY OF FOREIGN AFFAIRS OF THE REPUBLIC OF SLOVENIA



The Central and Eastern European region included in the 3SI has great potential in terms of economic development in digitalisation but requires considerable financial resources for investments to be able to catch up with the western EU member states. The 3SI participating countries have expressed a great need for coordinated multinational, i.e., cross-border infrastructure projects to be designed within the initiative. Those include investments in energy, transport and logistics, and digitisation as well as in R&D in new technologies. There also needs to be an increased focus on cybersecurity. All of the above present great opportunities

for closer cooperation between the countries in the region.

The discussions at the Three Seas virtual summit held on 19 October 2020 showed that the participating countries shared very similar views. The Initiative is becoming increasingly influential, including in international political debates. Due to the global health situation, the summit focused on the economic ramifications of the pandemic.

Since its foundation, the Initiative has been consolidated and made substantial progress in terms of its agenda. Its influence in the wider EU context is on the rise, with many recognising it as one of the avenues to make the EU stronger. In addition, the Three Seas Initiative Investment Fund (3SIIF) is becoming an instrument facilitating the optimal functioning of the Initiative as with co-funding infrastructure projects in the region. Financial contributions to the Fund are growing, reflecting the trust the participating states are putting in the 3SI.

OPPORTUNITIES FOR SLOVENIA

Slovenia has recognised the 3SI as one of the pillars for boosting economic cooperation in the central and eastern European region. After years of being predominantly a political project, the 3SI has evolved into an economic project. The economic growth in the 3SI countries is above the EU average. Those countries want to upgrade



their transport, energy and digital infrastructure and are looking for new financial resources to do so, one of them being the 3SIIF, which is increasing the volume of investment capital.

However, there is a marked investment gap between EU member states. In terms of modernising transport, energy, and digital infrastructure, the area between the Baltic, the Adriatic and the Black Seas requires carefully designed projects enabling quality connections along the North-South axis. It seems reasonable to try to draw a line between the public and private sector investments, set priorities for public investments and ensure their funding. Due to the burdens placed on public financial resources by the fallout of the COVID-19 pandemic, alternative ways of financing strategic infrastructure projects in the region need to be found. And this is where the 3SIIF can step in. Its positive impact might boost infrastructure and spur other projects in the region, with

a spill over effect on the rest of the EU and its neighbourhood.

One could argue that Slovenia and the 3SI countries are mutually dependent: on the one hand, Slovenia is interested in improving the quality of its inland infrastructure connections with the 3SI countries. On the other hand, Slovenia is important for those countries precisely because of its geostrategic position at the intersection of two Pan-European transport corridors. In addition, the Port of Koper is an important hub for overseas destinations.

MAJOR CHALLENGES

The 3SI not only has a positive impact on EU unity, but also enables its better connectivity. It strengthens cohesion, which in turn can reduce the investment gap between the eastern and western parts of the EU.

Before the pandemic, the 3SI region saw the highest rates of economic growth in Europe, and worth striving to maintain its economic growth. It is



vital to strengthen the intergovernmental cooperation in the region in order to bridge the infrastructure and connectivity gaps. With a growing

THE PRESIDENTIAL PANEL
at the 3SI Business Forum in Ljubljana in 2019



Photo: STA



THE THREE SEAS INITIATIVE

aims to stimulate more rapid development of the region stretching between the Baltic, Black and Adriatic Seas

ORGANIZATIONAL APPROACH OF THE REPUBLIC OF SLOVENIA TO THE THREE SEAS INITIATIVE

The following institutions are involved in organizational, technical, as well as substantive activities related to the operation of the Republic of Slovenia in the 3SI initiative:



Office of the President of the Republic, in terms of coordination with the offices of the Presidents of other 3SI member states;



The Office of the Prime Minister, where the national coordinator for the 3SI initiative is State Secretary Mr. Bojan Pograjc;



the Ministry of Foreign Affairs, which acts as a contact point within the government; the contact point for 3SI inside the Slovenian Government is Mr. Anže Logar, Minister of Foreign Affairs;



SID Bank, which has developed a partnership with 3SIF.

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need to make the Initiative operational, it would make sense to advocate for the closer engagement of national governments in its activities. This is particularly true in terms of providing legal bases and favourable business environments conducive to the realisation of concrete infrastructure projects. As EU member states and therefore part of the common economic and customs area, the 3SI participating countries have a unique advantage in attaining their economic goals.

For them, one of the greatest challenges will be the implementation of infrastructure projects marked as priorities. These projects will require private capital, or else their realisa-

tion might be jeopardised. Certain 3SI countries advocate for a smaller number of infrastructure projects with a realistic chance of being completed. It is therefore vital to move from supporting the projects in principle to taking concrete steps. In the long term, in addition to developing infrastructure connections, it is reasonable to expect closer cooperation in other areas as well, such as in science and education.

CAPITALISING ON STRONG TIES WITHIN 3SI

In the second half of 2020, Slovenia strengthened some of its important international partnerships, most notably with the USA and certain other coun-

tries. Slovenia shares the US's view that economic development and the necessary infrastructure in the region must rely on the principles of green economy and sustainable development, while respecting democratic values, the rule of law, transparency, and the tenets of market economy. Slovenia welcomes the growing interest of the US in central and eastern Europe, which significantly contributes to the development of transport, infrastructure, and digital projects as well as to the strengthening of transatlantic relations. A common goal connecting the US and the 3SI par-



participating states is the unification of the energy market and the accompanying energy infrastructure.

The US's increasing interest in central and eastern Europe is also reflected in the US administration's active support for the 3SI. All these endeavours have a role to play in improving the infrastructure, energy, and digital connectivity between the 3SI participating states. The involvement of the US in the Initiative, and potentially also in the 3SIIF, coupled with the high-level participation of 3SI countries, the European Commission, and the US in the 2020 virtual summit, could be a steppingstone to the further strengthening of transatlantic relations.

ULTIMATE OBJECTIVES

The 3SI objectives related to investments in the region's transport, energy and digital infrastructure and the need to fund them remain at the forefront. In addition to the existing funding sources, such as the budgets of the 3SI countries and the EU, new sources are needed, the 3SIIF being one of them. In any case, efforts need to be made to attract private capital and encourage the establishment of private-public partnerships. The possibilities outlined above instil



SLOVENIA'S PRESIDENT Borut Pahor and former Prime Minister Miro Cerar with Rick Perry, former US Secretary of Energy at 3SI forum in 2019

Photo: STA

optimism even at the time of the current health and economic crisis, as they promote further progress.

Exiting the COVID-19 crisis will be asymmetrical. A possible solution might be more intensive efforts to attract private capital investments for infrastructure projects, establishment of public-private partnerships and application of new financial instruments, including the 3SIIF. Unless the way of funding is changed, it will be hard for central and eastern European coun-

tries to take the needed steps forward in terms of upgrading their transport, energy, and digital infrastructure.

Usually, investments imply risks, but now the situation is reversed – it is less risky to invest than not to invest at all. Furthermore, investments in infrastructure will have multiplier effects. Hence, creating favourable business environments for foreign investors is a must.

Connectivity remains the backbone of the economies and societies in the region, and this is why there need to be functional connections. More than ever before, countries need to ensure reliable and operational connections between the East and the West, and the North and the South of Central and Eastern Europe as well as strong transatlantic connections. And finally, the Three Seas Initiative remains an important European regional contribution to greater economic convergence in the EU.



3SI MEMBERS: Austria, Bulgaria, Estonia, Croatia, Lithuania, Latvia, Poland, Romania, Slovakia, Slovenia, the Czech Republic and Hungary

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VIEW OF SLOVENIA'S FINANCE MINISTER



RETAINING FINANCIAL STABILITY AND TAKING ADVANTAGE OF NEW OPPORTUNITIES

In 2020, we were faced with unprecedented challenges caused by the outbreak of the coronavirus. The COVID-19 pandemic caused multiple changes in our lives. To tackle the crises, swift and efficient actions were crucial. Up to now, Slovenia has adopted seven coronavirus legislative packages. The measures included are temporary and targeted at those people and businesses who need help the most.

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The coronavirus relief measures provide solidarity allowance for pensioners, students, and children, an allowance for large families, and an allowance at the birth of a child. In the economic field, the measures include compensation for waiting for work, covering fixed costs, state-guarantee loans, deferral of payment of obligations for borrow-

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Photo: Polona Avanzo

ers, and funds for bank-loan guarantees.

The Slovenian financial system maintained its stability, which means the measures were effective. This is also confirmed by the rating agencies,

which rank Slovenia among the most reliable countries for investment. GDP-growth forecasts for 2021 and 2022 predict a fast rebound after the crisis. A fast rebound would mean rapid economic growth and thus new jobs and better living conditions.

We need to be aware that we are not returning to the “old normality” once the pandemic is over. However, it is essential that we recognize all the new opportunities arising from this. We have to focus on investing in green and digital economy and innovations. I believe that by cooperating and exchanging best practices, we will ensure progress, maintain the stability of public finances, and improve living conditions for people.

A HISTORIC OPPORTUNITY FOR THE ADRIATIC REGION

The corona crisis has shuffled the cards in the international arena, presenting a unique opportunity for Southeast Europe to attract international supply chains that are looking for better risk management options, argues Blaž Brodnjak, the CEO of NLB, a banking group with a strong systemic position in the region, and one of the most important business groups in the countries of former Yugoslavia.

AUTHOR: TINE KRAČUN, JAN TOMŠE
PHOTO: IZTOK LAZAR



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Despite last year's pandemic, NLB actively continued to implement its strategy in the region. At the end of the year, it completed the purchase of a stake of 83.23% in Komercijalna Banka a.d. Belgrade (KB). This was the final milestone in this important deal aimed at realizing NLB's goal – to become a leading financial institution with its headquarters and focus in its home region, Southeast Europe. The KB acquisition makes NLB the third-largest bank in Serbia in terms of total assets. With Blaž Brodnjak, the CEO of NLB bank, we talked about the impact and consequences of the pandemic in the region, the opportunities arising from the crisis, and the role and activities of NLB as a systemic bank.

In your opinion, how did the corona crisis affect economic and social life in Southeast Europe?

The impact is diverse and manifests itself differently in individual sectors as well as countries. It is also necessary to understand the difference between the first wave with full lockdowns, and the second wave when industrial production was exempt from closures. Therefore, we can see a very robust picture in manufacturing, where we are witnessing almost the same year-on-year

volumes as in 2019, both in terms of electricity consumption and production volume. For the most part, this also holds for revenue. Food retailers have recorded growth, as has the pharmaceutical sector. There are also many first-class Tier-1 automotive suppliers in Slovenia that maintained a solid order book, and their capacities will be almost fully utilized by the end of this year's first quarter. By far the historically highest proportion of unused loans at the moment had been earmarked for financing working capital. Since the deposits of the corporate are still growing, this implies that aggregate liquidity is still very robust. On the other hand, we also have industries that are affected by the lockdown or cannot carry out activities at all, which means they have no cash flow. Those industries are forced to rely on state provision. In doing so, it is essential to ensure these companies survive during the closure of their business operations. The measures that make this possible are fiscal. Whether they are sufficient for all segments and subsystems is debatable.

However, there is always some moral hazard present as well. When things go bad, we expect the state to get involved, and when things go well, we want to limit its involvement. In this part of the world, there is also much improvising, a lot of work is done illegally which is not good either from a healthcare perspective, since we have no control over people's movements, or from an economic perspective, as this overburdens the public coffers. The truth is always somewhere in between, but closed businesses need enough

help to survive until the measures can be lifted and they can resume their operations. Slovenia shares the fate of the core central European countries. Tourism is also moderately to fairly represented in our GDP. On the other hand, among the countries in the region, Serbia is by far the least dependent on the EU. It is self-sufficient in food and energy and open to all sides, from Russia, China, and Turkey to the EU and the USA. Overall, Serbia is by far the least affected by this crisis. If we look at the pandemic measures in Southeast Europe outside Slovenia, we see that many countries have not closed public life. In Bosnia and Herzegovina, people can visit restaurants, go skiing, or visit shopping centres without restrictions. However, their health situation is not significantly worse than in Slovenia. Indeed, they cannot afford to introduce measures to such an extent as in our country. As a result, the population may be more affected health-wise but not economically. If we look at Serbia, which has not had a complete lockdown during the pandemic, their economy is very robust. The prime minister Ana Brnabić even estimates the GDP had only shrunk from 1% to a maximum of 2% in 2020.

Slovenia ranks fourth among European countries in terms of investments in Serbia. How do you see Slovenia's role in Serbian economy? And what about the NLB's role, especially after taking over the Komercijalna banka?

Serbia is a 'natural terrain' for us. In Austria, Germany, and Italy, Slovenia is emerging as an exporter building the



Made in Slovenia brand. In the markets of Southeast Europe, however, this brand is already established. During the transition period, the brand's recognition was somewhat lost, but now it is coming back. Recent transactions carried out by Slovenian companies are once again returning Slovenian capital to a more significant extent. Petrol is becoming the second strongest oil trader in Croatia, and NLB the third strongest bank in Serbia. We operate in two key industries: energy and finance. In the region, there are no global players from USA, UK or Germany. The French are also withdrawing, while the Russian and the Turkish players are trying to assert their influence, hindered by the European Commission's pushback. This is a specific and competitive environment, which offers great opportunity to local and regional players, provided they have the potential and a vision of what they want to do. In recent years, Slovenian companies have significantly reduced their debt and are once again looking beyond Slovenia's borders. Another option (for

them -- Ed.) is to organise production and sales activities in the countries of the region. To a certain extent, Slovenian companies are seen as role models in the region due to the country's EU membership, the adoption of the euro, a focus on sustainability and its quality of life. Slovenia is also viewed as a 'local'. Speaking similar languages is an asset, while a shared history is not only a burden but a great advantage, too.

Where do you see the role of Slovenian businesses in promoting the internationalisation of the economy in the region?

I believe reconnection is the key to this region. It is not about nostalgia for the former Yugoslavia, but about removing restrictions on the movement of people, goods, and capital – possibly in the form of a free trade agreement. I think the Scandinavian model is a good example, since not all countries in that region are in the EU nor do they all use the euro as currency. These are very similar circumstances to our region. We also have the advantage of being

located almost in the heart of Europe. Due to the accessibility of waterways and the appropriate infrastructure, this area also has a logistically ideal location. Adriatic ports provide the most favourable access to Central Europe, with three or even four efficient logistic corridors connecting the region with the centre of Europe. This opens up great opportunities for logistics. In that respect, Slovenia has a very good starting point as it is very close to the industrial cluster of South Germany, which is the strongest in Europe.

What do you see as the main opportunities for the region?

The key may be in the specialisation. Slavonia region (in Croatia --Ed.) and Serbia are ideal for food production. This can be an enormous business opportunity, especially with regards to the sustainable food production, not only for self-sufficiency, but also for supplying other parts of Europe. Tourism is also an opportunity. Not mass tourism, but sustainable boutique tourism at the highest level. We have



the natural resources, but we need to provide services at an appropriate level that would justify the premium prices charged in that niche. It should also be noted that labour costs in this region are still lower than elsewhere in Europe. In the context of the corona crisis, this is one of the historic opportunities. A significant portion of global supply chains are returning from the Pacific to Europe. The reason is to better manage risks in the event of another pandemic outbreak.

I also see an opportunity in the changing patterns in our daily behaviour, because we move more locally - and will continue to do so in the future - and on the other hand there is less day-to-day work travel. Both address the sustainable agenda.

Also, the region's competitiveness cannot be underestimated. Labour costs - except for higher wages in Slovenia due to excessive taxation - are still lower and the population is solidly educated. Just take a look at what a vision can do.

To me, an outstanding role model is South Korea, which is a leading country today in four extremely important global industries. It was a vision of one man who managed to attract the others. Now is the time for the SEE region - especially with the flood of international measures of financial assistance - to build productive infrastructure on which to base sustainable development in targeted activities.

What are the major challenges the region needs to overcome to achieve a breakthrough? And what is NLB's role as one of the leading banks in the region?

The key thing is political stability with a clear vision. We know that no serious shift will happen without this. A clear vision means political predictability. A precondition, though, is national unity regarding key priorities, independent of ideology or any establishment strictures. Some countries in the region have this vision, others do not. But everyone in the same space is competing with economies that have that vi-

sion. Just look at the Digital Serbia project, which is a great example. Serbia has made a decision to become a leader in the region in digital technologies. Today, they educate by far the largest number of computer scientists. Belgrade, Niš, and Novi Sad are becoming hubs for the development of information technology, both for Europe and for other parts of the world. And this happened in less than ten years from taking the decision for such a direction. The region should come together to address and properly outline what its basic competitive advantages are, both in terms of the whole area and of individual countries, and then to pursue common goals jointly. A connected single market would be more competitive, more sovereign, and more resilient to shocks. For this, we need people with a clear vision and a sincere interest in such networking. We need regular dialogue to reach common solutions. Crucially, this should be based on economic pragmatism, not ideological beliefs.

How would you comment a proposition that this dialogue could be hastened by the business itself and NLB as a strong regional bank?

NLB implements its strategy in the region independently. We do not expect any help; we received state aid in the past and now our mission is to return it. Since the financial rehabilitation, NLB has already paid more than EUR 1.8 billion into Slovenian budget through purchases in privatisation, dividends, payments of different types of taxes and contributions. The state's share in the bank is currently worth



some EUR 240m, so the total assets returned to the state to date stand at more than EUR 2 billion. The state has invested a total of EUR 2.23 billion in NLB. With the expected growth in dividends and market capitalisation, we will fully repay this amount within a few years.

Our strategy is therefore implemented autonomously, independently of the state. However, when I visit countries where we are present, I take every opportunity to appeal to the importance of greater connectivity, a common view, and a larger market, which would result in a better offer of value for investors from abroad. Serbia understands this. In terms of the share of foreign direct investment per capita in recent years, Serbia is among the leaders in the world. So, it has opened up to the world, recognising great value in foreign direct investment. By implementing its strategy, NLB promotes integration, openness, market expansion, and meritocracy. The latter must be achieved in all subsystems.

So what are the key priorities?

In my opinion, the key priority for a small, open economy is becoming internationally competitive. Everyone in the region should be actively involved in this goal as we are in the NLB Group. We want to help the economy with investments that both increase competitiveness and are sustainable. As companies become stronger and more successful, all of us who support them and cooperate with them, become or are becoming, stronger and more successful as well.

How would you define NLB's position in the region?

