

BUSINESS COUNCIL
International Secretariat

The Weekly Economic News Bulletin

January 20 – 26, 2014

One of the strategic goals and objectives of the International Secretariat of BSEC Business Council is to turn itself into a hub of a business information and cover the Wider Black Sea Region as a whole to provide the BSEC countries with opportunities inside and outside of the region. In order to realize this objective, the International Secretariat of BSEC Business Council prepares a weekly economic news bulletin, which includes news about tenders, exhibitions, conferences, B2B and matchmaking meetings and the key economic developments within the BSEC Countries in a wide range of sectors.

The bulletin along with a brief overview of the latest news is intended to provide an outlines of fiscal developments of the BSEC countries, as well as the most up-to-date forecasts, research and statistics on the economy at both the national and regional levels. The bulletin also provides analysis of current and future economic conditions, risks, and economic outlook of each BSEC country.

The weekly economic news bulletin is designed with the aim of being both informative and accessible to wider readerships. It is an important tool in this regard and also available online at the International Secretariat's website www.bsecbc.org.

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ALBANIA



Albania approves visa free travel with Georgia

Albania's Prime Minister attended the meeting held by the council of Ministries. One of the order of business was to approve the agreement between the Council of Ministers of the Republic of Albania and the Government of Georgia, visa-free travel for holders of diplomatic and service passports.

The agreement provides that holders of valid diplomatic passports and service, citizens of either party shall have the right to enter and stay in the territory of the other party without a visa for a period up to 90 days within 180 days from the date of first entry.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187524>

Albania sets up Coastal Agency

Albania's Council of Ministers approved, with the proposal of the Ministry of Urban Development and Tourism, the creation of the National Agency Coast.

The decision gives another burst initiatives taken by the Ministry of Urban Development and Tourism, aimed at protecting the natural resources of the coastal area and promoting the country as a tourist destination says the Minister of Tourism and Urban Development.

Coastal National Agency will extend its operations across the coastal belt of the Republic of Albania, revealed generation of National Territorial Council as an area of national importance.

The Agency will be held in the Director General, in the central and four regional branches. Coastal National Agency will have 30 employees and costs will be covered by the budget of the ministry.

The objectives of the activity of this agency are:

- Protection and sustainable development of the coastal zone;
- Implementation of policies and strategies for integrated management of the coastal zone;
- Coordination-related programs in this area;
- Encourage investments in the area.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187835>

FYR Macedonia will get approval from Albania before building Lukova Hydropower plant

Macedonia has not made any official request to the Tirana authorities about the Lukova hydropower plant, since the project is simply in the phase of ideas.

The Macedonian Minister of Economy, Valon Saracini, declared that the hydropower plant will not be built if Albania will be against, since Skopje cannot violate the international agreements for inter-border projects.

“Officially, we cannot ask the Albanian government to give us an opinion about this project, because we don’t have a final project yet. The project has not secured the financial means yet, because the World Bank has not distributed them. There is no final study about its affect on the environment. In the government meeting, the Prime Minister declared that it will not be realized if it will affect the environment”, declared Valon Saracini, Minister of Economy in Macedonia.

The Minister of Economy in Macedonia, Valon Saracini, discussed about this topic with his Albanian counterpart, Damian Gjijnuri, in the meeting that was held in Skopje on November 2013.

“We decided to establish a joint group that will cooperate in a technical level, to see the impacts, the history, and to find the current necessary instruments for finding a solution in accordance with the obligations of both countries, based on international laws, and through the water agreements that have turned into a tradition between our countries. It is very important to underline that it is good for the public of both countries, and we are not leaving anything to chance. The solution will be a profit for both countries”, Gjijnuri declared.

The Albanian Ministers in the Macedonian government guarantee the Dibra citizens that they will block the construction of the Lukova hydropower plant if the environment is in danger.

Link: <http://english.albeu.com/news/news/macedonia-will-not-built-hpp-without-approval-of-albania/138828/>

ARMENIA



Armenia stock exchange conducts \$714.5-million trading in 2013

At a press conference on January 17, NASDAQ OMX Armenia announced the results of stock exchange and depository activities of 2013.

The year of 2013 was quite active and full of achievements for NASDAQ OMX ARMENIA and Central Depository of Armenia. The Depository successfully introduced new centralized depository system in Armenia, contributing to increasing efficiency, reliability and accessibility of depository services in Armenia. CDA also established important cooperation with international custodians, thus making foreign securities accessible for Armenian investors. In 2013, stock exchange introduced new market of foreign currency swaps and together with the Depository worked on successful implementation and servicing settlement and repo transactions in the RA Eurobonds in Armenian financial market.

In 2013, stock market volumes amounted to AMD 1.49 bln, a 2.6 times increase over the same of the previous year. Transactions were concluded with stocks of 7 issuers. Market capitalization reached AMD 61.7 bln, 15.68% increase of the previous year-end capitalization.

A total of 153 trades for a total amount equivalent to AMD 1.94 bln were concluded on corporate bonds market in 2013, having a 3.8 times increase over the previous year's trading volumes. 95.3% of the amount traded fell to the share of foreign currency nominated corporate bonds, while the rest 4.7% of the amount was concluded in Armenian dram nominated corporate bonds. Five new bonds of four issuers were listed and four issues of one issuer were admitted to trading in 2013.

On REPO market 11 transactions for a total of AMD 942.9 mln were concluded, a 2.5 times increase over the same of 2012. All the transactions were concluded in foreign currency nominated bonds of "SAS GROUP" LLC.

Trading volume on Government bonds (Gbonds) market reached AMD 15.1 bln, a 3.6-times increase over the previous year. 53.1% of the total volume traded in Gbonds fell to the share of trading in mid-term Government bonds, 43.9% - to the share of long-term Gbonds and 2.9% - to the share of short-term Gbonds.

Foreign currency market had a slight 3.6% decrease in trading volumes, amounting to AMD 292.5 bln (USD 714.5 mln). In 2013 all the FX trades were in USD only. Weighted average USD exchange rate was AMD 409.4 per USD 1.

Credit resources market showed 6.5% increase in volumes, amounting to AMD 6.6 trln in 2013. Weighted average rate of 8.21% formed in the market, fluctuating between minimum of 6.4% and maximum of 10.01% during the year.

As of the end of 2013, the CDA serviced 180,820 securities accounts and kept securities registries of 2,046 joint stock companies.

Link: <http://news.am/eng/news/190196.html>

Russian official says Armenia may sign accession to Customs Union in 2014

The decision on Armenia's joining Customs Union is a sovereign choice of the country, not just political will of the leadership, Russian official said.

Viktor Khristenko, chairman of Eurasian Economic Commission's board, said they had carried out considerable work jointly with Armenian authorities for a short period of time.

"In late December a roadmap on Armenia's accession to Customs Union and Common Economic Space was confirmed. It contains around 300 points. According to my assessments, Armenia will be able to reach signing of treaties on accession to Customs Union and Common Economic Space in 2014," Khristenko said in an interview with Expert magazine.

He is confident that lack of common border will not be an obstacle to Armenia's accession. Moreover, Khristenko noted developed customs and phytosanitary infrastructure, laboratories and well-prepared staff of the Armenian side.

Link: <http://news.am/eng/news/190088.html>

Armenian minister and UNDP representative discuss environmental projects

Aram Harutyunyan, Nature Protection Minister of Armenia, on Thursday met with Bradley Busetto, United Nations Development Programme (UNDP) Resident Coordinator/UNDP Resident Representative in Armenia.

The parties recorded that about 31 national and 10 regional projects were successfully implemented along the lines of the cooperation between the Armenian Nature Protection Ministry and the UNDP.

Busetto informed that the UNDP has given a high assessment to the effectiveness of the joint work.

In turn, Harutyunyan considered the current cooperation format to be effective.

Noting that the UNDP is one of those organizations through which the Global Environment Fund (GEF) conducts its activities, the nature protection minister of Armenia highly rated the national and regional programs that were implemented by way of the GEF.

Summing up the results of the work carried out in 2013, Aram Harutyunyan and Bradley Busetto reflected on the projects that are planned for 2014.

At the end of the talk, the interlocutors agreed to hold their next work meeting in a special nature protection area of Armenia.

Link: <http://news.am/eng/news/190597.html>

Report: Unemployment level in Armenia reaches 18.64%

In 2013 the unemployment level in Armenia reached 18.64%, shows the Global Unemployment Trends 2014 report published by International Labour Organization.

The report says in general, unemployment levels are significantly higher in the Central and South-Eastern Europe (non-EU) subregion than in the CIS subregion, where only Armenia is recording high

unemployment rates (17.3 per cent in 2012).

Unemployment rate in neighboring Georgia made 14.3% and in Azerbaijan – 5.5%. The report indicates an increase of the unemployment rate in Turkey and the Russian Federation.

According to the report, almost 202 million people were unemployed in 2013 around the world, an increase of almost 5 million compared with the year before. Young people continue to be particularly affected by the weak and uneven recovery. The global youth unemployment rate has reached 13.1 per cent, which is almost three times as high as the adult unemployment rate.

Link: <http://news.am/eng/news/190395.html>

AZERBAIJAN



Azerbaijan invests some \$10 mln in Belarus annually: envoy

Azerbaijan invests around \$10 million in the Belarusian economy annually, Belarusian Ambassador in Baku Nikolai Paskevich said on January 21.

Speaking at a press conference, the ambassador noted trade and economic cooperation between Belarus and Azerbaijan remained at the strategic partnership level in 2013.

The industrial cooperation, joint projects in the fields of construction, education, health, science and technologies are the main priorities of cooperation between the two countries, he said.