NLB deals with socially relevant topics since we are a systemically important group. Following the acquisition of Komerčijalna Banka, we rank among the three largest banks in six countries in the region. This puts us in a special position, and also imposes on us a lot of responsibility. Looking at it from a sustainability perspective, we made a statement by deciding not to fund coal-based technologies any longer. It is a statement that is not political but systemic: "We need to accelerate renewable energy in the region." Throughout the region, we are looking for opportunities to

fund wind farms, as well as solar and hydropower plants. In doing so, we are trying to accelerate the transformation of the energy sector in the direction of sustainable resources. At the same time, we also advocate other elements of our socially responsible platform - i.e. social and management - by advocating meritocracy and equality in business and personal relations within society and in the wider environment. By digitalising services, we make services accessible anywhere but also lower our carbon footprint - not only because customers do not need to travel to have access to our services, but also because we are a paperless business.

Where do you see the region in economic and social terms in 10 years?

I want to see the region as one of the fastest development areas in Europe. I want to see a much more connected region, about to establish - or with already established - single economic zone. In my opinion, Slovenia and Croatia should argue in Brussels that if some countries are not able to fully join the EU, they should at least be allowed to join economically. This would mean the region would somehow be 'attached' to the EU as an economic zone. This seems to me to be socially responsible on the part of the European Commission. I see no reason why an area of 14 million people, surrounded by EU countries, could not become part of this area. Anyhow, the only way to reduce political risks and social pressures in Bosnia and Herzegovina is full integration into the EU.

Where do you see the biggest challenge for sustainable development in the region? For example, there are problems in competition between companies from Slovenia and the EU on one side and companies from the East, which do not have certain requirements and restrictions on sustainability and the environment. Will the corona crisis change the way we view thinking and practices in sustainability?

This is a tough question. It makes little sense to take a simplified view of the approaches and practices by competitors from the East, as they are also very competitive technologically. Heads of state must certainly step up in their thinking about renewable approaches - but this realization must mature in the minds of every individual. Is it really necessary to produce so much waste and emissions? For me, digitalisation is one of the



positive impacts of the corona crisis. However, the unwanted consequence of more online purchases is also more packaging waste. What does this mean in terms of waste management, and also self-discipline to act responsibly? Instead of turning the awareness to the importance of clean environment, the opposite is happening: through irresponsible waste management, people are showing less interest in such topics. Lately, we have seen how we can contribute to a cleaner environment. At NLB, employees can work from home permanently if they choose so. This means less commuting and less environmental pollution. I understand those who do not decide to work from home for objective reasons, but less those who do not have a good reason for it. Also, we can either choose to do business using paper or go paperless. We can use solid fuels for heating or opt for natural gas. We are individuals facing decisions what to give up and invest in sustainability. Even though this may mean, for example, additional EUR 20 in monthly costs. It is a conscious decision and, unless it results in social distress, it is no longer excusable to maximise the economic situation of an individual at the cost of further destruction of the environment. Heads of state must understand that they can no longer sacrifice air. This is a problem in the countries of SE Europe, where air quality on individual days is the worst in the world, and it must be dealt with decisively at the systemic level. There are international aid and policy instruments that can address these challenges.

You have repeatedly emphasized the importance of structural reforms. Why?

If countries want to position themselves as internationally competitive economies, then it is essential to adapt the supportive environment. In Slovenia, for example, this means the implementation of structural reforms. Mainly labour law, tax legislation, capital markets, pension system. I would also highlight the reform of the education system, which is urgently needed if we want to have an education system that follows actual market needs. It is also important to understand the importance of capital. Domestic capital is not a bad thing, but it can be an additional incentive in the development of our multinationals through issuing shares on the Ljubljana Stock Exchange. NLB is a good example of an ownership model that operates on the principle of a core owner with a holding of 25% + 1 share. This model can be applied both to state-owned companies and to privately-owned ones, which the owner has brought to the point to

enable additional incentive. The listing allows him or her to withdraw completely from the ownership role, gain additional capital in the market, and appoint professional managers to the management. Slovenia's population owns financial assets of a total EUR 55 billion. If only 5% of these assets were earmarked for the development of Slovenian companies so that the population would take part in their success – both through dividends and through growth in the market value of capital shares – then we could be a different society. Also, if we encouraged internal company ownership by making it tax-stimulating, we would achieve a lot more. Above all, we would ensure that in Slovenia, we have companies with an international reach, quality corporate governance, and the ambition to become a homeland of success and talent magnet. Attractive and competitively paid jobs will retain and attract the best talents to our countries and, together, we could create an environment with one of the highest quality of life on the planet.





HOW THE CORONAVIRUS OUTBREAK IS TRANSFORMING THE INSURANCE INDUSTRY

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During the pandemic the insurance industry has had to adapt a significant part of its business approach almost overnight.

AUTHOR: JAN TOMŽE

The onset of COVID-19 pandemic has brought many new challenges to many business sectors, including the insurance industry. As governments across the globe imposed national lockdowns and movement restrictions, insurers have been forced to adapt to the new situation while at the same time maintain business continuity—often by the smart use of digital tools—while still taking all

the required precautions to minimise customers' and employees' exposure to the virus. The Adriatic region is no exception. The impact of the pandemic on the industry in the region was felt in multiple ways—from employee and business continuity issues, to client service considerations to the financial outlook. The very basic principle of the insurance has its foundations in trust and

avoidance of damaging reputational risk during challenging times. In circumstances such as pandemic insurers need an even higher level of fair response to their customers' needs. This means they offer flexibility especially to those most adversely affected by COVID-19 or the lockdowns.

However, the insurers are not only being challenged by their customers' rapidly changing needs and demands, but also by their very own ones. Reviewing and updating their crisis management plans as well as taking steps to continue operations with a minimum of disruption to clients may be found at the very top of their business transformation strategies. They are also carefully deliberating the potential impact of the coronavirus on their short-term and long-



term financial outlooks. Claims' costs will likely be specific to the types of business that insurers write and their policy wordings.

The big-picture concern remains how the outbreak might affect the economic environment—specifically, prospects for growth and profitability in insurers' underwriting and investment portfolios. Insurers in the region and globally would likely be affected by a sharp slowdown in economic activity, which would undermine growth and perhaps even contract insurable exposures.

AND THE WINNERS ...

The upper hand in the Adriatic region will have those who adapt their

business models to the new post-covid normal, while also overcoming structural barriers to competitiveness and innovation. The companies should primarily prioritize restructuring their operations and logistics chains to make these more resilient to future shocks. They should also further accelerate digitalization throughout value generation chains also by increasing the efficiency of investment and operational costs. Furthermore, new products and services will need to be developed in order to respond to the rapid changes in client demands.

Unfortunately, regulatory obstacles in the region make it difficult to set up investment mechanisms to sup-

port companies, such as private equity and debt instruments, venture capital, crowdfunding platforms, or business angel groups. For the companies, it is becoming inevitable to adapt to post-coronavirus reality and to compete domestically and internationally by acquiring the needed support for soft investments. These should include areas such as improving investment readiness, upgrading processes, managerial innovation, export readiness, acquiring licenses, and adopting digital solutions. These would enable the insurance sector to overcome the pandemic crisis and play out its important role of regional shock absorber helping the economy getting back on track.

SOLID CAPITALIZATION IS VITAL

The major impact that COVID-19 is having on insurance markets is mainly felt through asset risks, notably capital markets volatility, and via weaker premium growth prospects. Strict lockdown measures helped maintain satisfactory performance, as motor and medical claims had a positive impact on loss ratios, per S&P's. It is expected that most COVID-19-related losses, especially those from business interruption and event cancellation, be picked up by reinsurers. Therefore primary insurers' technical performance is unlikely to deteriorate materially. Developing products, particularly regarding life insurance, are likely to shrink in real terms due to the economic slowdown. It is also expected that these products, through their riskier asset allocation, will experience more declines in return on equity than developed ones. Ultralow interest rates mean that the most significant source of risk to insurers is the performance of investments, especially life insurers with guaranteed back books. As it is becoming clear the pandemic will have an enormous impact on the economy as a whole, insurers are expected to continue to serve as shock absorbers for the economy and society. This is leading to the conclusion that it is of extreme importance for the industry to be prepared for large loss events such as a pandemic, and should be well-capitalized for any onrush of claims.



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REMOTE WORKING

The mass shift to remote working is preminent for all insurers. In many ways, the situation has dramatically increased the trend and expanded the digital plans that already existed. Many insurers have been looking at ways to increase their operational digital footprint and connectivity, with a lower reliance on physical interactions with people.

However, there is an increasing risk of consumer error due to the large amount of information being given to the customer in written form as the customer might not be able to adequately read it or decipher it.



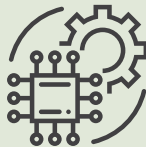
CYBER RISK & FRAUD ATTEMPTS

Remote working is currently so widespread that it is likely to prompt an increase in hacking attempts by individuals seeking to exploit vulnerabilities for various purposes, such as to obtain customer data, siphon off financial information, or simply disrupt services. Therefore, there is also an urgent and increasing need to mitigate against the potential for fraud – with remote working there has already been an increase in fraudulent claim attempts.



DIGITAL OPERATIONS

More advanced digital sales processes, underwriting, claims, and administrative processes are in a much stronger position than others, even if processing time is slower now than in normal circumstances. There is an increasing risk of losing customers to more digitally-savvy competitors. Moreover, the insurance market regulators across the countries require more extensive use of technology, remote authentication to replace face-to-face underwriting processes, they have relaxed requirements for insurance intermediaries to undertake face-to-face financial needs analysis and enable insurers to be flexible in providing or extending insurance coverage without complete paper documentation.



CUSTOMER CONTACTS

One of the biggest challenges is that all of this is happening at the same time as a huge increase in customer contact, i.e. an increase in customer inquiries, claims and complaints relating to their insurance products. Intermediaries are playing a crucial role at the customer interface, particularly in commercial and specialty lines. Insurers will have to communicate consistently and frequently via multiple channels (e.g., call centres and agent portals) and through intermediaries. The industry's response will reshape policyholder trust and behaviour for years to come.



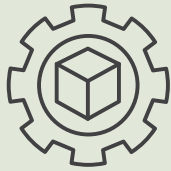
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REGIONAL SECTOR
OVERVIEW - INSURANCE

THE IMPACT OF NEW REALITY ON INSURANCE INDUSTRY

AUTHOR: JAN TOMŽE

The COVID-19 pandemic is dramatically affecting how people engage with one another across all industries and countries.



ADJUSTMENTS IN PRODUCT DESIGN, COVERAGE AND PRICING

Insurers may need to adjust their operations in relation to the product design, coverage and pricing, in order to continue providing insurance services to financially distressed individuals and businesses, and in addition, overcome practical difficulties due to physical distancing measures. It may include a review of products that will be impacted by COVID-19, to ensure they continue to meet customers' needs and the adjustments of insurance coverage due to movement restriction in certain business lines and the expansion of insurance coverage for COVID-19 risks for hard-hit business lines (e.g. commercial property, workers' compensation, credit insurance for small and medium enterprises and mortgage insurance).



KEEPING THE DISTRIBUTION CHANNELS WORKING

Another key operational area is insurers' interactions with the insurance intermediaries. Some intermediaries lack IT infrastructure, and are having more difficulty providing administrative services. In numerous countries insurers still sell all or some of their products primarily through tied agents. This is largely sold face-to-face, even if there is available technology enablement. Some insurance intermediaries are facing a liquidity crunch – new business has slowed down due to difficulties in visiting the clients resulting in the loss of revenue, and in some cases, they also need to refund premiums already written. This has included intermediaries whose product premium is based on economic metrics, such as turnover or payroll, and intermediaries whose policyholders will seek mid-term adjustments or cancellations for policies not required during lockdown. In the given circumstances the insurers need to keep the distribution channels working, change compensation rules, give credit or advance payments to their agents and support them in obtaining government assistance if they want to secure distribution capacity for the future.

REVIEW OF THE EXISTING DISTRIBUTION MODELS

The intermediaries and distribution models may be reviewed in some markets, especially in the small and medium companies and mid-market segments. With more contact now taking place directly with customers as intermediaries struggle, some insurers may decide to do more business with customers directly themselves after the COVID-19 crisis, perhaps through digital channels, which in turn could impact how customised these products are in the future.

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Physical distancing and other quarantine measures have demanded that vital activities that previously took place in person, have now been transferred to digital and remote channels. This change has been affecting insurance distribution—both in the short term, or as long as physical distancing measures continue, and also in the longer term. The society's relationship with technology and remote interactions is continuously developing and improving. Insurers need to continually reassess their distribution model with regards to their insurance products, customers, sales force and the technology that they use in order to prepare them for the unpredictable.



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stages. They inspire us
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INTERVIEW: GORAZD ČIBEJ, DIRECTOR OF THE INSURANCE SUPERVISION AGENCY

CHANGES ARE COMING, AND THEY WILL ALTER THE CUSTOMER EXPERIENCE

Discussion about risks, challenges and opportunities in the insurance industry during the coronavirus and in the post-coronavirus world with Gorazd Čibej, the Managing Director of the Insurance Supervision Agency, which is responsible for supervision of insurance undertakings, insurance agencies, insurance brokerage companies, insurance agents and insurance brokers in the Slovenian market.



Can you give us a general overview of the most immediate, most detrimental risks in the insurance market?

The biggest risks remain market and macroeconomic risks. The high market risk is due to the volatility of stock indices in world markets and the volatility of government and corporate bond rates. One of the biggest problems that insurers face are low returns on capital markets, meaning that yields for the next 20 years are likely to remain negative. Given the current uncertainty and forecasts of the general macroeconomic indica-

AUTHOR: JAN TOMŽE
PHOTOS: UROŠ HOČEVAR/DELO

tors, a reduction in these risks in the short term is not expected. Furthermore, the epidemic and the consequent transition to work from home have increased operational risks, especially cyber risks. Recent global attacks have shown how exposed we are to online criminals and insurers are increasingly responding with products to protect their customers. However, providing insurance against cyber risks is complicated. Unlike natural catastrophes, cyber risks have no geographical boundaries. This raises questions of accumulation and aggregation, and is one reason why insurers tend to be overcautious regarding cyber risks. A key factor limiting the development of cyber insurance solutions is the lack of data available for insurers to analyse. This makes cyber risks diffi-





cult to understand and price. Therefore, if policymakers wish to shift risk away from society, they must provide information on the nature of cyber-attacks available on an aggregate and anonymised basis. This would enable insurers to refine the protection they offer to clients.

In terms of the Slovenian market, at the time of the outbreak, the risks of profitability and solvency of insurance companies increased, however they still remain relatively low. Similarly, the liquidity risk for the insurance sector remains low.

What has been, so far, the major impact of the pandemic on the insurance sector?

In the insurance sector, the most obvious potential impact of the Covid-19 pandemic is an increase in insurance claims from death, hospitalisation, events cancellation and business interruption cover, among other eventualities. Yet, these have not significantly affected insurers' solvency so far. However, this may be due to delays in claims submission because of restrictions on movement, exclusion of pandemic events from insurance contracts, protracted loss adjustment process or diversification effects (eg. higher insured death pay-outs being offset by lower annuity payments or lower claims from motor insurance). In some emerging market economies, low insurance penetration rates mean that most of the financial losses are not covered by insurers.

Volatile financial markets and the global economic downturn have had a greater impact on insurers, particu-

larly life insurers, due to large holdings of fixed income securities and, correspondingly, exposure to fluctuations in interest rates. The ultra-low interest rate environment could depress the insurers' solvency position, particularly those with mismatched asset-liability profiles. A global economic recession, which is becoming increasingly likely, might affect insurers in several ways. These include, for example, lower demand for insurance products, higher surrenders of certain life insurance policies (that may give rise to liquidity pressure) and increased market and credit risk exposures from investment portfolios.

How can the regulatory authority help preserve the market's solvency and quality of services in the difficult environment created by the health crisis?

The role of the insurance market regulator is to monitor and preserve the profitability and solvency of the insurance companies as well as to control market conduct and to prevent unfair trade practices. In the difficult market conditions, which arose from the COVID-19 outbreak, the insurance market regulators need to strengthen their activities in order to be able to react promptly to the new challenges, to safeguard the market solvency position and to protect the policyholders.

The supervisor must take care of the market in all situations and, especially in emergencies, the supervisor must pay special attention to consumer protection. The supervisor should be reasonable if the insurance compa-

nies have problems with the accuracy on the reporting side but should be very careful in the field of consumer protection. Insurers should thus be seen as part of the solution and not part of the problem.

Let me give you a concrete example from the Slovenian insurance market. In the spring, access to insurance companies was limited to electronic channels, which, despite all the positive effects in terms of efficiency, is still a major obstacle and challenge for many policyholders, especially the elderly. Hence, Slovenian insurance companies adjusted their operations in accordance with the restrictions adopted by the government due to the lockdown.

Insurance companies also later maintained a high level of accessibility through electronic channels and very quickly adjusted operationally, so that they were ready for the second lockdown. Insurance companies started to introduce innovations faster, so now they have updated business models, which means it is possible to communicate with customers electronically, if the customer so wishes. In the future, if it is necessary to comply with the restrictions even more strictly, this kind of adjustment has proven to be very socially responsible.

How did insurers feel the economic impact of the coronavirus crisis?

Recent events have demonstrated how exposed our society and economies are to the risk of pandem-



ics. While the losses associated with pandemics are widely covered in insurance lines such as life, travel and event cancellations, as well as in many liability lines (general, medical, professional), in other lines, such as business interruption insurance or Slovenian supplementary health insurance, pandemic risk is considered to be a catastrophic risk that cannot generally be covered through the existing insurance model in which the claims of the few are shared by the many. Standard insurance policies typically provide protection only against risks that cannot all happen at the same time, as these can be offered at prices that customers can afford.

In practical terms, this means that, although specialist and limited markets do exist for this type of cover, insuring a very large group of individuals and businesses against a pandemic cannot be done relying exclusively on the normal principles of insurance.

For this reason, it was so far only possible to cover pandemic risk in specialised insurance policies covering limited situations and with clear cover limits. In a range of non-life policies, pandemic risk is not covered and therefore has not been included in the premiums, and has not been reserved nor has it been considered in setting the solvency capital.

Removing existing limits or providing broad, general cover for pandemic risk is therefore not possible for the insurance industry alone. That is why in the events such as pandemic the joint involvement of the insurance sector and of the state is of crucial importance.

The Insurance Supervision Agency strives to ensure viability of the insurance market by pre-emptively monitoring economic situation, assessing solvency positions of insurers and providing advice on how to best implement the required measures. Key emphasis is on prompt, timely response in order to reduce the overall impact on all stakeholders. This year COVID-19 crisis showed that prompt



measures are most effective. It is important to stress that the current health crisis is not over. The Insurance Supervision Agency continues to monitor and assess the situation and will respond accordingly.

Are consumers visibly changing their expectations towards the insurance providers and products (requesting better services or added value features associated with the basic products / swiftness / extended coverages etc.)?

Recognising increased consumer vulnerability in such uncertain times, it is even more important for insurers to pay particular attention to treating customers fairly under current circumstances. However, the principle of treating customers fairly should not violate the fundamentals of the insurance business.

IT literate consumers are expecting insurance products and services to be available online, and they expect fast response from insurance provider/distributor. Literate consumers search for products by themselves. They expect digital sales channels to work properly and fast, so that they can arrange everything from 'home', and even get advice, when they need it.

However, less IT literate consumers are not visibly changing their expectations towards the insurance providers and products. They still depend on personal contact with insurance providers or distributors, and their fair advice. Their expectation is basically to trust the insurance distributor.

All consumers are more and more price sensitive, so they constantly expect discounts and special offers from insurance providers. They are prepared to change insurance providers just because of lower price or discount or special bonus, sometimes even at the expense of poorer coverage (consciously or unconsciously).

The basic expectation of all consumers has always been the same. That is consumers hope they will get what they thought they have bought.

Are there any positives from the adaptation of insurers due to the pandemic?

Every crisis also provides new opportunities as the other side of the same coin. Consequently, changing habits and opinions of customers provides insurance companies with new opportunities as well. Customers became more health conscious and the importance of risk mitigation has stepped into focus, increasing the need for health and wellness services, which might indicate growth potential for related insurance product lines.

Besides handling customer needs, insurance companies also need to deal with the challenges the coronavirus imposed on their own operations. In many cases, face-to-face administration has become impossible, offices needed to be closed and operations had to be switched to online platforms as employees started to work from home. These novelties required the introduction and rapid improvement of new digital solutions providing answers not only to clients'

but also to employees' needs. Many insurance companies in the region highlighted how digitalisation has played a key role in reacting rapidly to the pandemic situation and that they see continuing digital transformation as one of the most important strategic directions for the future as well.

As consumers embrace new and innovative digital solutions, the insurance industry continues to strive to meet their expectations and use new technologies to better serve its customers. The COVID-19 pandemic has further emphasised the need for strong and innovative digital capacities in the financial sector. However, it is up to the regulators to ensure an appropriate regulatory framework is in place that enables innovation and allows consumers, established companies and new market entrants, such as insurtechs, to benefit from the opportunities that digitalisation can offer. This means removing any regulatory barriers that may hold back innovation, facilitating a data-driven financial sector and supporting a greater uptake of new technologies.

What is the greatest impact on consumers and how their attitudes will change?

COVID-19 might just prove to be the catalyst for innovation in insurance, unlocking greater levels of customer experience and personalisation that has long been overdue. As a result of the current situation, there is a unique opportunity for insurers to re-think and innovate as they adjust and respond.



Firstly, there may be a need for new products. Some insurers have already had some fascinating early stage ideas about products that would be payable in the case of pandemics or epidemics. The concept would be that there is a small lump sum payout to help a customer meet any kind of increased or new expenditure for certain defined events. For example, pandemics could be included, with a payout being triggered once a certain number of cases have been registered in the customer's state or region. In addition, products that are more similar to critical illness or riders on existing policies, which pay upon being diagnosed, could emerge as increasingly more popular around the world. Economic crises caused by COVID-19 together with a low-interest-rate environment will force the insurance sector to find some new products or solutions in life insurance, too.

Secondly, there could be an increase in the appetite for usage-based insurance (UBI) products – where the premium payable is based on the extent to which a certain activity is performed. The simplest example is for motor insurance where, through telematics and data analysis, a customer would be charged according to the actual number of miles they drive rather than paying fixed premiums over time. A counter argument to this is that, in the wake of COVID-19, consumer willingness to take public transport will drop, meaning that personal car travel becomes even more ingrained than before.

Insurance industry, at least its major part, is generally known as strongly typified and less personalised. Is this now perhaps changing as a result of various different practices that insurers needed to implement and apply?

It is. I reckon that perhaps the most significant changes will be in the way that insurance products are sold, serviced and the usage of customer data. These changes will lead to much greater levels of personalisation and thus change the customer experience and value proposition.



Insurance has long struggled with the fact that it is not as personalised as other products. The offerings are relatively standardised and customers only buy their cover infrequently, sometimes indirectly through an agent or broker. For many customers, it is a grudge purchase. They do not particularly want to spend their money on insurance, but they know they should.

There are signs that, due to the COVID-19 situation, this will begin to change. Insurers are recognising they need to bring more value to their customers, with more personalised offerings and communications on a more segmented basis. One of the notable features of the situation has been the great boom in online communication between people, including via video. It's anticipated that some insurance products will likely start to be sold through a 'digital first' advice approach – where customers engage with an advisor via a video call in the first instance, before the sale moves to other channels to complete.

To conclude, the digital opportunity for insurers extends beyond the customer and broker interactions at the point of sale. COVID-19 has further highlighted the need for insurers to streamline, improve and digitalise operations and claims functions. Insurers are more than ever recognising the linkage between customer experience and the digital strategy, transformation approach and operational improvement.

GREAT OPPORTUNITIES WILL EMERGE DURING THE GRADUAL RECOVERY FROM THE CRISIS

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How would you in the Triglav Group assess your operations in the Adriatic region last year?

The spread of the coronavirus with the onset of the pandemic has caused a decline in the macroeconomic indicators resulting in the extreme volatility of global financial markets. In these demanding conditions, we operated profitably, safely and under the strategic guidelines, and even more directly implemented our mission to create a safer future. We dynamically adapted our operations in individual markets with measures that protect the health of employees, customers and other stakeholders, while continuously providing services and remaining sustainably oriented and closely connected to the environment in which we operate. As far as annual results are con-

The key risks for insurance companies because of the reduction of entrepreneurial activity will be related to the business conditions in which companies emerge from the crisis. The recovery will be uneven across sectors and countries, and the economies will on average only reach the level of activity before the epidemic in the middle of 2022, estimates David Benedek, a member of the Management Board of Zavarovalnica Triglav, the largest Slovenian insurance company. Benedek also emphasizes the growth potential opportunities in the Adriatic region in the forthcoming time, especially in the two largest insurance markets, Croatia and Serbia.

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Photo: Ciril Jazbec



cerned, we estimate that the planned annual profit before tax of the Triglav Group for 2020 (between EUR 95 and 105 million) will be reduced by between 10 and 25 per cent. As originally planned, the Group expects to record around EUR 1.2 billion in consolidated gross written premiums from insurance operations, with a combined ratio of below 95%. Based on current analysis, we estimate that our insurance and investment portfolio is sufficiently resilient and that the capital position is adequate to be able to deal with increased risks. This is also confirmed by high credit ratings ("A") received in 2020 with a stable medium-term outlook from two reputable credit rating agencies. We expect that some claims that were not reported due to lower economic activity or other restrictions on the movement of policyholders during last year will be paid in the financial year 2021. For this purpose, we have formed appropriate technical provisions, ensuring the long-term security of policyholders.

What were the biggest business challenges from the business environment perspective and approach to business - given the specific circumstances related to the corona crisis?

We primarily took care of the health of our employees, customers and other stakeholders and ensured that our services were continuously available. The epidemic did not catch us unprepared. For many years the Triglav Group has been digitalizing our processes in order to offer our

services remotely. The state of emergency even stimulated and brought additional impetus to some planned strategic development activities. We believe that we have taken an additional step towards the digital transformation of the Group.

Specifically, last year we upgraded our key processes at Zavarovalnica Triglav with solutions that enable signing of documents remotely, online claims reporting and greater use of i.triglav digital platform. An important additional step was the introduction of video identification of customers, which is required by law for life insurance policies. We are proud that our customers welcomed our solutions, which was also reflected in the measured increase of customer satisfaction and the increase in the share of promoters during the (worst) crisis.

Due to extraordinary circumstances, the insurance industry significantly sped up some processes last year. How did you strengthen and upgrade the digitalisation of internal processes and processes related to customer relations (B2B, B2C) in the Triglav Group?

We recognise digitalisation as an important component of our business - both in terms of better understanding of customer needs and accessibility of services, as well as strengthening the efficiency of our business. We want to offer comprehensive and, above all, simple solutions. The extraordinary situation encouraged the use of digital and other solutions that we have

established in recent years, mainly through introducing an omni-channel sales approach to customers and implementing solutions for remote and paperless operations. We will continue to make improvements in this area in the future, as we are convinced that digitalization and the development of modern technological solutions help us improve customer relationships and simplify our services.

What is the strategic view of the Triglav Group in 2021 for its operations and positioning in the Adriatic region?

For 2021, we estimate that the macroeconomic environment for our operations will improve compared to the previous year and that there could be a gradual economic recovery, with GDP not returning to the level before 2020. The extent of the epidemiological situation at the global level remains unknown and is a factor of high uncertainty. There is risk that the period of severely paralysed economic activity will last longer and that the decline in GDP will be greater and more lasting. In 2021, the Triglav Group remains focused on fulfilling our strategy, which commits us to dynamically pursue new business opportunities, which is the foundation of our responsible long-term development, and operating profitably and safely. Based on the selected probable scenario of business conditions, we plan an annual profit before tax of between EUR 85 and 95 million, an increased premium volume of between EUR 1.2 and 1.3 billion and keeping the combined ratio below 95 per cent.



What will be the biggest challenges for you as a powerful player in the insurance industry, and where do you see the biggest opportunities in the region?

We operate in a dynamic activity defined partially by the wider environment. For example, population ageing, financial market conditions, economic and political conditions, technological development, cyber risks or information security risks, climate change and, last but not least, the pandemic will all have an important impact going forward for the economy in general. In addition insurance industry is also facing intensified competition, changes in legislation and digitalisation. The third dimension is influenced by customers' demand, their needs and expectations. We also consider such trends when designing strategies and plans. This allows us to respond appropriately even in extraordinary circumstances, where we focus on implementing strategic guidelines. I would like to stress that insurance is a highly regulated activity with strict rules and supervision aimed at protecting policyholders and other stakeholders.

We believe the insurance markets in the region, from Croatia to North Macedonia, are among the areas with growth potential, especially the two largest markets, Croatia and Serbia. We intend to continue to strengthen and consolidate the Group's position outside Slovenia, and our actions toward growth and development will be prudent and aimed at increasing the Group's

value. In the long run, we see an opportunity for growth in health, life and pension insurance. In the region, we expect long-term growth of insurance markets and a consequent increase in the share of total premiums generated by the Group in markets outside Slovenia.

How did the partial or, in some cases, complete cessation of production or operations affect the insurance market and the economy in Slovenia and the region?

The world economy, affected by the COVID-19 pandemic, recovered slowly in the third quarter, after a historically high decline in the first half of the year. Economic activity has remained below the level since the beginning of the year, with some activities, such as transport and tourism, suffering severe consequences. While financial market conditions continued to stabilise and even improve towards the end of 2020, the resurgence of the new coronavirus marked the beginning of 2021 in Europe.

In its December publication, the Institute of Macroeconomic Analysis and Development of Slovenia announced a decline in real GDP of 6.6% in 2020, which is a slightly milder recession than in the Euro area, and we expect consumer prices to stagnate with zero inflation. Slovenian industrial production has recovered markedly over the second half of the year 2020, but the more modest recovery in the services sector has significantly contributed to the slower activity and inter-



national trade. At the same time, government aid packages halted significant reduction in household consumption and mitigated the decline in employment. The survey unemployment rate rose moderately to 5.1%, but this is a significantly lower level than during the previous financial crisis. The budget deficit and gross government debt increased strongly.



Photo: Ciril Jazbec

What is your view on the risks associated with the cessation of production or operations in 2021?

The COVID-19 pandemic has curtailed the operations of companies in the tourism, hospitality, transport and culture sectors..., which were partly addressed by central bank measures and state aid. To what extent the measures were appropriate and effective, remains to be seen in 2021 when the

epidemiological picture will recover and restrictions for business operators will be removed. The key risks are connected with the financial conditions of companies, which is directly related to the unemployment rate.

For 2021, the outlook for the global and European economy is moderately favourable and uncertain. Most official institutions envisage a solution to the health crisis and the phasing

out of containment measures. These, together with sustainable development programs, will boost growth. We can expect the recovery to be uneven across sectors and countries, and the level of pre-epidemic activity will not be reached before until mid-2022. The institutions estimate that the euro area and Slovenia will record around 4% real GDP growth and 1% inflation rate in 2021. The situation will require the continuation of loose economic policies, so we can expect the extensive quantitative programs of central banks will keep most yields on government bonds at negative levels. In the absence of unpredictable shocks, corporate bond yields, especially those not paralysed by the pandemic, will remain low and equity investment will be an attractive investment alternative in these circumstances.

What will be the impact of these risks on the insurance industry?

The success of the insurance industry largely depends on the strength and increase in economic activity in the coming years. With the contraction of the economy, we can expect a decrease in the volume of insurance premiums, and thus a deterioration in the profitability of operations. The impact will largely depend on the severity of the events. As a result, because of increased risks in the environment, an increase in the cost of obtaining new capital can also be expected. I would like to emphasise that in the Triglav Group we carefully and comprehensively manage risks and maintain the strength of our capital position.

EXISTING PROBLEMS AND COVID-19

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The region survived the first wave of the pandemic relatively well, relaxing the measures during the summer tourist season. During the second wave, the region experienced severe consequences that are still ongoing. Governments in the region, as elsewhere in the world, have introduced various measures to help the economy and mitigate the effects of the crisis.

The pandemic highlighted all the existing features of the region's economic environment, and consequently increased the risks arising from it. The region's economic dependence on exports, especially to the EU, the importance of some activities, such as the automotive industry, and the dependence on tourism remain problematic. A large part of the region suffers from the departure of skilled, mostly young, labour abroad. The



Photo: Archive Coface

Like the rest of the world, the Western Balkans in 2020 were marked by the COVID-19 pandemic in all its manifestations - the crisis of the health care system, the imposition of various state measures, and probably the biggest economic crisis since World War II.

AUTHOR: SERGEJ SIMONITI, CEO
COFACE PKZ

question of how to increase added value is also a challenge for practically the whole region. Another drawback is the lack of an efficient public administration in most countries in the Balkans. The one positive is that the aspiring EU members are continuing accession negotiations. Much of the region is still marked by latent interethnic conflicts, corruption, and clientelism. The problem also remains poorly developed infrastructure. The region remains at the crossroads of interests of major powers – the EU, Russia, China, and, to a lesser extent, the United States.

THE WORST AFFECTED SECTORS

The crisis emphasised the region's dependence on certain activities and its exposure to certain risks. By far is certainly the obvious exposure to dependence on tourism sector. Despite the summer opening of borders and enabling most tourist activities, the region has suffered losses whose consequences will be felt for a long time to come. Of course, the impact of COVID-19 in tourism are not just direct losses. The entire service sector, which is powered by tourism, also suffered, from catering, small



crafts, tourism-related shops and the like. Tourism is largely linked to the transport industry, which has also suffered losses in the freight sector, as the entire logistics process has stalled or been sharply reduced during the crisis. Thus, the consequences will be felt for a long time by airlines, rail and road carriers, and to a lesser extent by sea carriers. Transport is also linked to the region's dependence on European and global supply chains. A large part of the region's economy is export-oriented and focused mainly on semi-finished products. In 2020, these supply chains were interrupted for a certain period of time or their operation was significantly hampered, which was particularly damaging for the manufacturing sector.

Impact of crisis in production was quite varied. The largest declines were recorded in April and May. Due to the almost catastrophic experience, individual countries decided to not close their economies completely. By far the most affected was the production of semi-finished products, which on one hand depended on customers severely affected by the crisis while on the other hand, they were faced with difficulties in logistics and the formal closure of borders. Production related to the automotive, furniture and textile industries and the production of agricultural raw materials were badly affected. In some production activities, the outcome depended mainly on the flexibility or ingenuity of the management. For

example, paper producers immediately switched from the production of office supplies to packaging, thus not only mitigating the effects of the crisis but emerging victorious. The production area also has other winners. The pharmaceutical business operated well, although at the onset of the crisis there were bottlenecks in the supply of raw materials and semi-finished products, mainly from China. The relatively unexpected winners of the crisis were some manufacturers of white goods, home electronics and home DIY equipment. The construction sector is also surviving the crisis relatively well. Of course, the biggest success was experienced by the food sector, e-retailers, and IT companies.

FUTURE PROSPECTS

And what are the prospects for the future? Despite the crisis, the accession process has not stopped, although it may have slowed down. Fortunately, transnational and interstate tensions in the region are still declining. Also, the region remains at the crossroads of interests between the great powers and, at the moment, it remains unknown how the US will position itself. The vaccine's positive impact on the world economy will soon be felt in the region, too. But the crisis' consequences will linger for a while in some areas and open up some structural issues. Tourism and related activities will certainly feel the consequences for a while yet. Regardless, long-term changes are not expected in the sector. The geographical location in the

relative proximity of consumers of tourist services as well as natural resources will return tourism to its previous levels in the future. Structurally, the paradigm shift of the economy tied to long supply chains and foreign customers is more important. Industrial production is highly dependent on buyers of semi-finished products in the automotive industry from the EU, which represents one of the most significant risks. Economic policies in the countries of the region will have to strive for both geographical diversification and diversification by type of activity. Dependence on supply chains of materials and semi-finished products from geographically distant suppliers has also been exposed. Like Europe, the region should strive for some degree of self-sufficiency.

As this is probably the worst economic crisis since the World War II, the governments have extensively intervened in the economy with various measures. One of the key factors in the future development of the economy will be to answer the question of how long the state measures will last and in what way will the state withdraw from the economy. The actual state of the economy will become clear only after the cessation of state intervention. What the outcome of state aid will be depends to a large extent on the dynamics and manner of eliminating the measures. The key here is the long-term view and not the daily political agenda, which all too often prevails among political decision-makers in the region.



A VIEW FROM VIENNA

THE ECONOMIC BURDEN OF THE PANDEMIC

The coronavirus has swept across the world with devastating speed, leaving behind consequences that will take years to reverse. However, neither all countries nor all sectors will recover at the same pace. Gregor Pilgram, CEO of Generali Austria, gives his view on post-pandemic recovery in the region.

AUTHOR: MAJA DRAGOVIĆ



Photo: Shutterstock



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Like in other European markets, the short-term challenge for many companies in the region will be to restart the business after the government aid stops immediately after the crisis. A lot of reserves from the past were used up to cover the shutdown periods and in the coming years, companies will have to adopt to a relatively long period of economic recovery.

“I expect a short-term increase in bankruptcies, especially in some sectors, which will put additional pressure on the whole economy,” says Pilgram. A mid-term challenge for the companies will be to adapt to the accelerated change in the customer behaviour towards modern technologies that happened during the pandemic, he adds. Hence, the essential part of the future business success will be the right repositioning of the business models to the new reality, Pilgram concludes.