"In 2013, there were new projects on cooperation with the Ganja automobile plant for joint production of tractors and the assembly of experimental batches of buses and trucks which are currently being tested," he said.

The trade turnover increased by 63 percent amounting to \$268.6 million in January-November 2013, compared to the same period of 2012, the Belarusian National Statistics Committee reported.

"Belarus is aimed at long term cooperation with Azerbaijan and it is based on fraternal relations," he said. "The presidents set this task for us. They have repeatedly pointed out that the cooperation potential is far from exhausted."

"We are ready to provide Azerbaijan with necessary technologies which can be considered as our investment to the country's economy," he said. "We create working places, and today 800-1,000 working places have been opened in Ganja car plant."

Paskevich also said Azerbaijan and Belarus currently cooperate actively in the construction sector. The Belarusian companies supply wallpapers, reinforced-concrete complements to Azerbaijan and provide services in the design field.

Azerbaijan and Belarus established diplomatic relations in 1993. There is vast potential for the development of investment cooperation between the two counties and for Azerbaijan's involvement in the projects implemented in Belarus.

Belarus is interested in increasing the capacity of Belarusian assembly plants operating in Azerbaijan, as well as implementation of new projects in construction, education, health, science and culture sectors.

Link: <http://www.azernews.az/business/63592.html>

Azerbaijani businessmen invited to invest in Switzerland

Azerbaijan Export and Investment Promotion Foundation (AZPROMO) reported that Azerbaijani businessmen are invited to join the Investment Management Exhibition to be held in Zurich.

The organizers invite Azerbaijani businessmen to participate in the exhibition, which aims to attract the investments. The event will be held at Zurich Exhibition Center on May 13-15, 2015.

The trade turnover between Switzerland and Azerbaijan amounted to \$234,006 in 2013. The import to Azerbaijan amounted to \$159,600 during this period. Azerbaijani products worth \$74,410 were exported to Switzerland in 2013, according to the Azerbaijani State Customs Committee.

Link: <http://www.azernews.az/business/63564.html>

Azerbaijan increases volume of foreign trade operations

The volume of foreign trade operations in Azerbaijan increased by 3.35 percent in 2013 compared to the same period the year before, Azerbaijan's State Customs Committee reported.

Some 149 countries were Azerbaijan's foreign trade partners during the specified period, the report shows, while Azerbaijan's total trade turnover amounted to \$34.68 billion and foreign trade surplus amounted to over \$13.27 billion.

7005 individuals and legal entities, 3873 of which are legal entities and 3132 - the physical entities, were involved in the country's foreign economic activity last year, the report says.

During the year, export operations were made in the amount of \$23.98 billion, which is 0.28 percent more compared to 2012. The share of government sector in export operations amounted to \$22.37 billion (93.59 percent), while the share of private sector and individuals reached \$1.38 billion (5.75 percent) and \$228.76 million (0.95 percent) respectively.

Azerbaijan's imports amounted to \$10.71 billion by the end of 2013, which is 10.95 percent more than the year before. The share of government sector in import operations amounted to \$3.28 billion (30.63 percent), private sector, \$6.96 billion (64.98 percent), and individuals, \$467.14 million (4.36 percent). Azerbaijan exported 2111 and imported 6159 kinds of goods in 2013.

Link: <http://www.azernews.az/business/63568.html>

Azerbaijan's economic freedom on rise

A new report reveals that Azerbaijan's economic freedom has been on the rise in recent months.

The report called, The Index of Economic Freedom 2014 was prepared by the Heritage foundation together with the U.S. Wall Street Journal.

It noted that Azerbaijan ranked 81st among 186 world countries by gaining 61.3 points out of 100 points. The figure puts Azerbaijan among the averagely free countries from an economic point of view.

Azerbaijan moved up six steps and improved the economic freedom index by 1.6 points compared to 2013. The progress in financial management and ownership is indicated as a reason.

"The report is based on real and specific facts and figures," Northwestern University professor, political analyst Fikret Sadikhov said.

"Azerbaijan's economic development, especially in recent years, is estimated by local and foreign experts objectively and in accordance with the country's achievements in the field of economic development," Sadikhov said.

"The main index here is mainly useful for the foreign organizations to assess the situation in Azerbaijan. Azerbaijan has been providing Europe with energy resources for a long time and guaranteeing the energy security of this continent," he added.

The European countries are interested in deepening cooperation with Azerbaijan and reports like this are consistent with the realities in the economic sphere of the country.

"I think the analysis is consistent with the indices, achieved by Azerbaijan recently," Sadikhov said.

Acting head of Russia's trade representative office in Azerbaijan Dmitry Akulenko believes that improving Azerbaijan's position in the Index of Economic Freedom 2014 report shows the reliability of the country as a business partner.

"Of course, improving the country's position in this ranking is a positive factor," Akulenko said. "This fact testifies to the fact that the investment, business environment continues improving. This will be beneficial for improving Azerbaijan's economic relations with foreign partners."

Over \$ 150 billion have been invested in the national economy of Azerbaijan for the last 10 years.

"The report results will also affect the Azerbaijani- Russian cooperation," Akulenko added.

"Of course, we must continue working over some issues," he said. "One can not say that improving Azerbaijan's position in this ranking will solve them at once. But this achievement of Azerbaijani economy can be seen as another confirmation of the reliability of the country as a business partner. It will certainly have a positive impact on Azerbaijan's investment and business attractiveness."

The Index of Economic Freedom 2014 report emphasizes Azerbaijan's low public debt. There were very positive results associated with the state of public expenditure, tax, business, labor, trade, monetary policy, investments and financial freedoms.

Azerbaijan - among 42 countries of Asia-Pacific region - ranked 13th and its average point exceeds the average regional and global indices. Azerbaijan is ahead of countries like India, Italy, Croatia, Serbia, Greece, Russia and Ukraine on the economic freedom level.

The economic freedoms have been significantly expanded in Azerbaijan recently. This puts Azerbaijan among the free countries because of the recent reforms carried out in the country.

Link: <http://www.azernews.az/business/63547.html>

Prices on agricultural products jump

The production prices for agricultural products in Azerbaijan increased by 0.4 percent in December 2013 compared to November.

The State Statistical Committee reported that the prices for annual plants increased by 0.6 percent, while the prices of livestock products grew by 0.7 percent. Also, the production prices for perennial plants decreased by 1.8 percent.

Among the annual plants the production cost of wheat fell by 0.9 percent and corn - by five percent, while production prices increased for barley (1.2 percent), beans (2.2 percent), potatoes (3.5 percent), onions (2.9 percent), garlic (0.2 percent), green (0.7 percent), hay (1.4 percent), clover (0.8 percent).

Among perennials the price rise was observed for pears (11.6 percent), grenades (0.5 percent), feijoa (8.7 percent), chestnuts (9.1 percent), walnuts (3.7 percent) and hazelnuts (1.5 per cent), while production prices drooped for lemons (8.5 percent), oranges (12.7 per cent) and tangerines (17.5 percent).

Meanwhile, the prices dropped for sheep and goats (0.2 percent), lamb (live weight, by 0.3 percent) and honey (0.3 percent). At the same time price rise was observed for milk (1.1 percent), poultry meat in live weight (0.3 percent) and eggs (6.5 percent).

The production prices for fish and fish products increased by 1.6 percent during the month.

Link: <http://www.azernews.az/business/63562.html>

EBRD keeps its forecast on Azerbaijan's economic growth in 2014 at 3.5 percent

European Bank for Reconstruction and Development (EBRD) has not changed the outlook for GDP growth in Azerbaijan in 2014 and kept it at 3.5 percent, according to the bank's report "Regional Economic Prospects in EBRD Countries of Operations".

The real GDP growth in Azerbaijan in 2013 amounted to 5.8 percent and the GDP growth in the non-oil sector stood at 9.8 percent. The country's GDP in late 2013 increased to 57 billion manats.

"Azerbaijan's economy accelerated in 2013, boosted by the pre-election fiscal and monetary stimulus. Oil output stabilized in 2013 after two years of decline, while the non-oil sector expanded at near double-digit rates, benefiting from increased public spending and expansion of credit. The government's plans to curb stimulus by shrinking the non-oil consolidated fiscal deficit in 2014 could potentially lead to growth in 2014 in the range of

3-4 percent," according to the report.

According to the World Bank's forecasts, the economic growth in Azerbaijan is expected to stand at 5.3 percent in 2014, while the potential GDP growth will amount to 6.6 percent.

The government of Azerbaijan forecasts GDP growth of 4.7 percent for 2014.

Link: <http://www.today.az/news/business/130166.html>

Major highway in Azerbaijan to reach full completion by 2016

'Azeryolservis' joint-stock company of Azerbaijani Transport Ministry will fully complete reconstruction of the 'Baku-Guba-Russian border' road in 2014-2015, a source in the company told Trend.

The source said that construction is currently underway at the road's remaining section stretching from Gendob village to the border with Russia.

"The construction is expected to complete in 2014 but it all depends on the funding. In case of a small delay in the financing, the completion of works can be postponed to 2015," the source said.

The total length of the 'Baku-Guba-Russian border' road is 208 kilometres, but after reconstruction it will be slightly reduced.

In 2009 the Azeryolservis completed laying concrete pavement on the 'Baku-Guba-Russian border' road's section stretching from 16th to 134th kilometres (118 kilometres).

The communication infrastructure was constructed, as well as 20 bridges, nine passages for cattle drive and three overpasses were built during the renovation of the road.