RECOVERING AFTER A PANDEMIC

So, recovery in the region certainly won't be easy or quick. The whole of

tourism, gastronomy, the service industry, as well as small and medium enterprises in general, will face quite challenging times in the coming period. “In reality, nobody really knows how the markets will evolve and how long the recovery of the economies will take. The challenge will be to ensure the long-term flexibility of the business models, combined with a proper financial strength of the companies”, says Pilgram, suggesting that the focus of the countries in the region should be on how to ensure a stimulating business environment, and how to attract additional foreign direct investments in order to accelerate the growth and enable a very fast recovery of the industry.

But the economic burden of the pandemic is unevenly distributed: for example, sectors like tourism are hit much harder than technologically advanced production. Pilgram expects the same discrepancies to continue in the post-crisis period, where the flexibility to adopt to a new reality, working around remaining restrictions, and taking advantage of the changed customers behaviour will be crucial for the success of individual businesses.

Crises, however, also reveal new opportunities, and making the most of them after the pandemic will be crucial for a fast economic recovery. Pilgram believes the opportunities in the countries of the region will be in attracting foreign investments in



Photo: Lukas Lorenz

GREGOR PILGRAM,
CEO of Generali
Austria

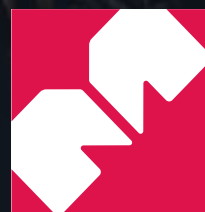
high added-value production and services. They will have to consider “a number of measures ranging from a stimulating tax environment, labour legislation that enables hybrid working models as well extensive investments in innovation, research and start-up environment”, he suggests, adding that the pace of the changes will define which of the economies will have the biggest success.

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GETTING AHEAD OF THE GAME

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While most of the region and the world is reeling from the severe economic impact of the coronavirus crisis, Serbia's economy seems to have gotten off lightly. Last year's GDP is expected to decline between 1% and 2%. For the comparison sake, in Montenegro it will drop more than 14%; in Croatia around 10%; Slovenia's economy will contract by around 7%; Bosnia and Herzegovina's GDP will decline by just below 5%; and North Macedonia will see a drop in GDP of around 5%. So how did Serbia manage to escape with just a scratch?

There are several factors, says Vlastimir Vuković, the new President of the Executive Board of Komercijalna banka Beograd. "Firstly, it is due to the structure of the Serbian economy. Most affected industries are tourism and transport and in Serbia those two sectors are not a significant part of our GDP.

Over the last two decades, Serbia has turned a big corner. It has gone from seeking IMF help to becoming a country that attracts the biggest number of FDIs in the region. While all the countries in the region have been left with dire consequences from the coronavirus crisis, Serbia has been almost unscathed. The focus is now on the future and repositioning the country as an environment for high technological investments.

AUTHOR: MAJA DRAGOVIĆ

"Secondly, agriculture, which is the key industry of our economy, was not impacted by the crisis. In 2020, we had an almost 5% growth in agriculture production and food processing industries.

"If you combine this with Serbia's strong ICT community as well as the construction sector which has been operating 100% even during the lockdown, we can see why GDP decline was as low as it was."



VLAŠTIMIR VUKOVIĆ,
President of the
Executive Board of
Komercijalna banka
Beograd

Vuković adds that an important part of tackling the crisis was also played by the measures introduced by the government. Almost EUR 6 billion – around 13% of GDP – was injected into the economy and allocated for the support of citizens and companies.



FOCUS ON INVESTMENTS

Investments on all levels have also continued throughout the crisis. According to the preliminary data, in 2020 FDI in Serbia amounted to about EUR 2.9 billion or 6.4% of GDP. Countries from the EU still top the list as biggest investors, with 60-70% of total investments coming from the Union.

Serbia has been topping the Financial Times FDI index for the last three years, attracting 12 times more FDI than comparative to the size of its economy, says Marko Čadež, head of the Serbian Chamber of Commerce.

This trend seems likely to continue. According to the Chamber, Serbia is currently negotiating with more than 50 foreign companies from all continents. Toyo tires from Japan started the construction of a tire factory in Indjija at the end of last year, and the Chamber says another investor from Japan plans to invest as much as USD 2 billion in the construction of a factory for electric car engines. The Canadian Magna, which commenced production in Aleksinac last June, plans to build its own plant which will enable expansion of its capacities and create more jobs.

The data provided by the Chamber shows that Serbia has “absorbed” around 60% of all foreign direct investments arriving in the Western Balkans for several years in a row.

NEW STRATEGY

The types of investments that Serbia wants to attract have changed over time. Most FDIs 15 years ago were la-

bour intensive as Serbia tackled high unemployment. Three years ago, with the level of unemployment gradually decreasing, Serbia started implementing new strategies in order to attract high technology investments and position Serbia as a competitive place to do business in a new environment, explains Čadež.

So how exactly has the strategy changed? Being proactive, not reactive, focusing on the future and investing in education, explains Čadež. One is introducing compulsory coding classes from fifth to eight grade of primary school. “It is part of the children’s literacy and basic knowledge so they can be prepared to cope with a new business environment in the future”, he notes. By the time children finish the primary school, they are “fluent” in java or python or other computer languages. “When you start to work with kids early, then you really change the system.”

Six years ago, Serbia also started introducing dual education in secondary schools. In practice, this means that students go to school two times a week, and for the rest of the week they work at a company with a mentor who is an employee of that company.” Children are learning and acquiring skills in the real working environment”, Čadež notes.

Universities will also introduce the dual education system to enable students to work on real projects in companies. The programme is due to commence in autumn this year.

In Vuković’s view, Serbia also needs to create an atmosphere for young people to stay in the country after they complete their education. “We have a brain drain of young people who are moving abroad. If we don’t address this, we won’t have sufficient work capacity in Serbia, we need to create good prerogatives for young people to stay here



MARKO ČADEŽ
President of the
Serbian Chamber of
Commerce



According to the information provided by the Serbian Business Registers Agency, there are 17,481 companies (legal entities) with majority foreign ownership (over 50% foreign capital) operating in Serbia today, which is 13.5% of the total number of registered companies. Those companies achieve almost 60% of total Serbian exports.

and have a good life-work balance in our country. This is also a task for NLB Group as a systemic institution in the country: we could, for example, support young people to have better conditions when purchasing their first property.”

BRINGING THE DIASPORA BACK

The country is working not only to stop the brain drain, but to bring some of the brains back from abroad.

“We have a lot of people that left Serbia in 1990s and early 2000s who have been working for 20 years abroad and ac-

quired skills and knowledge that would be useful back home”, Čadež says, noting that “the question is how to attract them back to Serbia”. The government has introduced some measures such as tax reliefs for the returnees – the companies that employ them are free from paying 70 % of taxes, social insurance and health insurance for three years. “Basically, we made it possible for the companies to give more money to the people coming back from abroad,” concludes Čadež.

ATTRACTING R&D

With the focus on the future and repositioning itself as an investment destination for high technology products, the Serbian government has also introduced special incentives for all companies investing in R&D and intellectual property, regardless of industry. Those include paying 3% instead of 15% of corporate tax. Čadež emphasises that companies actually end up paying zero government tax over three years be-

cause “every EUR they invest in an R&D operation is doubly deducted from tax.”

What Serbia is aiming for, Čadež explains, is to attract investors like the German company Continental, a leader in automotive sector.

“This is an example of how an investment goes perfectly: they started with simple production, then they manufactured a collection of electrical devices, then they started to work on software, then they opened an R&D centre in Serbia, they developed a product in Serbia and now they are building factory for that new product in Serbia”.

PRIORITY SECTORS

Though the focus is on R&D across different industries, priority sector remains agriculture and food processing. “In terms of food production, we have the natural resources because of Vojvodina and huge agricultural land,” says Čadež, adding that Serbia already has companies that are leaders in frozen fruit. In Sweden, he says, every second frozen fruit in supermarkets comes from Serbia. He further states that there was a 20 % increase in exports in agricultural products just in 2020, while the exports of finished food products increased by 5%.

In terms of agriculture, Vuković emphasises that sustainability also needs to be taken into account. In agriculture it is very important to produce food in a natural way, he says, explaining that NLB Group, which has firmly embarked on the path of sus-

VLAŠTIMIR VUKOVIĆ, PRESIDENT OF THE EXECUTIVE BOARD, KOMERCIJALNA BANKA BEOGRAD

After purchasing the majority shares in Komercijalna banka, Slovenia's NLB Group now has two banks operating in Serbia, bringing the Group to a third place by total assets.

“This makes us a systemic player in the country. This is a huge responsibility and a huge chance for us to create good value proposition for both our customers and our employees. And also become the leading bank in Serbia within four years. This is our strategic focus – to be the best bank. The best bank doesn't necessarily mean the biggest – it means where customers as well as our employees love to be. Komercijalna banka has great potential but we need to invest in human capital, technology, customer experience. We will play a very important role as we have 203 Komercijalna banka branches across Serbia and more than 850,000 active customers. It is a huge responsibility. Systemic player has systemic obligations: to provide best services for customers and our employees.”



tainable business operations, will, for example, provide support and promotions to farmers who tackle farming in a sustainable, ecological way.

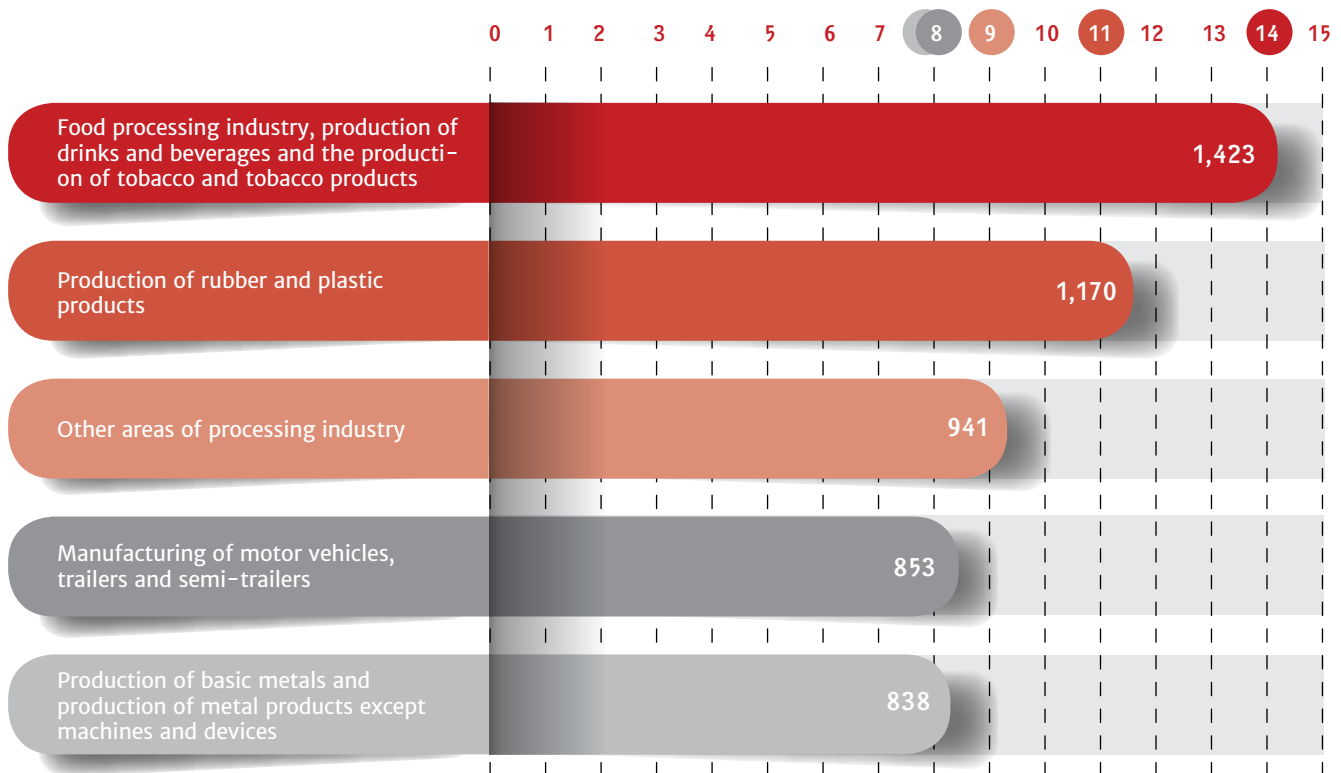
“In certain programs we offer special conditions for certain producers who cultivate food in a natural way. Sustainability is very important, we need to give our personal seal for tomorrow generations. In that respect Komercijalna banka as part of the NLB Group will and is doing all the things which are necessary to support and promote producers and industries which are economically sustainable and apply ecological way of produc-

ing,” says the new President of the Board of Komercijalna Banka.

Other priority sectors include manufacturing technologically advanced machines as well as IT - in Serbia there are about 23,000 companies doing only IT while the software export was worth EUR 1.5 billion in 2020. But ITs significance goes beyond programming and software. “To transform the economy, we are trying to combine the IT community of innovative and digital companies with traditional ones,” explains Čadež. “We are trying to bring companies from both spectres together to give them people

which are certified by our Chamber as consultants in digitalization. The challenge is how to digitalise production process, make changes in sales management as well as supply management. Advisers create a roadmap and then companies implement it. This is most important for us: how to actually transform traditional industries as quickly as possible. They will be transformed anyway: If you don’t change you will not exist. But for us it is important to do it quickly, systematically and to be really technologically most advanced digitalized industry in this part of Europe. This is our goal.”

ACCORDING TO THE INFORMATION OF THE NATIONAL BANK OF SERBIA, IN THE PERIOD 2010–2019, THE LARGEST INFLOW OF FDI WAS IN THE FOLLOWING PARTS OF THE PROCESSING INDUSTRIES (IN MIO EUR)



HOW THE PANDEMIC IS DIGITALISING THE WORLD

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For Telemach, a Slovenian provider of advanced and high-quality fixed telecommunications services in the Adriatic region, 2020 will go down as a very successful year. The company has grown in all of its key segments: networks, human skills, and finances. With the constant growth in subscribers, Telemach's market share in Slovenia is rising fast.

In 2020, when the coronavirus pandemic significantly transformed peoples' lives and drove them online even more so than before, telecom operators played an extremely important role in helping people maintain mutual contacts. Users have relied even more on their services, and it has become impossible to imagine normal operation without internet and mobile communications. This applies both to individuals and large institutions.

"The epidemic has shown the importance of the ICT industry in the 21st century, and just how all the major in-



Photo: Shutterstock

More rapidly than ever, the world is embracing Information and Communication Technology (ICT) - to everyone's benefit. Slovenian society has become very digital in the past year, and there has been an enormous leap forward, says Adrian Ježina, the President of the Management Board of Telemach.

AUTHOR: JAN TOMŠE

dustries heavily rely on it. As the world went online, we experienced increased use of all our services. During this time, fixed internet traffic rose by 30%, average internet traffic increased by as much as 200% between 8am and 6pm, mobile data usage increased by about 25%, and the number of voice calls increased by

around 70% in the first weeks. Interconnection capacities were also severely affected," Adrian Ježina explains.

While Telemach faced challenges at the start of the pandemic, they successfully overcame obstacles thanks to previous preparations and experiments in home-working where feasible. "The pandemic was a true test for our networks and our organization. However, we made the right upgrades and organised remote work to ensure good communication between users. We are talking about changes in a very short amount of time. We increased all the necessary capacities to allow unhindered traffic so that our users would experience almost no difficulties. In just a few days, we managed to double our capacity in both mobile and fixed networks. Our performance parameters remain the same as before, but with significantly higher user consumption," Ježina reveals.



Photo: Žiga Intihar

ADRIAN JEŽINA, the President of the Management Board of Telemach



Photo: Shutterstock



PREPARATIONS YIELDED RESULTS

At Telemach, they were well prepared for the pandemic. Even before the complete lockdown, the company had tested how individual services would handle work from home. “Understandably, not everyone could operate in this way, especially our technical services, which work on the ground and are most exposed to health risks. Of course, we took special care for their protection,” says Adrian Ježina. When we talk about digitalisation, the question always arises how it affected

companies, as well as a broader social aspects. Per Ježina, “Slovenian society has become very digital over the past year. There has been an enormous leap forward, companies have introduced quite a few new services that make some everyday operations easier in these unusual times, and people are also doing more things online. Many have let go of the distrust they once had towards internet services, learned more about numerous things, and broadened their horizons.”

The pandemic is pushing the world hastily into information and communication technology, and this is beneficial for the telecommunication industry. However, it also calls into question further investments into landline networks, as the focus is shifting to frequencies and 5G. “No doubt the pandemic will lead to lasting changes in the way we do business, but at the same time, we hope that there will be a rapid economic recovery without a deeper financial crisis,” Ježina points out.

THE FUTURE = GROWTH



For 2021, Telemach expects growth in all areas, including financials and subscriber numbers. Together with United Group, which they are part of, they will continue to push boundaries, grow their network, work on user experience, and strive to be the best on the market. Their business goal is to become the first choice of Slovenian users who are looking for telecommunications services, the number one broadband provider and the number two mobile provider in Slovenia. They are convinced their highly motivated and skilled employees offer almost bulletproof guarantee for further success.



TAKING CARE OF EMPLOYEES

Since the start of the pandemic, Telemach has been focusing a lot on employees. »Together with our employees, we were well prepared for the novel way of doing business, so the transition of working practices was fast. Where possible, our employees were working from home, and we made sure all our employees who work in the field had proper protection, such as masks, disinfectants, and gloves. We also sent out a first aid kit to our employees, which contained disinfectants, masks, and vitamins," the company says.

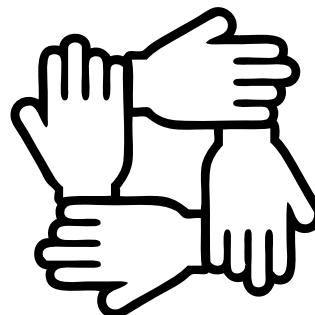
"We did everything to make them feel good, provided them with various online seminars, sent them packages with masks and vitamins occasionally, and so on. It is why we have successfully faced all the challenges posed by the pandemic," emphasizes Adrian Ježina.



PROVIDING THE BEST USER EXPERIENCE

B2B: Telemach offers business customers seamless services such as collocation, limited and advanced service management, and cloud computing platforms since it has the most advanced data center in Slovenia. During the pandemic, they offered special packages to business customers including the packages aimed at individual activities such as bars, massage parlours, car mechanics, private health clinics, and dentists.

B2C: Since their customers were mostly working and staying at home, Telemach could offer them additional bonuses. They opened program schemes and provided more content and mobile data. They also very quickly introduced advanced customer care tools, such as a chat option on their website, voice signing, and virtual shops. These proved to be excellent examples of resolving the situation, the company states.



SOLIDARITY

Adrian Ježina sums it up: "We were pleased to help as best we could. United Group donated USD 3m to help countries in the region, USD 500,000 of which came to Slovenia for medical supplies. Telemach also donated tablets with internet access to children and families to enable as many students as possible could have uninterrupted studying from home."