The cost of the works was estimated at \$118.7 million. Primary funding was covered with a \$100 million loan from the European Bank for Reconstruction and Development and the remaining funds were allocated by the government of Azerbaijan.

Link: <http://www.today.az/news/business/130125.html>

Azerbaijani oil and gas production ups in 2013

Some 43.1 million tons of oil and gas condensate were extracted in Azerbaijan in 2013 compared to 42.98 million tons in 2012, the State Statistics Committee said on Friday.

The bulk of oil production volume fell to the block of oil and gas fields Azeri-Chirag-Guneshli and Shah Deniz gas condensate field, developed jointly with foreign partners.

Gas production amounted to 17.9 billion cubic meters of tank gas in 2013 compared to 17.24 billion cubic meters in 2012.

Link: <http://www.today.az/news/business/130081.html>

Azerbaijani economy to get considerably diversified in 2014

The New Year of 2014 has been named as Industry Year in Azerbaijan. This comes as experts say they expected announcement because of economic and industrial developments of the country.

Vugar Bayramov, the chairman of the Center for Economic and Social Development told AzerNews that 2014 will be remembered in Azerbaijan as the year of sharp diversification of economy.

"The development of industry and economic investment in the industrial sector is important to diversify the economy of the country," he noted. "In 2013 the Economic Development Ministry was renamed to the Economy and Industry Ministry. This should be evaluated as a message indicating that Azerbaijan has already completed its economic development and entered the industrial development and industrialization stage."

Azerbaijani President Ilham Aliyev signed a decree on January 10 to announce 2014 as the year of industry in Azerbaijan. The president instructed the Economy and Industry Ministry to develop a plan within a month. Also, the Cabinet of Ministers was instructed to develop a draft program on the development of industry section in Azerbaijan in 2015-2020 within three months. Both documents should be handed over to the president.

Bayramov went on to say that the gross domestic product (GDP) increased by 6 percent and the non-oil sector by 9 percent in 2013. The volume of Azerbaijan's state currency reserves has reached \$50 billion. In this context the economic development in 2013 paves the way for diversification of the industry in 2014.

"The share of the non-oil sector in the GDP will increase to 62 percent in 2014. This means the share of the non-oil sector will boost by three-fold and exceed a 60-percent limit. The share of the non-oil sector in the budget incomes will exceed a 30-percent limit which was 25 percent in previous years," he said.

The expert also noted the volume of transfers from the state oil fund SOFAZ to state budget will decrease by 17.7 percent in 2014 as well.

Necessary measures

Touching on the measures which are important for the development of the industry in the country Bayramov stressed the necessity of implementing necessary measures to attract foreign investment.

He also mentioned the importance of adopting the Competition Code. "The adoption of the Competition Code has been delayed repeatedly though it has been submitted to the parliament. Industrial development is possible only by restoring the competition in this sector. The Competition Code should become the main document to ensure a fair competition in the industrial sector," he noted.

"Also, it is necessary to complete the process of establishment of special economic zones across the country," Bayramov noted.

"The establishment of special economic zones is important for attracting investments in the industrial sector. Azerbaijan can accelerate the process of attracting foreign investment in the country through applying tax concessions to foreign investments, as well as implementing other stimulation measures," he said. "If Azerbaijan was able to attract a record volume of investment-around \$29 billion in 2013, the establishment of special economic zones could play a great role to press ahead the industrial progress of the country."

Bayramov also emphasized the importance of accelerating the establishment of clusters in Azerbaijan's regions. "The establishment of clusters in touristic regions is very important. These clusters will pave the way for attracting foreign investments in the regions," he said.

The expert believes that the decision on exemption of the techno parks from all taxes by seven years since January 1, 2013 is a positive decision.

"This decision stimulated the establishment of techno parks. It is better to establish the techno parks not only in Baku but also in surrounding areas and regions. Because, the process will attract local and foreign investment," he noted.

Bayramov went on to note that work to attract foreign investment should continue. He said that the improvement of the investment climate depends on the level of use of the e-government tools.

"In recent years Azerbaijan has been seriously using the opportunities of the e-government, and it is important not only from the viewpoint of attraction of investment, but also improvement of the investment climate," the expert said.

Also, Azerbaijan should achieve the development of not only the non-oil sector, but also the oil sector, Bayramov stressed.

"As is known, the "Contract of the Century" which was inked in 1994 between Azerbaijan and BP, expires in 2024. Signing of an agreement on extension of the "Contract of the Century" would pave the way to attract more investment of the foreign companies in the oil sector which will make possible to stimulate the development of this sector," the expert said.

Economic expert Ogtay Hagverdiyev maintained that the development of the science- industrial fields is important for Azerbaijan to produce competitive and export-oriented products.

"It is important because Azerbaijan should develop an export potential which will become an alternative to the oil sector," he said. "Our strategic purpose is to develop the non-oil sector with modern methods. One of them is the information technologies sector which is developing in Azerbaijan," the expert said.

He also said Azerbaijan is able to develop the winemaking and light industry as the country possesses enough raw materials - grape and cotton.

"These two fields, in turn, would provide an impetus to the development of agriculture," the expert noted.

Investment

Bayramov said, Great Britain, Turkey, the European Union (EU) countries and the U.S. can be the major investors for Azerbaijan.

He noted that Azerbaijan has imported part of the working force over the past few years.

"It is expected that the number of the specialists both in the oil and non-oil sector coming from the EU countries increase. Also, it is expected that Azerbaijan will meet its demand for workforce involved in the construction and other sectors by recruiting migrants of China, Pakistan and Bangladesh," he said.

Bayramov also said that the development of the industrial sector will impact the market as well. It will show itself in increase of local products on the domestic markets compared to imported goods.

"The development of the industrial sector during the Industry Year will lead to the increase of the local products in the local market. It is predicted that the products of the light and food industries will increase in the local market. On food security, Azerbaijan intends to increase the share of the food products in the market because it is very important for the country," he noted.

"Today Azerbaijan exports its oil products to the world markets. Announcement of the Industry Year will allow the country to export not only oil products, but also other industrial goods," Bayramov stressed.

"This is not a short-term process. Azerbaijan would appropriate ground for entering the world markets by non-oil products. Thus, 2014 will be characterized for Azerbaijan as the year to enter the world and the European markets with non-oil products," he said.

Leading country in the region

Bayramov believes the announcement of the Industry Year will allow Azerbaijan to expand its leading position in the South Caucasus region.

"Today Azerbaijan is the leading country of South Caucasus in economic term. 80 percent of the economic incomes of the region go to Azerbaijan. Neighboring Georgia participates in all the inked energy agreements. It is predicted that some of this projects will be implemented in 2014. This, in turn, will pave the way to attract investment in both countries.

Thus, this year Azerbaijan which has carried out the successful policy of industrialization of the country since its independence will strengthen its industrial position. The industrial development in Azerbaijan will hugely contribute to the social and economic development of the country.

Link: <http://www.today.az/news/business/130069.html>

Azerbaijan's insurance market to grow 15-20% in 2014

The year of 2014 can be marked with a 20% growth of the insurance market of Azerbaijan.

Inews.az reports with reference to head of the State Insurance Supervision Service of the Ministry of Finance Namiq Khalilov that the insurance market may increase by 15-20% in 2014, in line with the forecasts.

"Market growth will be achieved mainly through compulsory insurance", Khalilov said .

In 2013, the premiums of insurance companies amounted to 405.6 million manat, payments - 122.8 million manat compared to 342.5 million manat premiums and 93.8 million manat of payments for 2012 . In 2013, premiums of insurers increased by 18.4 % and the payments by 31%.

In 2013, mandatory insurance formed 33.2% of the insurance market. Thus, last year, premiums for compulsory insurance amounted to 134.7 million manat, payments to 37.9 million manat.

In comparison with 2012, insurers' premiums for compulsory insurance increased by 5.6% and payments by more than 2 times.

Link: <http://news.az/articles/economy/85879>

Azerbaijan, Russia achieve growth of \$245m in trade

Trade between Azerbaijan and Russia made \$2.583bn by results of 2013.

This is a growth of \$245m over 2012.

Sources in the State Customs Committee of Azerbaijan told Inews.az that last year Russia received production worth \$1.077bn which is equivalent to 4.5% of Azerbaijan's overall export.

In the same period, import made \$1.505bn or 14.05% of Azerbaijan's import.

Negative balance in trade made \$428m.

It has to be noted that export of production from Azerbaijan has increased by 12.29% over 2012 and import by 8.97%.

By results of 2012, trade between Azerbaijan and Russia was \$2.338bn. Compared to 2011, trade has dropped by \$490m.

Last year export of goods to Russia amounted to \$959.838m which made 4.01% of Azerbaijan's export. Import made \$1.378bn or 14.28% of Azerbaijan's import.

Negative balance in trade made \$418.606m.

Link: <http://news.az/articles/russia/85874>

Azerbaijan ups trade turnover with CIS in 2013

The trade turnover of Azerbaijan with CIS countries totaled \$4.062bn in 2013.

Exports to CIS totaled \$1.059bn while imports totaled \$2.533bn, according to the State Customs Committee, Inews.az reports.

The trade turnover increased \$432m compared to 2012.

There was a negative balance worth \$1.024bn in a trade with CIS countries.

The trade turnover of Azerbaijan with CIS was \$3.63bn in 2012.

Exports to CIS amounted to \$1.251bn while imports totaled \$2.378bn last year.

There was a negative balance worth \$981.133m in a trade turnover.

Link: <http://news.az/articles/economy/85856>

Azerbaijan increases import of food products

This is 7.34% higher than the volume of imports (in monetary terms) in 2012 (USD 1, 072.9bn), according to a report of the State Customs Committee of Azerbaijan.