PANDEMIC FIGURES

The load on internet connections increased by as much as 40% during the pandemic. Telemach recorded a 60% increase in voice traffic on the mobile network during this period. In the autumn of 2020, the increase in internet traffic was 50%, while mobile voice traffic increased by 20%. Compared to last year, data traffic over the mobile network increased by 30% in December, while the number of SMS messages increased by 10%, and the number of MMS messages by as much as 40%.

THE QUALITY OF OUR LIVES WILL DEPEND ON HOW SUSTAINABLE WE ARE

T

The speed and scale of the fall in energy investment activity in 2020 were unprecedented, according to International Energy Agency (IEA), a Paris-based intergovernmental organisation. As companies reined in spending, and project workers were confined to their homes, planned investments were also delayed, deferred, or shelved, and supply chains interrupted. The COVID 19 crisis and measures taken to slow its spread have had a profound impact on energy demand, the likes of which have not been seen for 70 years, IEA states. In its Global Energy Review issued in April 2020 and assessing the impact of the COVID-19 pandemic on the global energy system, IEA expected that overall energy demand would fall by 6% in 2020, while electricity demand was set to decline by 5%. In contrast, global carbon dioxide emissions were expected to drop by almost 8% compared with 2019.



Photo: Shutterstock

The Slovenian Petrol Group has found a recipe for successfully meeting the challenges of the COVID-19 pandemic with a combination of three factors: providing liquidity, managing costs, and optimizing sales and supply chains. They are convinced that due to the consequences of the pandemic, society and the economy will have to look even further for solutions in sustainable practices.

AUTHOR: JAN TOMŽE

During the pandemic, traffic curbs and mobility restriction measures accompanied drastic drops in economic activity. Sales of motor fuels fell. The Petrol Group, one of the largest businesses in the Adriatic region, responded comprehensively to the changed situation. "In the first phase, activities were focused on ensuring the health of customers and employees, uninterrupted operations in changed circumstances, and on identifying and managing risks. Further activities have focused on the long-term so that the Petrol Group can operate smoothly in a highly changing business environment. In 2020, we paid special attention to cost optimization and business rationalization, which is also reflected in the plan for 2021," explains Aleksander Salkič, Di-



Photo: Archive Petrol

ALEKSANDER SALKIČ,
Corporate Communications
Director at Petrol d.d.

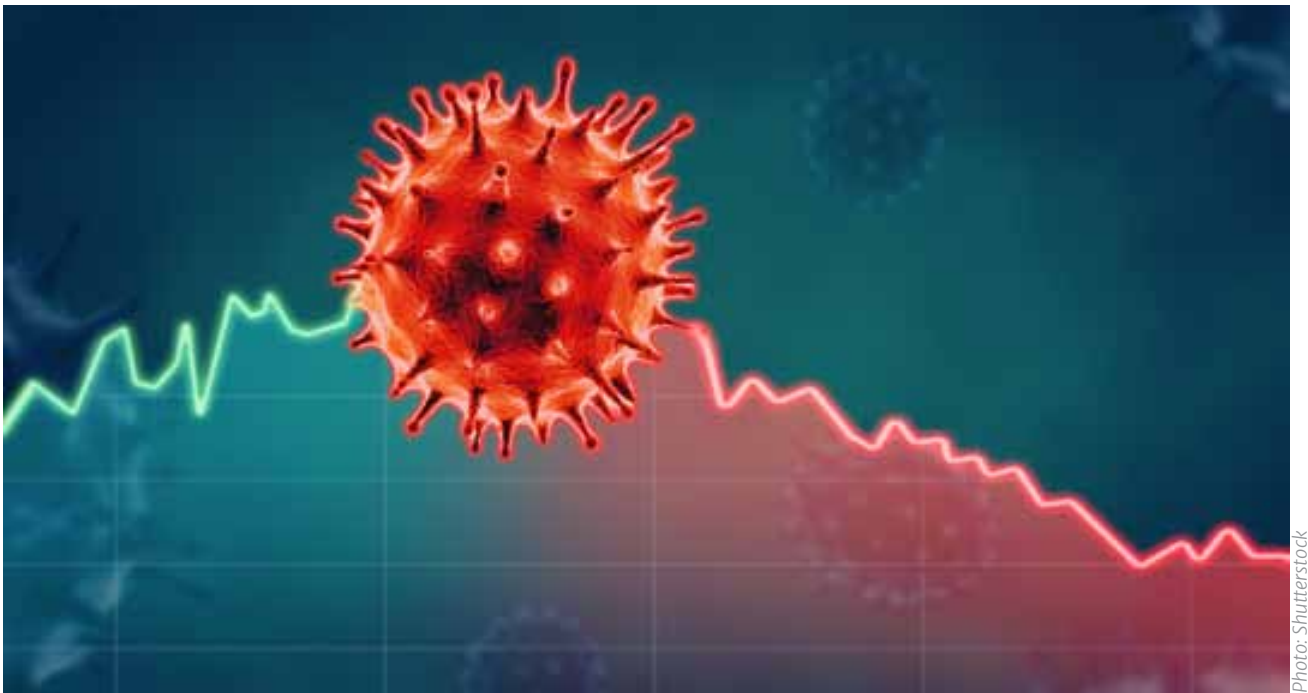


Photo: Shutterstock

rector of Corporate Communications at Petrol, which operates in Slovenia, Croatia, Serbia, Montenegro, Bosnia and Herzegovina, Kosovo, and North Macedonia.

CRUCIAL OPTIMIZATION OF SALES AND SUPPLY CHAINS

Petrol generates more than 80 per cent of its revenues from energy trading, while the remainder is derived through trade in consumer goods and services. Both energy and trade are considered highly competitive industries. In addition to global industry trends, Petrol Group's operations are influenced by several other, often interdependent factors, notes Salkič. Among the most important are the movement of energy prices and the gyrations of the US dollar, both a reflection of global economic conditions.

During the pandemic, Petrol prioritized the health and safety of its employees and customers, as well as ensuring a reliable supply of energy. They addressed risks very directly. The measures followed the provision of sufficient liquidity. "Reducing and managing costs, all the while optimizing supply chains and sales outlets and thus ensuring the profitability of points of sale, have all proven necessary," states Salkič. They also ensured a sufficient number of employees was present at points of sale. At the same time, other employees, wherever possible, worked from home, and due to a reduced volume of business, some employees were put on temporary leave.

STRONGLY-FELT IMPACT OF THE LOCAL ENVIRONMENT

Petrol envisions a future of energy independence and efficiency, but

also the growing share of renewable energy sources. According to Salkič, reducing the carbon footprint is the company's top priority. Their sustainable orientation is based on three pillars: on being a low-carbon energy company, on establishing partnerships with employees and the social environment, and on operating in accordance with the principles of the circular economy.

Salkič believes the economic situation in 2021 will be significantly affected by the post-pandemic economic recovery, which will also be reflected in oil prices. In the markets in which they operate, both local economic conditions (economic growth, price inflation, rising consumption and production) and state regulation of energy prices and market structure, exert a significant



impact on business operations. The impact of a pandemic is difficult to disentangle from the measures taken to contain it.

ALL ON BOARD WITH GREEN CHANGES

Business players in the energy market are facing major challenges and changes. First, they are undergoing an extremely demanding systemic transition to renewables. "At the same time, there are major changes in the behaviour of end customers, who are becoming increasingly active and environmentally aware," says Salkič. At the same time, environmentally-friendly practices are official EU policy when it comes to the so-called green economic recovery, which is taking place under the auspices of the European Commission. Activities in this area are numerous, from energy efficiency in industry and the commercial sector to energy renovation projects in buildings. "These are integrated energy services for industry, which will lead to increased energy efficiency and reduced greenhouse gas emissions," explains Salkič.

But there is another area with great potential: sustainable mobility. Petrol focuses on the provision of services related to the establishment, the management, and the maintenance of infrastructure for charging electric vehicles, explains Salkič. Also, the group provides solution for the implementation and billing of electric vehicle charging and support. "In the field of mobility, we are

developing services related to new concepts and forms of mobility such as vehicles as a service," adds Salkič, who also says the company has ambitious goals for 2021, including a

new strategy for the next five years. They are also incorporating the lessons of the current pandemic, which has radically changed the way we do business in a matter of months.



RESPONSES TO THE PANDEMIC

During the COVID-19 pandemic, Petrol has equipped all of its service stations with protective barriers at the cash registers. Employees at points of sale have been given protective equipment. Services more likely to transmit infections have been temporarily stopped, and their business adjusted on an ongoing basis. Petrol also ensures the number of customers who can safely enter its stores at the same time stays at the recommended levels at all time. "We encourage the use of digital applications that enable contactless payments, and we also deliver products from Petrol's online store to your home," says Aleksander Salkič.

"It was our digital solutions that proved successful during the crisis as customers quickly recognized their benefits. Our online store eShop has achieved exceptional results, as has the app 'Na poti' [Slovenian for 'on the road']. The latter is still setting records," says Salkič. Petrol's recipe for thriving in unusual times includes a comprehensive range of customer-focused products and services with an excellent shopping experience, which has been the core of Petrol's business for several years. But now, the approach has gained momentum.



AT THE HEART OF BUSINESS: THE CUSTOMER

In 2021, Petrol will further upgrade the user experience. "The customer is at the heart of our business and will remain a priority in the future as well. We are aware that modern consumers have more information and want more for less. They expect 'convenience', which they define as a comfortable retail environment, in which they can buy a wide range of products and services in one place, but also in a timeframe that is satisfactorily short. Consumer continuously checks 'on-line' offers and always expect a comprehensive deal. We provide our customers with bundles of products and services – this is our competitive advantage. The goal is to achieve this through an excellent user experience," emphasizes Salkič.

THE MANAGERS' ASSOCIATION OF SLOVENIA

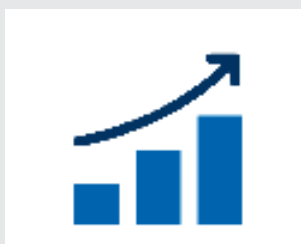
The largest association of executives in Slovenia since 1989



Creating **32%** of the entire revenue of the Slovenian economy

Companies led by members of the Managers' Association of Slovenia:

- have a **26% higher added value** compared to the Slovenian average;
- create a **42% higher revenue per employee** than the Slovenian average;
- create a **48% higher profit per employee** than the Slovenian average;
- have a **23% higher average salary per employee** compared to the average Slovenian salary;
- the companies that are members of the Managers' Association of Slovenia collectively create **32% of the entire revenue of the Slovenian economy**.



Mission

Responsible leadership and professional management for common progress.

Vision

Using cooperation to turn opportunities into successes and situate Slovenia amongst the top 15 most developed countries in Europe.



**MANAGERS'
ASSOCIATION
OF SLOVENIA**

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READY TO TALK BUSINESS

2020 has perhaps been the most exceptional year. With everything we know being put into a new perspective due to the pandemic, it has likewise been the year when humans were reminded what can make us be better prepared for the future - knowledge and collaboration, interest in improving existing solutions and processes, and investment in businesses that develop products and services that allow us to survive and thrive. There is no silver bullet on how to put economies “back on track” but we can witness the operating landscapes being heavily influenced by the governments and global supply chains. Such events offer unique moments for investors to make a meaningful contribution - by identifying regions that offer economic and political cooperation and by investing in business opportunities with good prospects.

AUTHOR: BARBARA MATIJAŽIČ

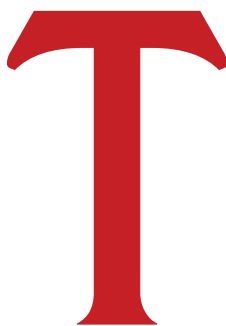


Photo: Shutterstock

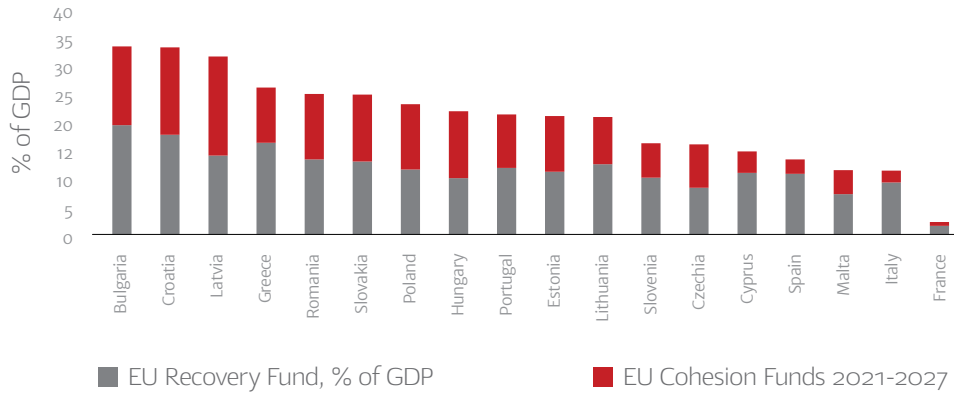
The Adriatic region is situated on the Balkan peninsula, easternmost of Europe's three great southern peninsulas. Adriatic region is usually characterised as comprising Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Montenegro, North Macedonia, Romania, Serbia, and Slovenia. Portions of Greece and

Turkey are also located within this geographic region. As analysed by East Capital, a leading active asset manager specialising in emerging and frontier markets, the region has a lot of untapped business opportunities, as it is on course to receive one of the largest stimulus packages globally (equivalent to 17% to 35% of

GDP) through the facilities of the EU Recovery Fund and budget: Bulgaria and Croatia will receive funding equivalent to 35% of their 2019 GDP, while Greece, Romania and Slovenia will get support amounting to 27%, 26% and 17% of their 2019 GDP respectively.



PRELIMINARY ALLOCATION OF THE EU RECOVERY FUND AND THE EU COHESION FUNDS IN 2021-2027



Source: EU Commission, Bloomberg

The Balkans are set to benefit from the key post-coronavirus economic and business trends through investments in infrastructure, via opportunities for digital transformation, by the implementation of green technologies and by leveraging innovative start-ups. A new awakening is set for the local manufacturing which can reverse long-standing Western trends to push manufacturing trends overseas. Additionally, the Balkan region is also recognizable for its educated and highly trained workforce. OECD estimates that around 5.6 million Romanians and 800,000 Greeks were living abroad at the end of 2019. The return of at least part of the diaspora would cause a sizable boost to the potential GDP growth level. Also not negligible is data on labour cost in comparison to the high level of

education and professional skills. According to OECD, the average salary in Romania in the first quarter of 2020 amounted to EUR 1,082 per month, compared to EUR 4,035 per month for Germany.

To ensure progress in the region and to get economies back on their feet, collaborative and systematic frameworks between governments, the public and private sector, as well as investors, are needed. Key areas for economic development identified by the European are: sustainable transport and energy connectivity, green and digital transformation, strengthening health support and creating job opportunities for young people. When deciding where to start your business, keep in mind the golden rule of investing: diversification.



Photo: Shutterstock

B

CITIES IN THE ADRIATIC REGION
WITH INVESTMENT OPPORTUNITIES

MARIBOR, THE SECOND LARGEST CITY IN SLOVENIA

The city is located at a superb geographical spot, surrounded by one of the strongest economic areas in the world: Germany, Italy, France, etc. Quality roads, air, rail and maritime infrastructure provide connections to Europe and an excellent starting point to enter other Balkans markets.

AUTHOR: BARBARA MATIJAŠIČ



One of the advantages of the Slovenian business environment (and Maribor), is its openness to foreign investment. This is reflected in competitive tax policies, investment incentives, access to finances and a highly

skilled workforce. In 2019 OECD ranked Slovenia among the three countries (besides Luxembourg and Portugal) with the least restrictive foreign direct investment rules. The United Nations report, which rates the human development index, recognizes Slovenia as one of the best in the world. Access to education, technological develop-

ment, gender equality, environmental and other factors that add to the high quality of life contribute to the high ranking.

Slovenia demands 0% for profits generated in EU countries, and 15% for profits generated in non-EU countries, unless bilateral agreements provide other arrangements.

CORPORATE INCOME TAX



19% taxation

of profits and the withholding tax rate of 15%.



Up to **100%** tax relief

for investments in research and development.

Up to **40%** tax relief

for investment in equipment and intangible fixed assets.

CAPITAL GAINS



Taxed with personal income tax

at a proportional rate, which is in principle

27.5%

without taking into account tax reliefs.

Income tax on capital gains

is calculated and paid for the tax base at a rate of

25%

and is considered a final tax. For each completed 5 years of capital ownership, the tax rate is reduced.

After 5 years capital gains are taxed

at **15%**,

after 10 years at 10% and after 15 years at 5%.



Photo: Shutterstock



CITIES IN THE ADRIATIC REGION
WITH INVESTMENT OPPORTUNITIES

SARANDA, A COASTAL TOWN IN SOUTHERN ALBANIA

Historic city is an up and coming tourist hotspot.

AUTHOR: BARBARA MATIJAŽIČ



Saranda experienced significant economic growth thanks to tourism, commerce, maritime transport, fishing, and the textile industry. Tourism is not just a priority for Saranda, but the whole country as Albania boasts nearly 400 km of coastline with its unspoiled Adriatic and Ionian beaches. World Bank ranked Albania 82 of 190 countries regarding the ease of doing business in 2020.



CORPORATE INCOME TAX



Entities registered for corporate income tax (usually those with an annual revenue exceeding or anticipated to surpass 8 million) are subject to corporate income tax rate of 5% of the taxable benefit if their

annual income does not exceed

14 million

and 15% of the taxable profit if their annual income exceeds 14 million.

For companies registered for streamlined corporate income tax purposes (usually those with an annual turnover of not more than or planned to surpass 8 million), the rate is 0% if their

annual turnover is less than

5 million,

and 5% if their annual turnover is between 5 million and 8 million.

Automotive firms, tech production/development companies, agricultural cooperative companies, and companies accredited as agro-tourism corporations by 2021 are subject to a lowered

5%

corporate income tax limit

(reduced rate is applicable for 10 years).

Concerning opportunities in tourism, four- and five-star hotels with “special status” that are an internationally recognized brand and operate under a registered trademark are

exempt from corporate income tax for

10 years.

This incentive is available to all hotels granted the special status until December 2024.

CAPITAL GAINS

Charged at the corporate income tax rate of

0%, 5%, or 15%,

if appropriate, along with all kinds of income.





Photo: Shutterstock

B

CITIES IN THE ADRIATIC REGION
WITH INVESTMENT OPPORTUNITIES

ZENICA, AN INDUSTRIAL HUB IN THE CENTER OF BOSNIA AND HERZEGOVINA

Through the support of the UN Development Programme (UNDP), the central region of Bosnia and Herzegovina is now striving towards a green transformation which includes cities (and villages) and their infrastructure.