In 2013, Azerbaijan imported goods by USD 10 712.5bn, and the share of food in total imports of the country was 10.75% versus 10.67% as of 1 December and 11.02% as of 1 January 2013.

Link: <http://news.az/articles/economy/85836>

Azerbaijan raises foreign trade turnover by 3.35% in 2013

Azerbaijan's foreign trade turnover made \$34.687bn in 2013.

Inews.az reports with reference to sources in the State Customs Committee of Azerbaijan that the foreign trade turnover of the country grew by 3.35% over 2012.

Export of goods made \$23.975bn within a year, which is a 0.28% growth over 2012. Import made \$10.712bn which is an increase of 10.95% over 2012.

In general, Azerbaijan exported 2,111 items and imported 6,159 items in 2013.

Surplus balance in trade made \$13.263bn.

Link: <http://news.az/articles/economy/85819>

Industrial production increases by 2% in Azerbaijan

Volume of produced goods and rendered services in the industrial sector of Azerbaijan made AZN 33.7 bln in 2013, up 1.8% from previous year.

State Statistical Committee says the production in the sectors of mining, processing industry, production, distribution and supply of gas, energy and steam, water supply, waste treatment and processing increased compared to 2012. $\frac{3}{4}$ of production was in mining sector, 20.1% in processing, 5.3% in production, distribution and supply of gas, energy and steam, 0.6% in water supply, waste treatment and processing.

Production in non-oil spheres increased by 4.8%, in oil sector – by 1.1%. 43.1 mln tonnes of oil and 17.9 bcm of marketable gas were extracted throughout 2013.

Link: <http://news.az/articles/economy/85811>

UN predicting promising future for Azerbaijan's economy

The United Nations has forecasted a promising economy for Azerbaijan in the new year stating that the country's gross domestic product (GDP) will reach to 5 percent in 2014.

In its latest report titled "World Economic Situation and Prospects 2014", published on January 20, the UN said Azerbaijan's GDP growth is promising.

The report comes as the European Bank for Reconstruction and Development (EBRD) predicts that Azerbaijan's gross domestic product (GDP) will be 3.5 percent in 2014.

The Azerbaijani government forecasts that the GDP growth in the country to amount to 4.7 percent in 2014.

The World Bank predicts Azerbaijan's economic growth at 5.3 percent, and the potential GDP growth at 6.6 percent while the Azerbaijani government forecasts the GDP growth at 4.7 percent in 2014.

The real GDP growth in Azerbaijan in 2013 amounted to 5.8 percent when the non-oil sector increased by 9.8 percent. The country's GDP in 2013 increased up to 57 billion manats.

The UN also expects that the unemployment rate in Azerbaijan will amount to 5.4 percent in 2014 and 5.5 percent in 2015. The Azerbaijani government earlier noted the unemployment level in the country decreased to 5 percent in 2013.

Also, the UN forecasted that the inflation rate in Azerbaijan will be 5 percent in 2014 and 4.5 percent in 2015.

The EBRD also predicts Azerbaijan's inflation at a level of 3.8 percent in 2014, which is one of the lowest indicators among the countries of the Commonwealth of Independent States (CIS).

In 2013, the inflation rate in Azerbaijan stood at 2.4 percent.

Azerbaijan leading country in S.Caucasus for human capital index

The World Economic Forum noted in its Human Capital Report-2013 that Azerbaijan is a leading country among the South Caucasus countries in terms of human capital index.

The report noted that Azerbaijan stands at the 64th place among the 122 world countries with -0.157 score for human capital index, while Armenia at 73rd place with -0.218 score and Georgia at 77th place with -0.258 score.

Also, Azerbaijan ranked 71st with -0.153 score for education index, 94th with -0.414 score for health and wellness index, 55th with -0.016 score for workforce and employment and 55th with -0.044 score for enabling environment.

Link: <http://www.azernews.az/business/63652.html>

EBRD OKs loan for Shah Deniz development

The European Bank for Reconstruction and Development (EBRD) has approved a loan worth \$200 million for Russia's Lukoil Overseas Shah Deniz Ltd for financing the development of giant Shah Deniz gas condensate field located in Azerbaijan's sector of the Caspian Sea.

The loan was approved by the Board on January 15, the EBRD said on January 22.

The proposed financing is a pre-planned increase to the existing exposure of the bank to the Lukoil Overseas Shah Deniz Ltd relating to the development of the off-shore Shah Deniz gas and condensate field in Azerbaijan.

Financing is sought for the first stage extension of field development and implementation of the more advanced technologies, including the existing terminal and platform.

The total cost of expenditures on the first stage of the Shah Deniz field development project is estimated at \$2.128 billion. Lukoil's share in the projects will amount to \$212.8 million.

Lukoil Overseas Shah Deniz Ltd is a 100-percent daughter company of Lukoil Overseas, a holding company that manages Lukoil's participation in exploration and production projects outside Russia.

Lukoil holds a ten-percent interest in the Shah Deniz development project.

The Shah Deniz field was discovered in 1999. It is one of the world's largest gas-condensate fields. The reserves are estimated at 1.2 trillion cubic meters of gas.

The Shah Deniz Stage 1 was launched in 2006. It has the capacity to produce about 9 billion cubic meters of gas per year and approximately 50,000 barrels a day of condensate.

Shah Deniz is operated by the London-based BP. The partners include SOCAR, Statoil, Total, Lukoil, NICO and TPAO. BP and Shah Deniz partners have invested \$6 billion in Shah Deniz Stage 1 up to date.

The EBRD invests in the enterprise, financial and infrastructure sectors to promote sustainable growth in Azerbaijan.

Since the start of its operations in the country, the EBRD has invested around \$ 2 billion in about 137 projects, with over 90 percent of these projects investing in the development of the private sector. Around 73 transactions with a total value of approximately \$540 million have been signed with financial institutions in Azerbaijan.

Link: <http://www.azernews.az/business/63654.html>

Economic growth in Azerbaijan reached 6% last year

In 2013, Gross Domestic Products (GDP) in Azerbaijan rose 5.8% to AZN 57.7 bln compared to a year earlier.

State Statistical Committee told APA-Economics that 46.3% of value added was produced in industrial spheres, 11.8% in construction complexes, 5.3% in agriculture, 4.8% in transport, 8.9% in trade and paid services, 1.8% in communication and 14.7% in other spheres.

Per head value added stood at AZN 6,207.3 (\$7,912.5). GDP rose 10% in non-oil sector, 1% in oil sector.

Link: <http://news.az/articles/economy/85914>

EBRD: Inflation in Azerbaijan to be amongst lowest in CIS in 2014

The European Bank for Reconstruction and Development (EBRD) forecasts a 3.8 percent inflation rate in Azerbaijan which is one of the lowest in the CIS area, the bank's report 'Regional economic prospects in the countries where EBRD conducts transactions', said on Tuesday. The latest report was published in October 2013.

A 2.6 percent inflation rate will be observed in Ukraine. This index is lower than in Azerbaijan among the CIS countries, according to EBRD expectations.

EBRD forecasts an 3.9 percent inflation in Armenia, 4.4 percent in Tajikistan, 4.7 percent in Moldova, 5.4 percent in Kyrgyzstan, 5.6 percent in Russia, 5.7 percent in Turkmenistan, 5.9 percent in Kazakhstan, 11 percent in Uzbekistan and 14.5 percent in Belarus in 2014.

Moreover, EBRD expects a 4.1 percent inflation rate in Georgia, according to the report.

As of 2013, Azerbaijan had a 2.4 percent inflation rate.

"Azerbaijan must try to preserve inflation this year at the same level as last year," Azerbaijani President Ilham Aliyev said at a meeting of the Cabinet of Ministers dedicated to socio-economic development in 2013 and the upcoming challenges in 2014.

Link: <http://www.today.az/news/business/130205.html>

Azerbaijan, Europe establish ICT consortium

Results on forming a consortium of Azerbaijani and European research institutes (RI) for further cooperation in joint projects in the field of ICT will be announced in April 2014.

The news was announced by Head of Regional Information Technologies Academy (RITA) Tofiq Babayev.

The forming of the consortium will promote Azerbaijani scientists' developments in the world market, Babayev said.

"Creating a consortium jointly with European companies will allow Azerbaijani scientists to obtain the right to participate in tenders of the European Union on funding researches and innovations within the framework of the Horizon 2020 program," Babayev noted.

Babayev said about 40 meetings were held for the creation of a consortium with the research centers of the European Commission, and preliminary agreements were reached with about ten European institutions.

"We hope that European scientists will be interested in Azerbaijani projects, and Horizon 2020 program contributes to holding researches with the financial support of the European Commission," Babayev added.

Azerbaijan presented 15 research projects in the field of ICT, including projects of the Institute of Cybernetics, Research and Training Center of the State Social Protection Fund, the National Aerospace Agency, and Azerbaijan State Economic University, as part of the Great Connect Grow exhibition held in Lithuania in November, 2013.

Among projects presented at the exhibition were projects on monitoring the status of the cardiovascular system with a mobile phone, intellectual systems for monitoring and diagnosis of poisoning by toxic substances, and condition monitoring and selection of the best ways for laying main oil and gas pipelines.

Link: <http://www.today.az/news/business/130184.html>

Azerbaijan ends 2013 with foreign trade surplus worth \$13.3 bln

The Azerbaijani State Customs Committee announced an increase in the volume of foreign trade operations by 3.35 percent in 2013 compared to the same period of 2012, the committee said on Tuesday.

Azerbaijan's foreign trade partners for this period numbered 149 countries.