AUTHOR: BARBARA MATIJAŠIĆ



Country's turbulent political history divides Bosnia and Herzegovina into two separate entities: Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) with independent governments and regulations. In addition to possible regulatory challenges in this respect, one of the biggest issues for the country in the past year has been efficient waste management and treatment. The city joined EBRD Green Cities in September 2018 and is introducing sustainable and signifi-

cant environmental projects to aid in a greener future. Part of GCAP's key actions include the renewal of Zenica's heating network infrastructure, expansion and replacement of the bus fleet with a transition towards low/zero emission buses, and new solid waste-handling infrastructure. The city is an inspiration not only for the central region but the whole country. It's also important to note very competitive labour expenses in Bosnia and Herzegovina: for example, in RS, the minimum wage in 2020 was BAM 520 which equals EUR 266.

CORPORATE INCOME TAX



Stands at

10%.

Non-resident corporations are charged the regular rate of corporate income tax, but only on their income from a local source.

Some other corporate taxes vary from one canton to another.

CAPITAL GAINS



At the regular corporate income tax rate of

10%,

capital gains are taxed as benefit (those obtained by residents and non-residents alike).



Photo: Shutterstock



CITIES IN THE ADRIATIC REGION
WITH INVESTMENT OPPORTUNITIES

SKOPJE, A LIVELY START-UP CENTRE IN NORTH MACEDONIA

North Macedonia offers a wide pool of highly trained and educated talent and ICT professionals.

AUTHOR: BARBARA MATIJAŽIČ



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he nation is packed with various start-up associations, professional development programs and network events. In August 2020 EU-Startups.com, the leading on-line publication with a focus on start-ups in Europe reported that Skopje hosts over 60% of start-ups in North Macedonia. This, coupled with a low cost of living, is making the city additionally attractive to international entrepreneurs. For instance, a mod-

ern apartment in Skopje can be rented for as low as EUR 250 per month.

In the World Bank's 2019 ranking, North Macedonia is 17th in the world in terms of the ease of doing business - the country exceeds countries such as Estonia (18th place), Finland (20th place), and Germany (22nd place). It only takes a day to open a company in North Macedonia.

CORPORATE INCOME TAX



North Macedonia, and thus Skopje, has one of the world's lowest corporate income tax rates, which is

10%.

CAPITAL GAINS



Classified as ordinary profits.

The volume of gains reinvested in liquid assets decreases taxable profits. For businesses working in a free economic zone,

a 10-year
benefit tax holiday is available.



Photo: Shutterstock



CITIES IN THE ADRIATIC REGION
WITH INVESTMENT OPPORTUNITIES

PODGORICA, THE CAPITAL OF MONTENEGRO

Large funds have been allocated by the capital city of Podgorica for the infrastructural needs: building of roads, bridges, landfills, water and sewer construction, sports facilities and improvements that have become important to improve living and working conditions in the city.

AUTHOR: BARBARA MATIJAŽIĆ



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he city has identified three particular strategic priorities for the future: further growth and improvement of communal infrastructure and events, the strengthening of economic viability and further improvement of the commercial climate, as well as the development of tourism and environmental protection. At the end of 2020, the Central Bank of Montenegro reported that China invested EUR 70m in the country, mostly in Montenegrin companies and real estate.

CORPORATE INCOME TAX



The standard corporate income tax rate is

10%.

CAPITAL GAINS



Capital gains derived by companies are treated as ordinary income.

Capital gains

derived from the sale of immovable property, securities, and equity participations in companies are subject to a

10% tax,

levied on **70%** of the gain.

AN EVER-EVOLVING SUCCESS STORY IN THE ADRIATIC

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The connection has always been there – the link between sports, business, and governments. At the top, no one can go on giving their best without the support of passionate crowds who lift everything to a whole new level. The Adriatic region might not be the biggest sports market, but it makes up for it by giving its sportsmen and sportswomen unwavering support and idolization. Having recognized this fact, businesses have poured money into sports in every way imaginable, which in the case of a big sports successes translates into streets full of people showing their colours and support for national teams. Invariably the biggest stars are always wrapped in sponsors' images and logos, while commercials proudly fill billboards and other advertising media. Although many businesses and even governments can get quite a pushback for

The Adriatic region might not be the biggest sports market, but it makes up for it by giving its sportsmen and sportswomen unwavering support and idolization. Having recognized this fact, businesses have poured money into sports in every way imaginable, which in the case of a big sports successes translate into streets full of people showing their colours and support for national teams. Invariably the biggest stars are always wrapped in sponsors' images and logos, while commercials proudly fill billboards and other advertising media.

AUTHOR: ALJOŠA ŽVIRC

posing with sportspeople, especially after their biggest wins, it is nevertheless true that without the support of politics, businesses, and local commerce, stakeholders would not reach

the same level of mutual benefit. This is even more important in times of a crisis like the breakout of the COVID-19 pandemic. Businesses, governments, and everyone active in sports would support the claim that passion runs high when it comes to sports, even more so in such regions like the Adriatic. People here are said to be living at both ends of the emotional spectre – with great passion, support, joy and boasting there also comes a lot of misunderstanding and rage. History is intertwined with lives of ordinary people, experiencing how wars could tear them apart, or pull them together again, giving rise to heartfelt stories of success. The forgiving nature of the region, as well as the rallying around those who can boast with successful stories (whether in sports or anywhere else for that matter), makes for an interesting im-



pact – here people react to good deeds with their own support, perhaps even more intense than the initial spark that triggered them.

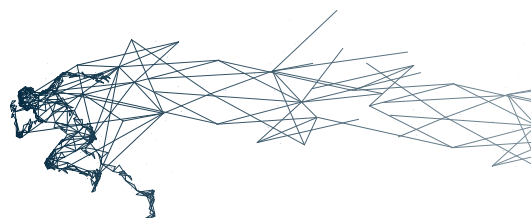
A step forward made by the authorities and businesses, who show great interest and support, usually results in two steps forward made by the local population. They crave for heroes and feel that by showing their support, they are sharing in their heroes' glory. So, it is always an evolving link, but sport lies in its center and is always trying to get a bit more out of each other side it is involved with. But society also gets undeniable benefits. Sport helps people forget about their daily problems for a little while. Sport is the proverbial glue that helps the society function a tad better. In the long term, popular support translates into financial stability and profit.

SPORTS EFFECT
– success translates into streets full of people



Photo: Uroš Hočevar/DELO

This is even more evident from a historical perspective. The former Yugoslavia was a sporting superpower, its heroes enjoying sort of a mythical status throughout the region. Despite different nations and religions coexisting inside those borders, something that inevitably gave rise to friction, people always had their teams to support and lean on to. Multiple world championship titles in team sports such as basketball, water polo, strong showings in football, volleyball, handball, and others – these sports always supported the claim that they can erase boundaries. And along with the success of champions, so have



CHAMPIONS:
Serbia's women
basketball
national team
winning the
EuroBasket in
2015

Photo: Shutterstock

businesses always aspired to broaden their reach. At least for a while – until sports became one of the most important catalysts for political change and the eventual break up of Yugoslavia. In the early '90s, change seemed inevitable, even though the aftermath was especially taxing on the people. Politics, business, and sports had to rally behind their people to help them get back on their feet again.

It was a long and drawn-out process, but with the help of governments and local businesses, sports made leaps forward in the last few decades, when everyone had to find solutions in a different economy. Although frictions still exist (and probably always will), the tradition of sporting success remains in smaller but not necessarily less powerful markets. Both individual and team sports lie at the heart of a state's global rec-

ognition. They open up new possibilities for politics, commerce and tourism to explore. It pays being the country where a sports champion was born in and started his or her path to stardom – many fans want to visit where it all began, a sentiment

widely shared by the media. Sporting stars, on their part, appreciate the interest for their roots, and help promote their country's top attractions (obviously emphasizing their nation's hospitality and laid-back approach towards tourism).



Photo: Blaž Samec/DELO

PACKED STADIUMS:
sports are a source of
immense national pride



In the end, the focal point of the collaboration between sports and different organizations are various contracts and other mutual deals. This may be even more true now than it was in the past (when everyone was training under more or less the same conditions and corporate sponsorships were minimal or locally driven). Nowadays, the market is a global one, where everyone fights for their chunk of glory, benefits, and popular affection. Every side in this ever-evolving and growing business gives something, and also expects something in return. Sponsorships are still the best way for companies to try and achieve their marketing goals. It is a tough bout, but with the right support, sporting success and its benefits are never far away, whoever might claim the credit for it (in another proverbial case of the chicken and egg).

THE NLB GROUP-A LONG TRADITION OF GIVING BACK TO SOCIETY THROUGH SOCIAL RESPONSIBILITY PROGRAMMES

The NLB Group has a very comprehensive social responsibility programme spanning from humanitarianism, environmental protection and the support of culture to the care for employees and the development of entrepreneurship as well as sports, the latter being one of the programmes' pillars. Sport and beyond – a healthy lifestyle is an essential foundation of NLB's social responsibility. "Sport gets people moving. In modern times, we pay special attention to trying to inspire as many young people as possible to practise sports. An immensely important part of our programme is Sports for young people, in which we support the development of programmes that animate the widest possible base of young people by supporting both sports associations and sports clubs that apply for tenders", explains Blaž Brodnjak, the CEO of NLB.

"We live in a time of 'social media likes', as the younger generations are building self-esteem on the number of approvals and thumbs-up for their statements or photos published on social media. Once these young people will have appeared in the labour market and will have taken over responsible professional and life roles, they must understand that well-meant criticism is not harassment but a valuable contribution to their personal development," elaborates Brodnjak.

"It is especially important for society that young people learn to socialize with their peers in a physical environment, on playgrounds, in sports fields and halls, to learn it is necessary to participate as a team player and to pick up that there are not only victories but also defeats that compose one's life. This is our message: 'Accept defeats with dignity, learn from them and then move on to new victories.' And we want to communicate these values through our support of sport. "



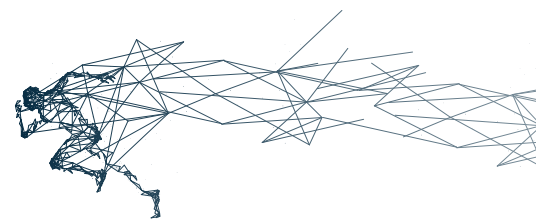
Photo: Leon Vidric/DELO

WINNER: Ilika Štuhec, Slovenian alpine skier, was the world champion in downhill in 2017 and 2019

VOLLEYBALL: Slovenian national team won the silver medal at the 2019 European Volleyball Championship. The gold medal was won by Serbia



Photo: Uroš Hočevar/DELO



CROATIA

SPORTS ARE A NATIONAL BRAND

Sport in Croatia enjoys a mythical status and is widely considered one of the essential components of society. While sport is a part of daily life everywhere, this may be even more so in Croatia, where it has greatly contributed to the promotion and branding of the country.

AUTHOR: ALJOŠA ŽVIRC

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Who can forget the iconic tourist commercial involving the rooster of its biggest sports stars? Tourist attractions and sport champions are the two driving forces of Croatia's global reach. Countless success stories of Croatian athletes who have made it from anonymity to global recognition have also helped sports become one of the most important pillars of Croatia's economy. And athletes have all recognized the significant role they play in promoting the country. They enjoy unwavering support of their passionate fans, as shown in all kinds of team sports such as handball, water polo, basketball, and especially football (its number one export item). The national football team received a triumphant reception after the 2018 World Cup in Russia, where they fell just short of winning the Cup against France.

Still, more than half a million people flocked to the streets of Zagreb to show their support for the "Vatreni" (Fiery - as they are affectionately known). Along with all the footballing emotions, the second place brought in more than EUR 25m in prize money for the Croatian football federation (HNS), and undoubtedly a big chunk in Croatia's tourist and commercial revenue in the years to come. Rewards are

PETROL REMAINS A STRONG SPORTS SUPPORTER IN THE ADRIATIC REGION

The Petrol Group has been supporting Slovenian sports for many years, as well as sports in other countries in which they operate. They sponsor not only individuals, clubs, and federations, but also sporting events, both nationally and internationally. By supporting sports and cultural entities, the company strengthens its reputation and ensures greater recognition of its brands. Despite the coronavirus epidemic, Petrol continued to support sports in 2020 and remains active in this field in 2021.

"Our involvement in supporting sports and other humanitarian projects remains an important part of our commitment to working with the environment and community in which we live and do business. Assistance and support to the social environment are strongly intertwined with our long-term growth strategy. We, in our operations, take care of social and environmental issues, and accordingly, we try to offer help in solving various social and other problems," Aleksander Salkič, Director of Corporate Communications at Petrol, sums up the group's philosophy and giving-back-to-society approach. In addition to long-term contracts with Slovenian sports entities, Petrol also continues to cooperate with some sports organisations in the region in 2021. One of the most important is certainly collaboration with the Croatian Olympic Committee. Support activities will, per Salkič, also be carried out at other sporting and cultural events that are currently still in question; this will depend on the relaxing of measures related to the allowance of mass events this year. The greater focus of their sponsorship activities will be tied to the web and various social networks, Salkič adds.

being reaped even nowadays as the national football championship has netted its biggest contract for sports right holders. The success of the national

team has also helped clubs and especially its (now world renowned) players make multimillion-worth moves to big European clubs, way more than any other country in the region.

HISTORICAL SUCCESS:

Croatian national team won silver medal in 2018 FIFA World Cup



Photo: Shutterstock

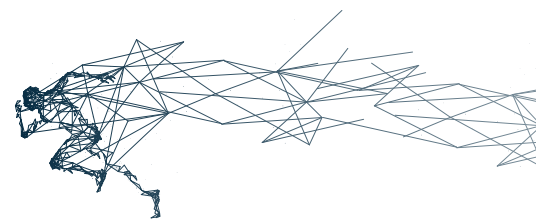


Photo: Shutterstock



SERBIA

NOVAK DJOKOVIĆ – THE BIGGEST SPORTING NAME IN THE REGION

Sports industry has always been one of the most developed branches of the regional economy. Brands fight for signatures of biggest sportspersons, depending on their reach.

AUTHOR: ALJOŠA ŽVIRC

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The Adriatic region has become a hatchery of golden eggs in terms of sporting successes, and it is showing in the global adulation of stars like the Serbian tennis player Novak Djoković, one of the best tennis players in history, and arguably one of the best sportsmen of the century in global sports. He is one of the most endorsed champions as well, outgrowing the local market already early in his career. According to Forbes, the 33-year-old earned almost EUR 27m in sponsorships in 2019, ranked 68th amongst all celebrities, including movie and music stars. His total earnings were estimated at around EUR 38m, while his net worth is estimated somewhere in the region of EUR 200m. Amongst

TRIGLAV GROUP: A GREAT EXAMPLE OF SUPPORTING SPORTS ACROSS THE REGION

The Triglav Group has traditionally been associated with sports. “We strive to enter partnerships by co-creating their long-term validity. We place great emphasis on the development of childrens’ and youth sports at the local level, and thus help develop the environment in which we operate,” says David Benedek, a member of the Management Board of the Triglav Group. The group supports top athletes and clubs and so contributes to the development of sports at the highest (international) level.

Benedek stresses: “We are also a loyal partner to some national sports organizations, international events, development programs... One example is the Ski Association of Slovenia. For over 30 years, we have enabled young people from all over Slovenia to attend ski jumps in Planica, we have sponsored the tennis tournament in Umag, which is considered the oldest sporting event in Croatia and the most important tennis tournament in the region, as well as sponsored the Serbian Basketball Association and handball clubs in Montenegro and Europe, to name a few.”

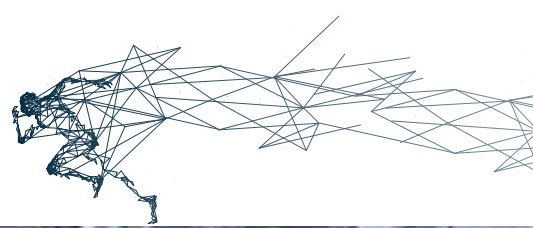
others, he is endorsed by Asics, Head, Lacoste, NetJets, Peugeot, Seiko Watches, and Ultimate software group. He has always stayed loyal to the Serbian public. This past year, he and his wife pledged EUR 1m to buy medical equipment to fight the pandemic. Djoković has several other philanthropic interests in his native country through his foundation (which has, according to its webpage, already helped 45 school ad-

aptations, supported 4,500 parents, trained 1600 teachers, and helped more than 30,000 children with education and other needs). Global stardom usually comes with social responsibility and dealing with this part of life is almost as important as sporting success, which in Djoković’s case is abundant.

SECOND BEST: In EuroBasket 2017 Serbian team won silver medal, losing in the final against Slovenia



Photo: Ciril Jazbec/Triglav



THE OPENING CEREMONY of Winter Olympics Sarajevo 1984 at Stadium Koševo



BOŠNIA AND HERZGOVINA

OLYMPIC GAMES SARAJEVO 1984 - HELPING BOŠNIA HEAL

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The first association with sports in Bosnia and Herzegovina are surely the 1984 Winter Olympic games in Sarajevo.

AUTHOR: ALJOŠA ŽVIRC

The city was given an image boost as the Games helped update its infrastructure and lift its passion for sport. Many major foreign sponsors like Coca Cola, Kodak, American Cyanimid, Miller

Brewing Co. and U.S. Tobacco Co. saw it fit to invest in the biggest sporting event in the history of Yugoslavia. People flocked to watch the games that cost around USD 111m in 1984. The Bosnian war later left destruction and the heritage of sport was severely damaged and compromised.

Yet with the strong will of the people, along with the help of the Olympic movement and the investment from the International Olympic Committee (IOC), Sarajevo restored its sporting legacy. Aid came from the city of Barcelona, which helped

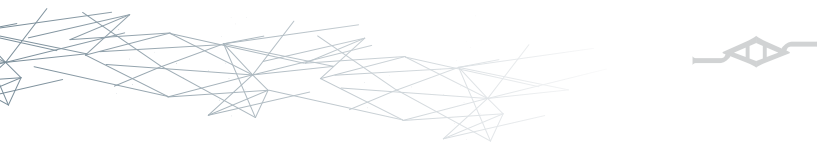


Photo: Wikipedia/BiHVolim

TELEMACH: LOYAL TO ATHLETES, CLUBS AND FEDERATIONS

Telemach, the leading video provider and fastest growing mobile operator in Slovenia, has been a big supporter of sports since the very start of its business. Its sponsorship portfolio in Slovenia is quite dispersed as they try to help and support as many clubs, associations, individuals, and organizers of sports events as possible. Among other things, they are the golden sponsor of the Slovenian Nordic national team, which has been inspiring winter sports fans for many years. It was already in their first year of sponsorship, for example, that the Slovenian ski jumper Peter Prevc achieved the greatest success of his career. "We also committed ourselves to take care of the development and progress of young promising ski jumpers, which we also proved with the campaign Let's renew ski jumps across Slovenia. And here, of course, is basketball. Telemach became the general sponsor of the Basketball Association of Slovenia in 2004. We were also joyful and proud together with the Slovenian national basketball team, as they gained their greatest success by winning the European Championship in 2017. We started a joint journey with the tennis association in Slovenia in 2015. And in 2021, we remain a loyal companion of athletes and sports organizations," says Adrian Ježina, president of the Management Board of Telemach.

rebuild and redevelop the Olympic Village in Mojmiilo, that was left in ruins by the war. The cities are now forever bound as 'twins' since 2000. The IOC also invested more than USD 10m into the reconstruction of the Zetra Olympic Hall, which was named after the late former IOC

president Juan Antonio Samaranch right after his death in 2010. The bobsleigh and luge facilities were also destroyed and later restored and are now a popular training base for other teams. The city never lost its Olympic spirit, as it motivates and drives people to get involved in

sports, to train or just be passionate fans. And most important of all, the different ways of collaboration it provided are transmitted from generation to generation.