The total trade turnover of Azerbaijan was estimated at \$34.68 billion, according to the report.

Black ink exceeding \$13.27 billion was formed in foreign trade operations.

About 7,005 legal and physical entities were involved in foreign economic activities during this period, 3,873 being legal entities and 3,132 physical entities, according to the report.

Export operations reached \$23.98 billion during this period which is 0.28 percent more than the same period of 2012.

The public sector share in export operations was estimated at \$22.37 billion (93.59 percent), the private sector share - \$1.38 billion (5.75 percent) and physical entities' share- \$228.76 million (0.95 percent).

Imports were estimated at \$10.71 billion as of 2013 which is 10.95 percent more compared to the same period of 2012.

The public sector share in import operations was estimated at \$3.28 billion (30.63 percent), private sector share- \$6.96 billion (64.98 percent) and physical entities share - \$467.14 million (4.36 percent).

About 2,111 kinds of goods were exported and 6,159 imported to Azerbaijan in 2013.

Link: <http://www.today.az/news/business/130183.html>

CBA tightens control over consumer loans

The Central Bank of Azerbaijan (CBA) has reacted to some media reports on conditions set by the bank to regulate consumer loans.

In a report, CBA confirmed that it has ordered its branches across the country to tighten their control over loans. However the bank added: "Unsecured loans need to be issued upon obtaining borrower's long-term financial statements and credit histories, under the requirements of CBA Regulations on Issue of Loans in Banks."

The bank went on saying: "Individuals should give a statement of salary or a statement of their earnings from other officially confirmed sources. To note, in an international practice unsecured loans are deemed to be the loan products, which require deeper evaluation and underwriting. Hence, confirmation of borrower's income and accordingly his/her indebtedness capacity is used to protect the credit portfolio quality, avoid deterioration of borrower's financial standing and boost bank's financial sustainability.

The CBA also stressed that it will continue efforts to raise financial awareness of the population.

Earlier a source in the Azerbaijani banking sector told that the CBA has called domestic banks to apply stricter regulations over paying loans to their clients.

The CBA has sent a letter with instructions to the banks operating in the country to stop lending to borrowers without a workplace reference.

"This measure is aimed at preventing possible risks in the future. There is an approved procedure for issuing loans. This includes the necessity of handing over a certificate of employment. This paragraph has not been violated, but the CBA believes that control of its implementation was insufficient and banks were instructed to control compliance with the rules," the source said.

The Azerbaijani banks have increased lending to the economy by 24.51 percent in January-November 2013 and by 29.96 percent per annum.

The banks delivered loans totaling over 15.245 billion manat including about 10.927 billion manat in national currency and around 4.319 billion manat in freely convertible currency.

Link: <http://www.azernews.az/business/63696.html>

BULGARIA



EBRD Sets Bulgaria's Growth at 1.8%, Region Recovery Remains Slow

Bulgaria's economy showed few signs of a sustained recovery in 2013, says EBRD's latest Regional Economics Prospects report.

Export performance continued to improve but weak internal demand means that growth in 2013 is likely to have been slightly lower than the 0.7 % growth recorded in 2012.

On the positive side, the fiscal deficit is under control and public debt is among the lowest in the EU.

Inflation remains low but this reflects to some extent the series of cuts in utility prices over the past year, which could have negative implications for future investment in the sector.

The bank has revised downwards its forecast for Bulgaria's economic growth in 2014 to 1.8%.

Growth will be driven by exports and some recovery in domestic private consumption, according to the bank.

Bulgaria's 2014 budget is based on an assumption of an 1.8% rise in gross domestic product, while the European Commission forecasts 1.5% after an estimated 0.5% growth in 2013. The economy expanded 0.7% in the third quarter.

A recovery this year in the regions where the EBRD invests is expected to be slow, despite improvements in the world's most advanced economies, including in the United States and the Eurozone.

The EBRD's economists see growth in the transition region of a modest 2.7% in 2014, virtually unchanged from the November forecast, and after expansion of 2.0% in 2013.

The EBRD's latest Regional Economic Prospects report said emerging economies were still suffering from capital outflows that were likely to persist in light of the expected gradual tightening of US monetary policy.

For the first time since 2011 net private capital flows turned negative for the EBRD region as a whole in the third quarter.

“For sustained recovery to take hold, countries in the region need to resume structural reforms and tackle the persistent legacies of the crisis, including high rates of non-performing loans and long-term unemployment,” the report said.

“There are increasingly positive signs in the world economy, especially in the most advanced countries. But the EBRD's own region is not yet out of the woods and still faces many challenges,” added EBRD Chief Economist Erik Berglof.

“How countries react with policy changes now will determine how their economies respond to further bank deleveraging and adjustments to U.S. monetary policy,” he said.

The latest report also said that cross-border deleveraging appeared to have intensified again, most rapidly in several central Europe and Baltic countries (CEB) and in south-eastern Europe (SEE), a factor that was delaying a resumption of credit growth.

The report did point to a welcome increase in local currency lending in a number of CEB and SEE countries, including Hungary, Poland, Bulgaria and FYR Macedonia. In these countries the availability of foreign currency credit had been hit by the deleveraging process, while local currency credit had moderately grown.

Looking ahead, the report expected only a gradual improvement in external factors affecting the transition region, with a slow and uneven recovery in the Eurozone and a general deceleration in larger emerging markets partly offset by the stronger outlook in the United States and Japan.

It said growth in countries most closely integrated with the Euro area would remain modest even as the negative impact of the Eurozone crisis diminished. In addition to uncertainties linked to the Eurozone, other risks to the outlook include the possibility of a faster deceleration in large emerging markets, especially China.

The report said long-term unemployment rates in CEB and SEE were on average three to four percentage points higher than before the crisis. In line with global trends, inflation rates continued declining in most countries, although Egypt continued to buck this trend.

Overall, the CEB region will probably grow at 2.2% this year, twice as fast as in the previous two years and reflecting the fact that a recovery is finally taking hold in Croatia and gaining momentum in Hungary, Poland and the Slovak Republic.

At the same time, growth remains well below potential and Slovenia is expected to remain in recession on the back of high corporate indebtedness and the need for further bank recapitalisation.

Link:

<http://www.novinite.com/articles/157440/EBRD+Sets+Bulgaria%27s+Growth+at+1.8%2C+Region+Recovery+Remains+Slow>

Bulgarian Real Estate Attracts Turkish Businesses

Turkish investors are interested in renting or purchasing real estate property in the South Bulgarian city of Plovdiv.

These are usually businessmen looking for production or trade sites, as well as warehouses, according to the annual analysis of the Association of Realtors in Plovdiv.

So far, the foreign investors interest has not affected the real estate prices in the area and they remain stable.

Among the top property buyers in Bulgaria are citizens and businesses from Russia, Greece, Cyprus, Israel. The prognosis of the realtors is for near future investments from affluent citizens of Middle Eastern and African countries.

The Association of Realtors reports another tendency – the exchange of property between Greeks, Russians and Brits.

Russian citizens are mostly interested in purchasing real estate on the Bulgarian South Black sea coast. Prices there vary between EUR 500 – EUR 1000 per sq.m.

Due to the high demand in the area, new construction flourishes.

Link: <http://www.novinite.com/articles/157442/Bulgarian+Real+Estate+Attracts+Turkish+Businesses>

Some BGN 1 B Invested in Railway Projects: Bulgaria's Transport Min

All railway projects under Bulgaria's Operational Program Transport are in a process of implementation.

The sum total of all OP Transport railway projects amounts to over BGN 1 B, Transport Minister Danail Papazov said Tuesday at the official launch of the Pazardzhik-Stamboliyski section construction.

"Today we lay the foundation of the section between the two towns of Pazardzhik and Stamboliyski. In a month, we will begin the construction of the whole railway line connecting the Southern town of Septemvri to the city of Plovdiv," Minister Papazov told reporters.

According to him, the fares have not been raised in the last four years, despite inflation. Meanwhile, the number of passengers was 3% higher in 2013 compared to the previous year.

Owing to the OP Transport projects, more than BGN 300 M have been invested in the Plovdiv area. The investments will not only improve the railway infrastructure but will open new jobs as well.

Link:

<http://www.novinite.com/articles/157439/Some+BGN+1+B+Invested+in+Railway+Projects%3A+Bulgaria%27s+Transport+Min>

Bulgaria's Govt Expects 22 Major Investment Projects, 7000 New Jobs

Deputy Prime Minister Daniela Bobeva has vowed that the program of the socialist-led coalition government will meet the expectations of Bulgarian businesses.

Bobeva spoke Tuesday at the 8th annual business-government meeting organized by the Confederation of Employers and Industrialists in Bulgaria (CEIBG) and Capital weekly.

She claimed that the Bulgarian economy had been developing in the right direction over the past few years, regardless of the fact that a number of Cabinets had implemented different types of economic reforms.

Bobeva, as cited by dnevnik.bg, emphasized that the government of Prime Minister Plamen Oresharski had retained fiscal stability and low tax rates.

"We did not pay a single lev of public money for our banking system, we have no reasons to be pessimists for the financial and economic stability, but it is not to be taken for granted. Retaining financial and economic stability amid external and internal risk, this is a true achievement," Bulgaria's Deputy Prime Minister said.

She claimed that the decrease in investment was the biggest problem at the current stage.

Bobeva informed that the government expected 22 major investment projects worth BGN 1.7 B and the creation of some 7000 jobs, adding that even if only a small part of the program was implemented, it would contribute to economic growth.

She explained that the government did not expect domestic demand to increase, nor a substantial increase in salaries and incomes of the population, but relied on export to spur economic growth.

Bobeva announced that the third package of measures aimed at cutting red tape would be published on Tuesday, adding that the major portion of the procedures concerned the sphere of construction.

She announced that a number of laws, including the one on companies with state participation, the Competition Protection Act and the Underground Natural Resources Act, were to be amended.

Bulgaria's Deputy Prime Minister made clear that the strategy for administrative reform had already been published, while the strategy for tourism was still being discussed.

She opposed the drafting of strategies, adding that some 211 strategies were already available but they did not seem to attract any interest.

Link:

<http://www.novinite.com/articles/157435/Bulgaria%27s+Govt+Expects+22+Major+Investment+Projects%2C+7000+New+Jobs>

Markets for Bulgarian Goods to Open in Black Sea, Danube Areas

Bulgarian Agriculture Minister Dimitar Grekov has recommended more incentives to the development of small and medium-sized producers as an instrument for emerging from the crisis.

Grekov met Tuesday with representatives of the Made in Bulgaria Union at the Ministry of Agriculture and Food. He was adamant that increasing local production both on the Bulgarian and the international markets was a priority for the government.

Grekov, as cited by the press service of the Agriculture Ministry, noted that Bulgaria had to develop agriculture because 20% of its population was involved in the sector.

He claimed that establishing the reputation of Bulgarian goods would boost farmers' incomes and create more jobs in the sector of agriculture.

Grekov pointed out that Bulgaria was popular all over the world for high-quality foods and their wonderful taste qualities. "Despite the fact that the products are known to us, we need round-the-clock advertising, taking into account the serious competition on the market. We need aggressive promotion which will underscore the advantages of domestic goods," Bulgaria's Agriculture Minister said.

He reminded that boosting the competitiveness of small and medium-sized farms would be a priority in the new programming period.

"Apart from the special measures under the Rural Development Program, they will also be stimulated with additional payments for the first hectares," he explained. Grekov also made clear that commodity exchanges were to be opened along the Black Sea coast and the Danube in a bid to support producers.

Link:

<http://www.novinite.com/articles/157432/Markets+for+Bulgarian+Goods+to+Open+in+Black+Sea%2C+Danube+Areas>

Railway Line between Bulgaria's Plovdiv, Septemvri due in 2015

The construction of the railway line connecting the Southern town of Septemvri to the city of Plovdiv will be officially launched on Tuesday.

The sod-turning ceremony will take place on Tuesday and will be attended by Bulgarian Transport Minister Danail Papazov, according to a statement of the Transport Ministry.

The official launch of construction works will take place at the railway station in Stamboliyski with the section connecting Pazardzhik to Stamboliyski worth around BGN 66 M, VAT included.

This is the last railway project funded under the "Transport" Operational Program for the period 2007-2013.

The railway line is to be completed by October 2015, after which trains will be able to develop a speed of 160km/h.

Link:

<http://www.novinite.com/articles/157410/Railway+Line+between+Bulgaria%27s+Plovdiv%2C+Septemvri+due+in+2015>

Bulgaria's FDI in Jan-Nov 2013 at EUR 1.226 M

Foreign direct investment in Bulgaria in the period January-November 2013 amounted to EUR 1,226 M, or 3% of the GDP, according to preliminary data of the Bulgarian National Bank.

In the period January-November 2012, FDI stood at EUR 1732.4 M.

In November 2013, foreign direct investment in Bulgaria amounted to EUR 178.2 M, compared to EUR 114.8 M in November 2012.

In the period January - November 2013, the attracted Equity Capital (acquisition/disposal of shares and equities in cash and contributions in kind by non-residents in/from the capital and reserves of Bulgarian enterprises and receipts/payments from/for real estate deals in the country) amounted to EUR 758.1 M, down by EUR 140.2 M compared to the amount attracted in the same period of 2012 (EUR 898.3 M).

The receipts from real estate investments of non-residents amounted to EUR 130.6 M, compared to a total of EUR 215.9 M in the period January - November 2012.

The other capital, net (the change in the net liabilities of the direct investment enterprise to the direct investor on financial loans, suppliers' credits and debt securities) was positive, amounting to EUR 350.3 M in January - November 2013, compared to a positive other capital, net of EUR 703.2 M in January - November 2012.

Based on preliminary data on profit/loss, the Reinvested Earnings (the share of non-residents in the undistributed earnings/ loss of the enterprise) in January 2013 were estimated at EUR 118.1 M, against EUR 130.9 M in the same period of 2012.

By country, the largest direct investments in Bulgaria in January - November 2013 were those of the Netherlands (EUR 651.1 M) and Germany (EUR 195.9 M). The largest net negative flows for the period were towards the UK (EUR -97.7 M).

According to preliminary data of BNB, in January - November 2013, Direct investment abroad increased by EUR 98.3 M, compared to an increase of EUR 267.5 M in January - November 2012.

In November 2013, Direct investment abroad increased by EUR 4.4 M, compared to an increase of EUR 101.3 M in November 2012.

Link: <http://www.novinite.com/articles/157356/Bulgaria%27s+FDI+in+Jan-Nov+2013+at+EUR+1.226+M>

Investors Interested in Building 3 New Bulgaria-Romania Danube Bridges

Romanian and Bulgarian investors have expressed interest in building three new bridges over the Danube, according to Prime Minister Plamen Oresharski.

Speaking Friday in Parliament, he said that the new bridges over the Danube at Silistra-Calarasi, Oryahovo-Beckett and Nikopol-Turnu Magurele were included in the action plan of the European Commission for implementing the EU Strategy for the Danube Region, adding that the projects were essential for the region.

He explained, however, that no EU funding had so far been agreed for any of the three bridges.

"This forces us to look for other sources of funding, most notably public-private partnership," Oresharski declared, as cited by investor.bg.

He noted that a joint sitting of the governments of Bulgaria and Romania was scheduled to take place in the coming months, adding that the plans for cooperation between the two countries would be on the agenda.

Bulgaria's Prime Minister explained that he had been assured by reliable sources that private investors had expressed interest in entering talks on the construction of the bridges.

Oresharski emphasized that at this stage he could not specify a deadline for the completion of the projects.

In November 2013, Bulgarian President Rosen Plevneliev signed a declaration for cooperation with Romania on the construction of a bridge connecting Bulgaria's Silistra to Romania's Calarasi.

It was reported that a third bridge over the Danube could be funded under the new instrument, Connected Europe, which had a budget of EUR 30 B for the period 2014-2020.

There has been increased talk about a Silistra-Calarasi bridge over the past few months.

The topic was discussed by Bulgarian President Rosen Plevneliev and his Romanian counterpart Traian Basescu in June 2013 alongside the 18th Central Europe Summit of Heads of State.

Link: <http://www.novinite.com/articles/157351/Investors+Interested+in+Building+3+New+Bulgaria-Romania+Danube+Bridges>

Netherlands and Germany top Bulgaria's list of largest direct investment countries

According to preliminary data, the Foreign direct investment in Bulgaria for January -November 2013 increased by EUR 1226.4 million (3% of GDP). The Foreign direct investment in Bulgaria for November 2013 increased by EUR 178.2 million, compared to a decrease of EUR 114.8 million for November 2012. The attracted Equity Capital (acquisition/disposal of shares and equities in cash and contributions in kind by non-residents in/from the capital and reserves of Bulgarian enterprises and receipts/payments from/for real estate deals in the country) for January - November 2013 amounted to EUR 758.1. The receipts from real estate investments of non-residents amounted to EUR 130.6 million. By country, the largest direct investments in Bulgaria in January - November 2013 were those of the Netherlands (EUR 651.1 million) and Germany (EUR 195.9 million).

Link: <http://www.balkans.com/open-news.php?uniquenumber=187607>

Bulgarian deposits with amounts over BGN 1 million have increased by 114%

Though Bulgaria is the poorest country in the EU, deposits with amounts over BGN 1 million have increased by 114% in the years of crisis. In the period March 2009 - September 2013 the number of those deposits increased from 325 to 696, Standart daily reports citing data from profit.bg.

An even greater increase (by 185% to over 360,000) was recorded in the deposits of more than BGN 100,000. For comparison, in early 2009 these amounted to only 12,680.

The growth of large deposits, on the one hand, can be explained by the uncertainty in which people prefer not to consume and rather decide to save .

Link: <http://www.balkans.com/open-news.php?uniquenumber=187568>

Bulgaria applies to Brussels for over EUR 1.5 billion for energy projects

Bulgaria applied to Brussels for over EUR 1.5 billion for the implementation of projects in the energy sector. The money should come from the new mechanism named "Connected Europe", Standart daily reports citing mediapool.bg.

Bulgaria's bidding projects cover almost the entire spectrum of the country's energy sector: entirely internal areas and cross-border connections alike and mainly affect the expansion of the capacity of transmission lines with neighboring Greece and Romania.

Also, Bulgaria will fight for EU funding for the development of the existing cables between Plovdiv and Burgas and Dobrogea and Burgas.

In terms of tourism. In the first place, I believe we share the pleasure that Albania was described by one of the most prestigious point of reference when it comes to tourism, "New York Times" as one of 54 destinations to visit and was ranked 4-th. Of course, there has been Albania even when we were not. Her beauty that God ever created or nature area where we have blessed this country but can not hide his satisfaction that demolition of constructions on the Ionian coast were the reason why attention was drawn to Albania. And, as written in the description of the "New York Times" had a motive to refer to Albania, a country with its own wonders gjithëhershme, but also where there is a determination to protect this great fortune that we we have not established themselves and can be proud that we have done

anything else but that should feel guilty that we have damaged as possible, in all these years, by the property ".