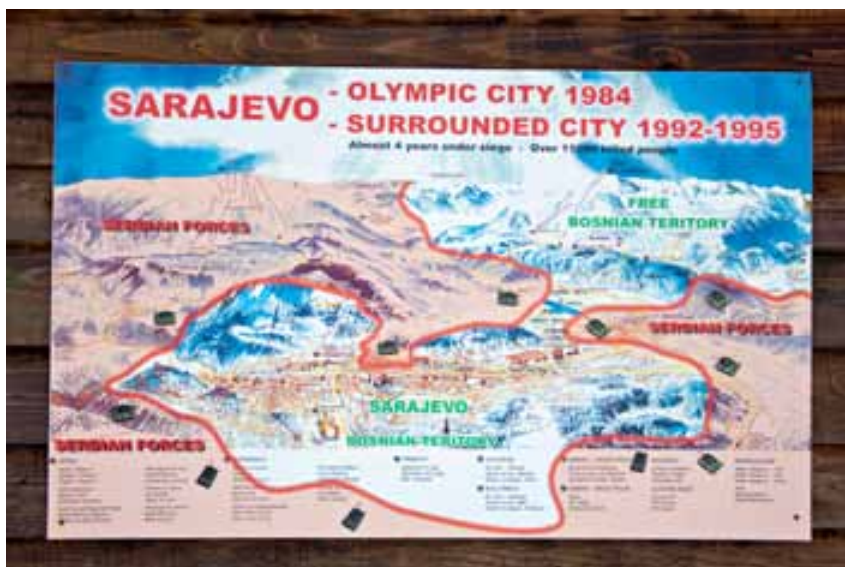


Photo: Shutterstock



Photo: Shutterstock

OFFICIAL LOGO of Winter Olympics Sarajevo 1984

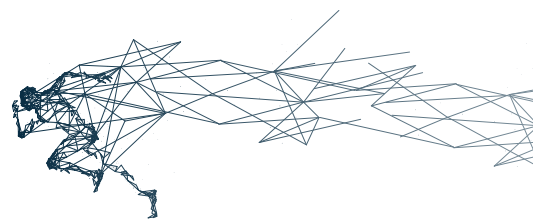


Photo: Blaž Samec/DELO

CHAMPIONS: SLOVENIAN
national team won
the gold medal at the
Eurobasket 2017



SLOVENIA

LUKA DONČIĆ - THE LINK BETWEEN THE NBA AND SLOVENIA

Slovenia has arguably never had a megastar in the making quite like Luka Dončić. The basketball phenomenon from Ljubljana has defied USA biased scepticism in his rookie campaign in the NBA and risen to global stardom in second and third season overseas. He is young, talented, highly skilful and plays with confidence - swagger, really.

AUTHOR: ALJOŠA ŽVIRC



So, for Dallas Mavericks it was nothing unusual to start exploring more than just sporting options in terms of their long-term commitment with the now 21-year-old. The agreement to work closely with Slovenian institutions in January 2020 was just a natural process for the NBA franchise, longing to hit the heights it once reached with another European, the German star Dirk Nowitzki. Usually, the NBA is seen as a business-driven competition, where trading players to reach short term competitive goals is a daily routine. Not Dallas, and certainly not with Dončić. The Mavericks hope to have its star for years to come and they want to exercise as many options as possible in terms of business opportunities in his home country. Never shying away from wanting to play for Slovenia, the Mavericks recognized the special connection Dončić has with his country and formed their own. The team is trying to benefit and also "present the country as a unique destination in terms of economy, investment possibilities and tourism," as per the Slovenian

Tourist Board (STB) on the day they struck a commercial deal with the Mavs. Through Dončić, the partnership will hope to increase the visibility of Slovenia, which provides numerous opportunities heading both ways. The project has brought together numerous other public institutions like the Government Communication Office of the Republic of Slovenia (UKOM), the STB, the Public Agency for Entrepreneurship, Internationalization, Foreign Investments and Technology (SPIRIT) and Ljubljana Tourism, wrote STB on their website.

Together, these institutions have undertaken several promotional activities linked with NBA games with special Slovenian themes and phrases, tourism opportunities, and other links. "Slovenia is getting more and more popular in the USA and Luka Dončić has put on quite a show. We have been brought together at the right time and such synergies would otherwise not be generated. This project definitely upgrades the STB activities in the US market," the Board's director Maja Pak pointed out. And so far, it has worked a treat in both ways. Especially as Dončić is hitting his stride in his third season as a fan favourite in the US.

SLOVENIA VS SLOVENIA: THE SPONSORSHIP BATTLE

Arguably Slovenia's biggest sporting success came in September 2017, when the national basketball team became European champions in Is-

tanbul, Turkey. Yet the shirts of both finalists were fighting another battle. On the one side, sponsor Telemach, the Slovenian telecommunications company (a subsidiary of Netherlands' United Group) is, among others, a long-standing main sponsor of the Slovenian basketball association (KZS). On the other side, the Slovenian insurance company Triglav, a long-term partner of the Serbian national team. The company is well known in the Adriatic region with many subsidiaries and was spreading their reach through sporting events even before landing a spot on the shirt of one of the most iconic national teams in the Balkans. Triglav was previously a sponsor for the preliminary round of the EuroBasket 2013 in Croatia with an investment worth more than EUR 150,000, and later one of the main sponsors for the EuroBasket 2015 in Slovenia, before signing a long-term deal with the Serbian Basketball Federation while the national team was preparing for the championships in Kranjska Gora.

The strategic positioning in Serbia, and the reach Triglav has through its subsidiaries, is nothing new as big companies, commercially- or state-driven, still benefit from partners from a former republic, or reap the rewards of being a trusted company. Triglav also sponsors the North Macedonian Olympic Committee and the North Macedonian handball national teams, while it was also handed the Superbrand title for its standing in that region.

PACKED IN YUGOSLAVIA



FISH CANNERIES IN THE ADRIATIC



NETO-INHALT 127 GR
NET WEIGHT 4 1/4 OZ
NETO TEŽINA 127 GR

JUGORIBA
ZAGREB, YUGOSLAVIA



A PEEK BEHIND THE DUST AND RUST

L. 1501



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The motives for our trip were quite specific: we were eager to find out more about the history and present of Adriatic fish canneries, coded in workers' memories. We wanted to understand the broader implications of industrialisation and deindustrialisation as told through local stories along the Adriatic eastern coast. What were the consequences of fish canning industry in north-eastern Adriatic for society, economy, environment? How was this industry intertwined with global trends? How did working in a factory shape social life and the social world, which extended beyond the factory fences, into everyday life, entertainment, leisure, and how did this industry affect relationships between men and women?

A VERY BRIEF HISTORY ...

Fish canning as an industrial method originated in France where one Nicolas Appert won the concours in 1812 to provide Napoleon's army with a solution to more easily and effectively preserve and transport food on their military endeavours. By mid-1820s the industry spread from France to England, to Portugal and Spain, to the USA, the Middle East and elsewhere.

In early spring 2018, a team of three researchers travelled to Lošinj, a popular tourist island in north-eastern Adriatic. The largest town, Mali Lošinj is also the largest Adriatic island town, historically famous for its shipwrights and shipyards and captains of the high seas. The port and the island boast a rich history stretching back to ancient Roman times while more recently it was also a popular resort for the Habsburg nobility of late 19th and early 20th centuries. Throughout the 20th century, the island and the town were a site of industrialisation and deindustrialisation, and lately the dominance of tourism.

AUTHOR: MARTIN POGAČAR, PHD,
RESEARCH FELLOW, INSTITUTE OF
CULTURE AND MEMORY STUDIES



It was the beginning of the first global food production industry.

Primarily a military invention, or rather innovation of an older preservation technique, canning opened up new possibilities also for general human mobility and longer energy-autonomy, as put in practice in extreme expeditions to the poles that spiked in the latter 19th century. Canning, booming in the time of rapid industrialisation, redefined, along with the railway, where and how far a human body might be able to travel. In fact, canning had such a profound symbolic and practical effect that the first recorded music was referred to as canned music, precisely because the record was seen to preserve sound in a similar vein as canning preserved food.

As such the history of canning lends insight into the wider histories and problematics of globalisation and industrialisation of the late 19th century. For example, in 1852 the British Navy commissioned an assortment of canned food for its men. The best offer came from Romania, where an Englishman established a canning factory. The product, however, as cheap as it might have been included undercooked, rotting offal and other unwanted bits of meat. No amount of bleach, reportedly, could help get rid of the stench. Most of the remaining cans were thrown into sea and some were given to the poor.

But this was also the time of development of science and technology, and it was Pasteur who was able to scientifically explain why was it that canned food could achieve longer shelf life:



sterilisation eliminated microbes and altered proteins; conserved food in oxygen-free atmosphere could thus survive almost indefinitely. Scientific and technological development also brought new materials and new methods of production; over time, the difficult to open, tinned iron cans were replaced with aluminium ones; production units that initially were mostly manually operated were gradually automated; fire - and coal - powered sterilisation chambers were electrified, as were cooling houses which enabled a more consistent yearly distribution of the catch, hence also work. Regardless, the tin can remained a nutritional item for the rich and the poor, an object of health debates, design and branding, an essential nutrient on school trips for some, for others a staple in military service diet. Perhaps most extreme, the tin can also made it to space with first human extra-terrestrial travels.

... AND ITS LOCAL ITERATION

North-eastern Adriatic coastal and island villages and towns were home to more than 60 canneries, the first two established by Karl Warhanek, a Habsburg businessman in Rijeka and Jelsa, Hvar island, in 1861. The development of the industry was also funded by the French and Italian capital and Europe-wide export trade. On a historical map of fish canneries names such as Izola, Rovinj, Banjole in Istria, or Jelsa, Vrboska, Komiža in Dalmacija crop up, sites with extensive fishing and fish-processing traditions that provided local expertise, labour power, and access to resources.



The industry was dependent on the seasons and the movements of and fluctuations in fish populations. For example, in the latter 19th century, sardines, the most popular and famed canning species, nearly ran out in the Adriatic, forcing fishermen to sail further south, towards Italy's Sicily and Lampedusa. Entrepreneurial Hvar fishermen established fish processing plants on these coasts, salting fish and selling it across the Mediterranean. Some, such as Vice Novak from Hvar, even moved as far as Portugal to establish several factories, contributing to the exchange of expertise and capital (Gamulin in *Zgodbe iz konzerve*, 2020).

Today, only a handful of factories still operate while many have closed down, at various points over the late 20th century. Prime locations, often at the outskirts of old city centres were or will be sold for luxury ho-

tels and tourist appartements, often leaving but a monument to mark the presence of the factory, that speaks little of the factory life: the on-site physician and child care, culture facilities, such as cinema were far from rare, integral part of work environment (Petrović in *Zgodbe iz konzerve*, 2020). Some factories, however, such as the Slovenian cannery Delamaris from Izola (named after the World War II, when the border between Yugoslavia and Italy was settled, after the three factories that operated in Izola before the war, De Langlade, Ampelea, and Arigoni, and the first two letters of the Italian spelling of the town, Isola) was relocated from Izola to Pivka, while the Neptun cannery from Komiža, Vis island, was relocated to mainland Serbia (Petrović; Rogelja Caf in Janko Spreizer in *Zgodbe iz konzerve*, 2020). As much as the arrival of canning industry affected the look of towns and changed social relationships, particularly in terms of women emancipation and autonomy, so did its departure bring deindustrialisation and, in many cases, forgetting, supplanted by sanitised, idealised images from tourist ads.

MEMORIES AND STORIES

The factory in Mali Lošinj, named Kvarner riba, closed in 1974 and the building today is in a state of disrepair, and a hazard to visitors. It is barely kept alive by a group of artists who have studios on the ground floor, and cats who reign supreme on the first floor, among broken rusted tins, wooden crates, yellowy paper wraps. As we ascended the stairs we



Photo: Courtesy Anka and Nikola Kojjevin

WORK IN A FISH FACTORY

meant gutting, cleaning the catch in the open, in all kinds of weather. Work was seasonal and demanding

were enveloped in scents and pieces of time gone by that permeates cold stone walls, reflects off the broken glass and the hovering particles of dust. But decay and melancholia only speak that much.

The former workers we had the chance to speak to told stories about factory work and shared with us snippets from their lives. The words fleshed out for us the getting up very early in the morning, the gutting of fish in the cold wintery water, the

irregularities of nature of work, dependant on the season and daily. It was not difficult to imagine a boat speeding across the bay at the break of dawn, bringing workers to the factory, taking positions at the gutting tables, at the sterilisation boiler, or in the office keeping records of the amount of tins produced, the destinations to be shipped to. The factory shipped produce to the mainland for domestic market and the Yugoslav Army, but also to Austria, France and the USA, as could be deduced from the decaying paper wraps for cans, printed in various languages, promoting the quality Yugoslav product to foreign and domestic consumers.

The quest then brought us to the nearby island of Cres and the stories of the workers of the Plavica cannery, which closed in 1996. They empha-

sised the social aspect of work and the entanglement of work and everyday life. The narratives of the demanding working conditions were thus counterbalanced by fonder narratives of female workers about their work during the 1980s, about the satisfaction that they could go buy their own jeans and go to the disco. Workplace constituted a place of sociality and community. Another important feature was the perception of change after the disintegration of Yugoslavia and the privatisation or denationalisation that followed in the aftermath of the country's demise. The introduction of free market exposed the weak postsocialist economies, the power play of political and economic interests in which many interlocutors saw the reason for personal degradation and degradation of labour at large. The comparison of the memories of the situation before and after 1991, the year Yugoslavia disintegrated, clearly outlines a change in the social



Before the introduction OF EASY OPEN ENDS, special knives were needed to access the content



Photo: Martin Pogačar



Derelict site of the FORMER FISH FACTORY IN IZOLA, Slovenia

Photo: Courtesy Anka and Nikola Kolljevića



PLAVICA FISH FACTORY WORKERS on a trip to Kumrovec, Croatia

meaning of work that seems to have shifted from, declaratively and practically, workers as value to workers as cost. In a way, the stinky job made for quality spare time and was also a way to impart meaning on life.

Yet, older workers' narratives from Vela Luka, Korčula island, reveal another layer to the story and add further complexity. After the war in 1945 the newly formed country of Yugoslavia found itself in a situation with most of the pre-war industry destroyed and with vast numbers of displaced and traumatised citizens. The aftermath of the war was a time of political consolidation of the new regime and a time of renovation and construction. In such conditions, the industry, including fish factories and others, was in dire need of labour power; they thus often illegally enlisted minors, especially women, some of whom started working at the age of fourteen or sooner, and there-

fore missed schooling, leaving them under-educated, often barely literate. On top of that, when they retired the 'illegal years' would not count in the number of working years and pension calculation. Still, for many female workers this was a way to achieve personal and financial independence and control over their life that was traditionally framed by patriarchal relations. As such, intimate labour histories are often still seen as a source of pride and personal realisation, and as a lens that puts the present into a different perspective (Borovičkić and Vene in *Zgodbe iz konzerve*, 2020).

ANOTHER LOOK BACK

As we today try to understand the past and the fate of fish factories in the Adriatic, we can see that a rich history of labour and industry is almost forgotten, overridden by tourist success stories, real estate investment, and the general unease about what to do with industrial heritage. The successors to the socialist Yu-

goslavia systematically and consistently fail to understand the lost opportunities of cultivating industrial heritage. What is worse, they thus amplify the dissolution of historical knowledge about Yugoslav modernisation and industrialisation, which in contemporary interpretations of the past, inflected by the ideological and



Photo: Martin Pogačar

TIN CAN GOURMET: In Plavica bar, fish cans come served with olives, onion, olive oil and bread



Photo: Martin Pogačar

1 DELAMARIŠ FISH FACTORY still has a shop in hometown of Izola, although the production relocated to Pivka, Slovenia

2 THE ATTIC OF THE LOŠINJ FACTORY ruins hides rusty cans and yellowed documents

3 DELAMARIŠ' FISHING FLEET



Photo: Martin Pogačar

political and economic distancing of post-socialist states from their pasts, is simplified and sanitised. Such interpretations tend to misread the past as an ideological autarchic monolith and refuse to apply a more granular approach to understanding the often contradictory events and processes in the past where real people also lived, with hopes, aspirations, pride and pain. The mission that brought us to Lošinj and other places in the Adriatic, then, was not only an endeavour to save the memories of the forgotten workers and industry, but also to provide insight and a more detailed understanding of how an industry, dependent on global politics and economies developed and subsided along the Adriatic coast.



Photo: Courtesy Izola – kot je bila nekoč...In.mi (FB group)

This initial leg of the journey was concluded with an edited volume *Stories from the can (Zgodbe iz konzerve, Zgodovine predelave in konzerviranja rib na severo-vzhodnem Jadranu, Založba ZRC 2020)*.

LITERATURE – VERY MUCH ALIVE EVEN IN 2021!

The festivals you can not miss: Fabula Literature of the World festival is one of the biggest literary festivals in the region and beyond. So are the Days of Poetry and Wine which hosted more than 550 internationally renowned poets and young emerging authors to date.

AUTHOR: EVA PREMK BOGATAJ,
BELETRINA



Photo: Matej Pušnik

F

Fabula – Literature of the World festival is the biggest and most visited literary festival in Slovenia and the wider region. Founded in 2003, it has hosted many modern classics: the Nobel prize winning author Herta Müller, Irvine Welsh, Jonathan Franzen, Hanif Kureishi, Janice Galloway, Amitav Ghosh, David Grossman, Richard Flanagan,

Taiye Selasi, Tatyana Tolstaya, Eric Vuillard, Rachel Cusk, Bernhard Schlink and many others.