Link: <http://www.balkans.com/open-news.php?uniquenumber=187484>

Bulgaria is about to introduce a 24% interest ceiling on quick loans

The Bulgarian Parliament is about to introduce a 24% interest ceiling on quick loans, as currently there are cases where the interest in such deals reach 400%, Standar daily reports. The amendment will be carried out with changes in the Consumer Credit Act. The changes will be entered by BSP MP Georgi Atanasov. "This is the answer to combating gangsters who are obsessed part of the so-called credit institutions," he snapped.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187776>

Bulgaria proposes to intensify bilateral trade and economic cooperation with India

“Bulgaria proposes to intensify bilateral trade and economic cooperation with India. The rapidly growing Indian economy is an important strategic partner in the Asian region for Bulgaria. Complementing mutual complementarities, Bulgaria seeks to invite Indian business community to its region as well”, said H.E. Anna Yaneva, Deputy Minister of Economy and Energy of the Republic of Bulgaria during an interactive meeting organized by MVIRDC World Trade Centre Mumbai and All India Association of Industries in association with Commercial and Economic Office of Bulgaria and Embassy of the Republic of Bulgaria. Elaborating on the bright prospects for Indian business players in Bulgaria Yaneva said that the region is an important transit hub to the markets of the European Union, Russia and the Mediterranean region. The region displays ease of doing business with low tax rates, educated and skilled workforce, low operating costs and well developed transport and logistics facilities. Also, the economy of Bulgaria has emerged unscathed from the great economic crisis of 2008 thereby displaying low budget deficit and public debt. The Government of Bulgaria promotes FDI into the region through preferential treatment in the form of tax incentives and subsidies, Mrs. Yaneva added.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187742>

Bulgaria Starts Talks on Gas Grid Interconnection with Turkey

Bulgaria starts talks for the construction of a gas grid interconnection with Turkey.

Bulgarian Economy and Energy Minister Dragomir Stoynev will meet with Turkey's Minister of Energy and Natural Resources Taner Yildiz on Friday in Sofia, according to reports of the Bulgarian National Radio (BNR).

The two energy ministers will discuss the establishment of a working group on the project.

The completion of the gas grid interconnection will provide Bulgaria with access to gas fields in Azerbaijan, which are an alternative to gas supplies from Russia.

The gas grid interconnection is a key project for the attempts to achieve a gas supply diversification in Bulgaria and the region, taking into account that the Turkish grid has six entry points for gas supplies.

On March 20, 2012 Bulgaria and Turkey signed a declaration for fast-tracking the project under which the construction of the 75-km Bulgarian section of the pipe should have started in mid-2013.

Due to the delay, the launch of the gas pipe, which is to carry 5 billion cubic meters of gas a year, is expected no earlier than 2019.

Link:

<http://www.novinite.com/articles/157520/Bulgaria+Starts+Talks+on+Gas+Grid+Interconnection+with+Turkey>

Serbian Minister of Foreign Affairs Ivan Mrkić's visit to Bulgaria

Initiation of talks for EU accession between the European Union and Serbia opens new perspective for comprehensive development of the Bulgarian-Serbian partnership. Bulgaria and Serbia have to build relations based on mutual understanding and development vision for their common future within the EU. That is what Bulgarian President Rosen Plevneliev said at a meeting with Serbian Minister of Foreign Affairs Ivan Mrkić, who is paying an official visit to Bulgaria, press secretary of the Head of State announced.

Bulgarian President Plevneliev repeated once again that our country will give Serbia its expect support within the course of the negotiating process. Rosen Plevneliev pointed out that initiation of EU accession talks is success not only for Serbia, but is also a positive sign for all Western Balkans countries.

Acceleration of the activity created in September 2013 - the Bulgarian-Serbian Chamber of Commerce and Industry, as well as the idea for organization of a joint business forum with the participation of the presidents of the two countries in border area where there is concentration of Bulgarian minority in Serbia were some of the topics under discussion.

According to Rosen Plevneliev stimulation of business contacts of the two countries is real chance that has to be seized for increasing the bilateral exchange of goods.

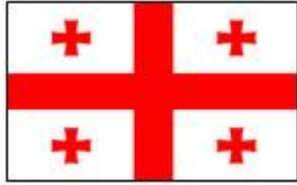
“I assure you that Serbia will do everything possible to improve living standard of Bulgarian minority in Serbia,” Ivan Mrkić stated during the meeting.

Bulgarian Prime Minister Plamen Oresharski declared full support to Serbia in the process of EU accession talks during a meeting with Serbian Minister of Foreign Affairs Ivan Mrkić, governmental press service announced. The Serbian Foreign Minister is in Bulgaria at the invitation of his Bulgarian counterpart Kristian Vigenin.

“We are at disposal for any kind of expert support in all fields. It is not necessary to repeat our mistakes,” Prime Minister Oresharski said. He again outlined Bulgaria's position for support to the countries in the Western Balkans for EU membership and stated that countries in the regions have common interests.

Link: <http://www.focus-fen.net/news/2014/01/24/325050/serbian-minister-of-foreign-affairs-ivan-mrkis-visit-to-bulgaria-roundup.html>

GEORGIA



World Bank expects 6.3 % growth in Georgia in 2014

The World Bank expects Georgia to have 6.3 percent economic growth in 2014.

The estimate was published in the Bank's Global Economic Prospects 2014, which reads that the prognosis for economic growth in Georgia in 2014 is 6.3. The expectation for 2015 is also 6.3 percent and 6.5 percent for 2016.

In 2013, Georgia's economic growth was 2.5.

The report says Georgia's trade balance to GDP has improved by 0.7 percent and will be 7.1 percent, while the forecast was 7.8 percent.

The country is one of the leaders among the 21 countries in its region. Turkmenistan (10.1 percent), Uzbekistan (7 percent), Kyrgyzstan (6.5 percent) are ahead of Georgia, while Azerbaijan is expected to have 5.3 percent growth, Armenia – 5 percent, Turkey – 3.5 percent and Ukraine – 2 percent.

The report says Georgia and Kazakhstan, where the stock of private external debt is particularly high, came under considerable pressure resulting in increases in long-term interest rates.

“The weakness in capital inflows caused the region's currencies to depreciate by 3.7 percent on the average,” it continues.

The Georgian lari has fallen in value for the last few months and today one USD is 1.7572 lari, while two months ago, October 16, one USD was 1.6764 lari.

Link: <http://dfwatch.net/world-bank-expects-6-3-growth-in-georgia-in-2014-2014>

Government hails construction of Gardabani Combined Cycle Thermal Power Plant

The construction of a 230 MW Combined Cycle Thermal Power Plant began officially on January 17 in Gardabani, Kvemo Kartli region with the goal to generate additional electricity and help reduce Georgia's dependence on imported electricity in the winter. The Partnership Fund (PF), a state-owned joint stock company together with its daughter company, Georgian Oil and Gas Corporation (GOGC) is in charge of the project, which will conclude by the end of 2015.

“This is a very important construction in the history of independent Georgia,” said Irakli Gharibashvili, Prime Minister of Georgia at the groundbreaking ceremony. “It is an unprecedented project; such a large-capacity plant can be considered a new stage for the development of the energy sector. The development of sector is vital for the country's economic success and strength,” he explained.

The gas-powered plant will generate 1.8 billion kW per hour annually. It will take up three hectares of land and will be equipped with cutting edge technologies including General Electric and Skoda turbines, which are expected to guarantee higher efficiency.

“What’s important, is that the Gardabani Combined Cycle Thermal Power Plant’s efficiency is higher by nearly two-fold compared with the other power plants operating on natural gas in Georgia; it will consume less gas, while its operating cost is cheaper,” said Irakli Kovzanadze, the Executive Director of the PF.

According to the Partnership Fund’s management, what makes the plant additionally important is that in with the event of problems arising in terms of electricity supply, the Combined Cycle Thermal Power Plant will have a reserve capacity to provide uninterrupted energy for a certain period of time.

Kakha Kaladze, the Vice-Premier and Energy Minister of Georgia, was also present at the launch and stated that today Georgia is 75% energy-dependent on neighboring countries, but by building such power plants, the country is making “a step forward for the prosperity of the energy sector.”

The total cost of the investment project is more than \$200 million. It is financed jointly by the PF and GOGC, while the construction is carried out by a large Turkish energy company, 3alok Enerji.

Kovzanadze underlined that almost 80% of Georgia’s electricity production depends on hydro and revealed PF’s upcoming plans for the Nenskra Hydro Power Plant in Svaneti. “It is exceptional as the region is well-watered even in winter,” he clarified and explained that the 210 MW plant’s total cost is estimated at \$570 million.

Ahmed Calik, the Head of CALIK Holding, congratulated Georgia on the launch of the Gardabani Thermal Power Plant and noted that he is honored to be involved in this project.

At the end of the ceremony, Gharibashvili, Kaladze, Calik and Kovzanadze signed the petition - “Message to next generation,” which was placed in a special capsule and dropped in the base of Combined Cycle Thermal Power Plant.

Link: http://www.georgiatoday.ge/article_details.php?id=11853

Ebrd to Increase Investments in Georgia about 2 times Y-O-Y

The European Bank for Reconstruction and Development (EBRD) expects that the investments will increase in Georgia.

Managing director of the bank Olivier Descamp made the remark after a meeting with Georgian Minister of Finance Nodar Khaduri on January 14, noting that the competition and antitrust legislation will be developed in the country.

The meeting discussed issues of the current and future projects funded by EBRD.