Over the years, the festival's concept has evolved and improved, and today, it is based on a well-thought-out curator's work that selects authors who have shaped world literature in the last few years while, at the same time, hosting authors who have already become classics. Apart from the literary aspect, the festival also offers a theoretic focus which questions new, relevant topics in our society, while at the same time bringing a diverse accompanying program for all age groups, from youngest to the professional readers as well as lay audience.

In 2021, the focus of the festival will be

the question Future=Privilege?, which will explore diverse areas of the micro and macrocosm, reaching from the space of fiction to the outside world, while placing a special emphasis on social perspective and collective perception in today's times. The central five guests of this year's festival will be Claudia Durastanti (Italy), Marek Šindelka (Czech Republic), Deborah Levy (United Kingdom), Vladimir Sorokin (Russia) and Jokha Alharthi (Oman). Each of them addresses a different type of reader while establishing heterogeneous possibilities for narrating life and exploring symbolic, geographical and mental territories. Festival's important mission remains introducing Slovenian readers to relevant world literature that



has received wider international recognition but is still quite unknown to the general public in Slovenia. At the same time, the festival continues to promote young, perspective authors in the newly found programme Fabula Hub. As part of the programme, the organisers will run collective workshops where German language students will translate a promising young German author Enis Maci, who will also attend the festival.

All the books of selected authors will be published in Slovenian language by Beletrina Academic Press and will be up for sale at EUR 10 each. Building on a bigger accessibility to a wider audience, in 2021 the festival organisers will also collaborate with many cultural institutions. Together they will develop an interactive accompanying program that will include something for everyone: city literature tours, sound installations in city space, as well as an extensive programme for youth and children and much more. The festival will be organised as an open platform for reflections on literature, our everyday lives and perspectives on the future.

DAYS OF POETRY AND WINE

Days of Poetry and Wine is one of the largest and most recognizable international poetry festivals in this part of Europe. Founded in 1996 by Beletrina Academic Press, it has hosted more than 550 internationally renowned poets and young emerging authors. In addition to main festival's emphasis – poetry and wine – every edition of the festival also brings something new with small surprises from the field of music, visual, photography, film and other arts

for all ages and interests. Festival events take place at several different locations throughout Slovenia, Austria and Croatia, but the center of the festival is in Ptuj, a charming medieval town in eastern Slovenia that greatly adds to the relaxed atmosphere of the event. Days of Poetry and Wine have become an important reference for performing poets and a beloved destination for all poetry lovers and professionals, not only from Slovenia, but from wider surrounding region. Since 2014, the Days of Poetry and Wine is a member of the European poetry platform Versopolis, supported by the Creative Europe program. All festival events are in Slovenian and English, and admission is free.

In 2021, Days of Poetry and Wine will be especially festive as it celebrates its 25th anniversary. The central names of the festival will be two guests of honor, an award-winning Czech poet and translator Petr Borkovec and one of the most prominent creators of contemporary Portuguese poetry Ana Luisa Amaral. On this occasion, a bilingual collection of their selected poems in Slovenian and in original language will be published by Beletrina Academic Press.

The 25th edition, which will take place

from 23 to 28 August 2021, promises an extensive program with grand evening poetry readings, intimate conversations with authors, musical performances, midnight performances, film screenings, children's program and much more. Two highlights of the festival are especially worth mentioning, Versopolis at Days of Poetry and Wine and Promenades of Tastes and Poetry.

At the beginning of the festival, Ljubljana and Ptuj will host as many as 30 literary festivals' representatives from 30 European countries, members of the European platform Versopolis. Visitors can look forward to a series of poetry readings, performances and a special professional program that will question the importance of European poetry and its future. Saturday's program brings a special surprise with not one, but three promenades: poetry, wine and culinary. At several locations around the Ptuj old town it will be possible to taste top wines from Slovenian winemakers, sample some local cuisine and capture the poetic interventions of the festival guests – all while exploring the beautiful Ptuj town.

Join us at the 25th Days of Poetry and Wine and celebrate with us!



Photo: Matej Pušnik



PREMIUM BUSINESS KIT BOX



THE ADRIATIC JOURNAL'S BEST OF BOTH WORLDS

The events surrounding the coronavirus epidemic have shown how thin and fragile the line is between stability and certainty on the one hand, and a rapid slip into uncertainty on the other. Companies, leaders, and decision-makers have faced challenges they had not known before. We often hear how companies need to switch and adapt to digital business models. However, at the Institute for Strategic Solutions, we believe this is only a part of the solution. The right mix of digital and analogue might be the other components. Hence, digital with a solid anchor in reality.

AUTHOR: ŠPELA BIZJAK



The magazine you are reading was launched at a digital event in February 2021. Event's participants received a premium business kit on the day of the event. The kit contained Slovenian local products, mostly made

from honey. Slovenia is a country of beehives, bees, and beekeepers, and honey is a crucial part of Slovenian culture. The main goal we have set for this year is to express support to local companies.

HARD-WORKING BEES AND SLOVENIAN COMPANIES AS THE INSPIRATION FOR OUR PREMIUM BUSINESS KIT

It takes 12 bees to produce one table-spoon of honey. The average worker

bee will only make around ½ a tea-spoon of honey in its lifetime. To make 1 kg of honey, it takes more than a thousand bees, and they have to visit hundreds of thousands of flowers. Imagine how much effort, work and kilometres bees must cover to get that – for us – a small amount of honey.

Most small and local companies in Slovenia are also working hard and making enormous efforts to keep their companies profitable or just



**STRATEGIC GAME
- DON'T PUT
EVERYTHING AT
STAKE BY COFACE
PKZ**

A strategy dice game is designed to speed up the thinking processes of your brain.

**HERB TEA
"JADRANSKA" BY
FINA ISOLANA**

Summer savory and rosemary emphasize the Adriatic character of the tea, while hibiscus, olive leaves and rose balance it with fruitiness, freshness and tenderness.

**LIP BALM HONEY
KISSES BY
BEESMETIC**

A natural lip balm with honey from the home beehive, which leaves a unique sweet taste on the lips.



**PRALINES HONEY BEES
BY LUCIFER:**

Handmade bee-shaped pralines from milk chocolate and honey are so devilishly good, they make a perfect gift. Bound to brighten up your day!

**FOREST FRUITS ORGANIC
CANDIES WITH HONEY
BY PERGER 1757**

Delectable jelly candies with strawberry, raspberry, blackberry, currant and other forest fruits bring an ear-to-ear smile to anyone's face.

**THE NEW EDITION OF
THE ADRIATIC JOURNAL:**

The one and only latest issue of the magazine: an eclectic mix of great articles for you to read - enjoy!



stay afloat, especially during the COVID-19 pandemic. They understand the difficulty in overcoming many obstacles to reach their results and develop their products in the best of times. In the current crisis, they had to face insurmountable challenges almost overnight. It is therefore imperative to support local, micro, and small businesses on their road to success.

In the time of corona crisis, the NLB banking group and the retailer Mercator tried to mitigate the negative consequences for small businesses at least to some extent.

STRENGTHENING THE POSITION OF SMALLER MANUFACTURERS AND THE IMPORTANCE OF LOCAL FOOD

Mercator's primary mission has always been to offer what consumers want and need. Most customers want local offerings, home-made products that they know and trust. Locally made food has an important place in Mercator. This is why the retailer also encourages smaller producers and family farms to develop products with high added value for customers, which can be found in Mercator's offer under the brand *Radi imamo domače* (We love local).

Cooperation with smaller suppliers is so successful that Mercator has added another 60 types of local products to the family of the existing 1,400

products, which they have combined with selected suppliers into a common product line *Radi imamo domače*. Customers can find those products on the shelves of more than 250 Mercator stores across Slovenia – everything from milk and dairy products, meat, home-made juices and syrups, sweet snacks, mill products, marmalades and honey.

With a diverse and constant offering of *Radi imamo domače* products, Mercator wants to increase the strength of the joint brand and strengthen the position of smaller manufacturers. Above all, they want to reach even more customers who prefer to buy local.

#HELPPFRAME: A HELPING HAND FOR SMALL BUSINESSES, THE BACKBONE OF SLOVENIAN ECONOMY

NLB quickly recognised the needs of entrepreneurs, farmers, and micro and small businesses during the corona crisis, and launched the Help Frame project. It did not only offer such businesses services, knowledge and professional support, but also advertising space that they may not otherwise be able to afford in these challenging times. This helped companies to get exposure for their work and efforts and attract attention from potential buyers and customers. The project, launched at first in Slovenia, was successfully transferred to other

markets where NLB Group operates. In the end, almost 260 companies participated in the project, showing that the innovative idea is the right way to address the challenges faced by business during the coronavirus pandemic in all countries in the region.

NLB's Help Frame project continued in the autumn with a new phase and opened its doors to new business stories. Instead of the advertising space offered to entrepreneurs in the summer months, NLB offered them the opportunity to develop products to fill the shelves of the museum store in Bankarium – the Museum of Banking of Slovenia, which will open its doors in spring. NLB wishes to offer visitors not only an overview of banking history in Slovenia and financial literacy, but also a series of products and other useful items related to money and banking – such as piggy banks, wallets, tourist banknotes and checks, folders for storing accounts as well as tools for managing personal budgets that will express the modernity and superior aesthetics of Slovenian creatives.

NLB will continue to help small entrepreneurs in the region in the following months with the next phase of the Help Frame project. All of us can help too. Our small support means big business for small businesses. Let us continue to be stronger together in 2021.

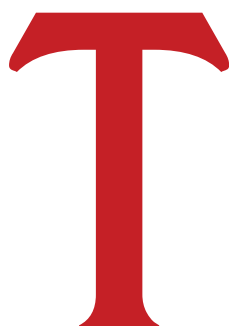


WHY THE BALKANS ARE KNOWN IN THE WORLD

10 FACTS THAT PUT BALKANS ON THE WORLD MAP

In Southeast Europe, the Balkans embrace Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Montenegro, North Macedonia, Romania, Serbia, and Slovenia. Portions of Greece and Turkey are also located within this geographic region. The region is known for its turbulent past, diversity, multicultural towns, impressive mountains and coastline, hearty food, and traditional folk music. In addition, the Balkans have impacted world events more than one would expect.

AUTHOR: BARBARA MATIJAŠIĆ



1

THE ASSASSINATION IN SARAJEVO OF FRANZ FERDINAND, THE HEIR TO THE THRONE OF AUSTRIA-HUNGARIAN EMPIRE, IS CONSIDERED THE IMMEDIATE CAUSE OF WORLD WAR I

On 28 June 1914, Gavrilo Princip shot Archduke Franz Ferdinand

of Austria and his wife Sophie, Duchess of Hohenberg, during their visit to Sarajevo, now Bosnia and Herzegovina. The assassination of Archduke, heir presumptive to the Austro-Hungarian throne, and his wife, is believed to have triggered the World War I which lasted from 28 July 1914 to 11 November 1918.



1

Photo: Shutterstock

2

THE YUGO, POSSIBLY THE WORST CAR IN HISTORY

The production of the iconic car was located in the Serbian city of Kragujevac from 1977 to 2008. In its 30-year lifespan, the brand saw close to 795,000 cars produced, with 250,000 sold to foreign countries. While the other parts of the world regularly doubted the consistency of the car's quality (TIME featured the Yugo GV on the list of '50 Worst Cars of All Time), the Yugo was a common choice in all parts of the former Yugoslav territory. In some parts of the region, it is not uncommon to see one on the highway even today.



2

Photo: Shutterstock



3

NIKOLA TEŠLA, THE DISCOVERER OF THE ROTATING MAGNETIC FIELD, THE BASIS OF MOST ALTERNATING-CURRENT MACHINERY, IS OF SERBIAN ORIGIN

Nikola Tesla (1856–1943) was an unconventional genius, renowned for designing alternating current (AC), electrical oscillators, and the Tesla Coil. Tesla was born to Serbian parents in the territory of today's Croatia. There is a museum dedicated to his life and legacy in Belgrade, Serbia, which also features his ashes in a golden urn.

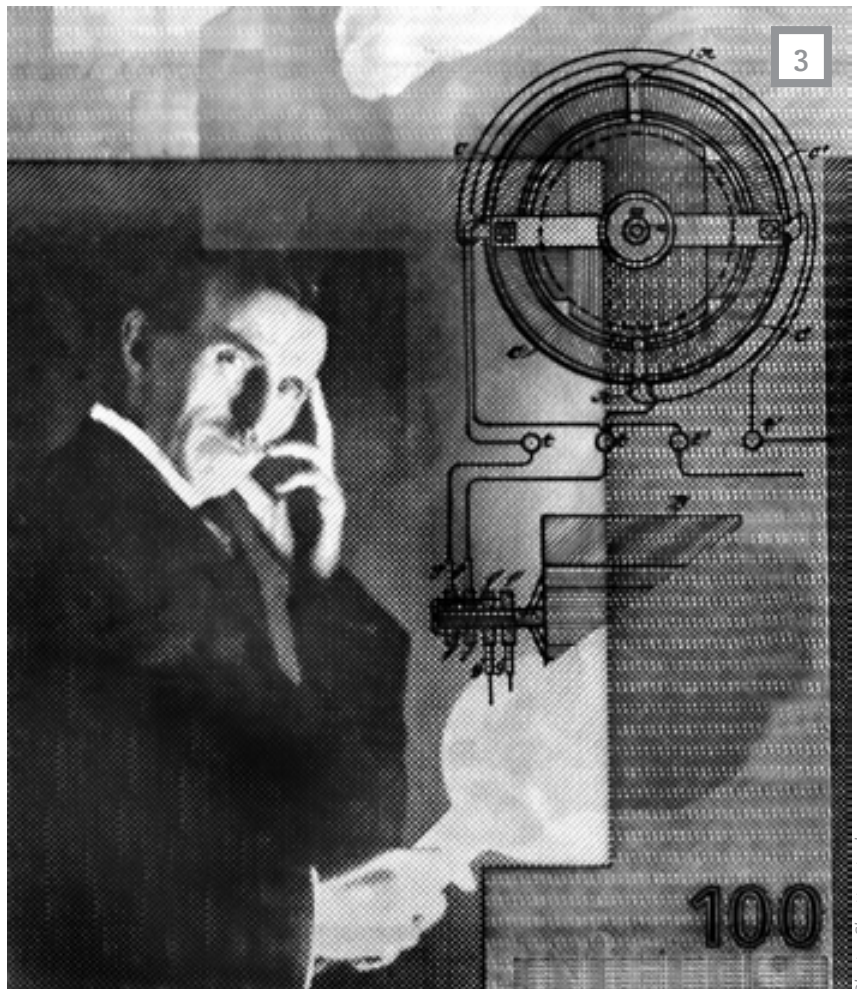


Photo: Shutterstock

4

THE INVENTION OF A NECKTIE CAN BE ATTRIBUTED TO CROATIA

The modern history of the necktie has its origins in France. But it is not a French innovation, but actually something that was used by Croatian troops during the 30-year war (from 1618 to 1648). The word "cravatte," the predecessor to neckties, originates from "la Croate" meaning "Croat," in French. It relates to the decorative items that during the 30-year war the Croatian Vallerists had tied around their necks – It was something they were quickly identified by. Silk neckties were exclusively reserved for officers while soldiers were content with simpler materials.



Photo: Shutterstock



5

THE FORMER FIRST LADY OF THE UNITED STATES MELANIA TRUMP IS SLOVENIAN

Born as Melanija Knavs in Sevnica, Slovenia, on 26 April 1970, Melania chose a modelling career. She married the businessman and real estate developer Donald Trump in January 2005, and became the First Lady of the USA when her husband was elected president in 2016. The rest is history. Literally.



5

Photo: Shutterstock

6

THE AMERICAN ELECTORAL SYSTEM MIGHT HAVE BEEN INSPIRED BY THE DUCHY OF CARANTANIA, WHICH COVERED PRESENT-DAY NORTH-EASTERN SLOVENIA

It is claimed that the Carantan ceremony influenced the innovative American idea of government. In the 7th and 8th centuries, as a new Duke was about to be established in the Duchy of Carantania, he did not take authority purely through divine right. Instead, he faced a farmer who had been chosen by common citizens. The prospective duke was only allowed to take his oath after public acceptance. In the 1960s, Slovenian-American professor Joseph Felicijan made the discovery that president Thomas Jefferson had personally marked the page describing the installation ceremony in a book by the French political philosopher Jean Bodin. It is believed that this is what Jefferson had read before drafting the Declaration of Independence.



6

Photo: Shutterstock

7

MOTHER TERESA, A SAINT WHO WAS BORN IN SKOPJE, NORTH MACEDONIA

Ask someone who is Mother Teresa, and they'll know for sure. Her contributions to missionary and humanitarian work made her a famous figure around the world. She received the Nobel Peace Award in 1979 before being beatified and subsequently canonized in 2003 and 2016, respectively. Mother Teresa was born to Albanian parents in modern-day Skopje, the capital of North Macedonia.



7

Photo: Shutterstock



8

THE INVENTION OF A PARACHUTE – IT WAS A MAN FROM CROATIA WHO ACTUALLY MADE INTO A REAL THING!

While the first to come up with the concept of a parachute was Leonardo da Vinci, the first to successfully build one in practice was Faust Vrančić, born in Šibenik, Croatia. In 1617, he built the first parachute out of a wooden frame and fabric. Vrančić was an engineer, philosopher, and lexicographer who, in his book *Machinae Novae*, explains in detail the design of his parachute and 56 other inventions (New Machines).



8

Photo: Shutterstock

9

PROMISING COMMERCIAL AND FILM INDUSTRY OPPORTUNITIES IN THE BALKANS

The legendary adventures of Apache chief Winnetou (based on Karl May's novels), *Mamma Mia*, and *Game of Thrones* are all famous movies (and series) shot in Croatia. In addition, Slovenia is also a recognized location for movie and commercial shoots – the 2020 Christmas ad for the American web giant Amazon was filmed at various locations in Ljubljana. The region is also home to Sarajevo film festival, launched in 1995, which nowadays attracts filmmakers from around the world.



9

Photo: Shutterstock

10

THE TRAM NETWORK IN SARAJEVO DATES BACK TO 1885 AND ACTED AS A TEST LINE FOR TRAMS IN VIENNA

The Sarajevo tramway, which opened on New Year's Day in 1885, was the test line for trams in Vienna and the Austro-Hungarian Empire. It is one of the oldest in Europe and it was first operated by horses. The Sarajevo tramway system has seven lines as of 2010, operating along a single path and a branch to the main railway station in the area.



10

Photo: Shutterstock

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Our home is in this region. With you, among you.

As the largest financial group with headquarters in Southeast Europe we support you where you live, work and dream. We encourage ambitious projects that improve the quality of life, and with simple and accessible solutions help you create successful personal and business stories – locally, regionally and globally.