"It is important to develop cooperation with the new Georgian leadership as the government is forming a medium-term economic development program," Descamps said.

He said the EBRD is one of the largest investors in Georgia.

"Even more will be done in the future for the investments to be increased in the country, the competition and the antitrust legislation to be strengthened. The foreign direct investments declined last year, but it was a global trend. We hope that the investors will show an interest in Georgia," he noted.

The finance minister is optimistic about the future cooperation strategy.

Khaduri said the EBRD has been working in Georgia for 20 years and invested more than \$ 1.8 billion.

"We discussed the reforms that must be implemented in Georgia. The future cooperation with the EBRD will be specified in the near future," Khaduri added.

The Georgian economy is expected to see a modest recovery in 2014 after a sharp slowdown this year, the EBRD says in its latest Regional Economic Prospects report.

GDP growth is projected to slow down from 6.2 per cent in 2012 to 2 per cent in 2013. The forecast for 2013 is a further downward revision from the forecast in May, when the EBRD expected 2013 growth of 3 per cent.

To date, the EBRD has invested a total of €1.8 billion for 158 projects in various sectors of the Georgian economy, and has mobilised a further €3 billion for these ventures from other sources of financing. In the Georgian power sector alone, the EBRD has committed over €250 million.

Link: <http://www.sarke.com/cgi/search/news.asp?Code=10040125>

GREECE



Tourism arrivals in Jan-Sept 2013 rose by 15 pct

The impressive course of Greek tourism last year has been officially confirmed by the international arrivals data for the first nine months of 2013 published on Thursday by the Hellenic Statistical Authority (ELSTAT).

From January to September the number of foreign tourism arrivals grew by 15.2 percent, or about 2 million, from the same period in 2012 to reach 15.5 million, exceeding in just nine months the number of arrivals recorded in the whole of 2012 by a few thousands.

The data confirm the momentum seen in markets such as Russia and Turkey, which showed an increase of 49.4 percent (to 1.21 million) and 45 percent (to 676,000) respectively.

The other major markets to post an increase in tourism flow to Greece were France (16.9 percent), Italy (14 percent), Serbia (24 percent) and the US (26.2 percent), while visitors from the emerging market of China grew by a spectacular 85 percent year-on-year.

Link: http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_23/01/2014_536768

Bank deposits post unexpected growth

Deposits posted a significant increase of about 1 billion euros in December according to data collected by the country's major commercial banks, to reach 162 billion euros.

Bank officials say that while this rise in deposits is a positive development, it can be attributed mainly to seasonal factors. They argue that before banks can see a substantial increase in deposits the country will have to return to a state of complete social and political stability and that expectations for a rebound of the economy will have to be vindicated with an end to the recession this year.

The same sources say that current liquidity conditions are far from satisfactory as deposits have grown by just 15 billion euros from their lowest recent level, reached in June 2012 when twin general elections led the bank account balance to just 150.58 billion euros – the lowest since 2005. In fact, deposits remained stagnant at a level that is 75 billion euros below what it was before the outbreak of the financial crisis. In end-2009 households and corporate deposits added up to 237.5 billion euros.

Other, more optimistic, credit sector professionals say that the containment of the outflow and the small increase in inflows to bank accounts – against expectations for a decline in the total balance last month due to the payment of multiple taxes – is definitely positive and constitutes the first step toward smooth cash flow. This will happen, they say, once the number of depositors grows, leading to liquidity passing on to the real economy.

In a recent analysis JP Morgan estimated that in the coming years deposits in Greek banks could grow by as much as 30 billion euros.

Bankers say that for capital to start returning in a significant way to accounts, the factors that produce and sustain the uncertainty – such as the risk of political instability or of a bank account haircut – have to be eradicated, while the economy returns to growth. Simply put, the end of the recession will lead to an increase in incomes and therefore to savings.

From the June 2012 low deposits grew slowly to 164.14 billion euros in March 2013 and since then have taken a declining course, with the latest official data by the Bank of Greece showing a sum of 161.94 billion euros in November 2013.

Loan balances, meanwhile, added up to an estimated 221 billion euros, meaning a gap between loans and deposits amounting to about 60 billion euros.

Link: http://www.ekathimerini.com/4dcgi/_w_articles_wsite2_1_23/01/2014_536767

Eurostat: Greece's Debt Increased

Despite the recession and the austerity measures, the Greek public debt increased in the third quarter of 2013, with a 19.5% total increase in a year.

According to Eurostat, Greece is the champion of debt as far as Gross Domestic Product (GDP) is concerned. In absolute value the debt increased only 5.7%, from 300.1 billion to 317.3 billion Euros. However, the continuous recession reducing the GDP, turns Greece into the country with the biggest debt among others in debt countries.

On an annual basis, in the third quarter Cyprus' debt had the biggest increase (25.3%, 18.4 billion Euros or 109.6% of GDP), while in third place is Spain with a debt of 93.4% of GDP and a 14.3% increase.

Link: <http://greece.greekreporter.com/2014/01/22/eurostat-greeces-debt-increased/>

George Soros Opens Solidarity Center in Greece

The Guardian featured an article today about George Soros and the opening of his “Solidarity Center” in Thessaloniki, Greece, the first of many he plans to open in order to help Greeks who were hit the worst by the economic crisis.

According to the article Aliko Mouriki, a sociologist of the Greek National Center for Social Research said: “Greece, to a great degree, has become a failed state. It is unable to provide basic facilities for its citizens because of budget cuts. In the absence of public welfare, and with around one and a half million officially unemployed, growing numbers are looking for substitutes elsewhere.”

Last year, George Soros had offered Greek institutions 1 million dollars to buy heating oil, after mayors in different Greek municipalities requested help. “It had got to the point where some of the schools had not a drop of oil left. This month we got 20,000 tons from Soros and it has really helped. The government has now promised an extra four million euros but we have yet to see it,” said the mayor of Naoussa in Northern Greece.

George Soros has donated money for heating oil to approximately 190 Greek institutions such as orphanages, schools, nurseries and homes of the elderly and is planning to open “Solidarity Centers” around Greece. The first one opened in Thessaloniki just a few days ago and is already filled with applications.

George Soros’ philanthropy has been the subject of a great controversy. Parents’ associations all over Greece are refusing donations because they are suspicious of his motives. Yiannis Boutaris, mayor of Thessaloniki responded saying “Why Soros gives money to Thessaloniki or other Greek regions, or even to NGOs to help vulnerable groups, should not be the centre of attention. It is the fact that Greek tycoons, shipowners and those from the diaspora don’t follow his example.”

Link: <http://greece.greekreporter.com/2014/01/21/george-soros-opens-solidarity-center-in-greece/>

Greece Second in Falling Property Prices

New data by the Bank of Greece reveal that the Greek real estate market slumped by 9.2 percent during the third quarter of 2013, which according to Eurostat was the second-worst performance among European Union countries, following new EU member Croatia with a fall of 16.9 percent.

This recession in the domestic real estate market seems unlikely to change in the next few months, even though prices have decreased 32 percent across Greece since the start of the financial crisis. Today there is an average waiting time of 12 months from when properties are put on the market to the actual sale, in contrast to just 5 months at the beginning of 2009, mentions a BoG report. Meanwhile, Fitch Ratings expects a further price drop in 2014 reaching up to 42 percent.

The situation on the Greek housing market though is not shared by the other southern EU countries, where the first signs of recovery are visible. Eurostat numbers reveal that in Spain the rate of decline didn’t exceed 6.4 percent. In Portugal prices decreased by 2.9 percent in Q3 and in Italy by 5.3 percent.

On the other hand, the largest EU growth rates were recorded by Estonia with 11.1 percent, Luxembourg with 6.5 percent and Latvia with 6.2 percent.

The Greek numbers rank much below the EU average, where the drop came to just 1.3 percent in Q3 compared to an annual slide of 2.4 percent in Q2. Across the EU the drop amounted to no more than 0.5 percent.

The Greek central bank noted that the market continues to be dominated by excessive supply and a considerable decline in demand, which should be attributed to the major increase in unemployment and to the reduction in households’ available incomes, the rise in property taxes, the instability of the existing taxation framework and the lack of cash flow, given that banks are careful in issuing loans.

Link: <http://greece.greekreporter.com/2014/01/22/greece-second-in-falling-property-prices/>

MOLDOVA



European investments will automatically come to Moldova

Competitiveness is not only a characteristic of the European Union, but of any market, said EU Agriculture Commissioner Dacian Ciolos in an exclusive interview with Moldova.ORG.

Answering a question referring to the level of readiness of Moldovan agricultural products to emerge on the European market, Mr. Ciolos explained that one has to be competitive regardless of the market it enters. According to him, this can be made by earning the consumers' trust.

“You have to be competitive on any market you want to access, meaning that you have to persuade the consumer to accept your product,” Dacian Ciolos said in the interview.

The European official said that once the Association Agreement goes into force, besides Moldovan wine, also fruits, vegetables and meat will enjoy free access to the EU market if it meets quality standards. He is hopeful that the amount of such goods will increase in the following years.

Mr. Ciolos explained that EU investors are likely to come to Moldova once the accord is signed. According to him, they will bring in new technology and develop the agriculture sector in Moldova, generating new jobs and more taxes paid to state budget.

“European investments will even automatically come [to Moldova] simply because the Deep and Comprehensive Free Trade Agreement will be enforced and Moldovan products will be able to enter the European market without any limit, as it is the case for wine which is exported to the EU without any quotas,” Commissioner Ciolos stressed.

Moldova has initialed an Association Agreement with the EU in November 2013, hoping to sign and enforce it by the end of September 2014. The deal will lift any export quotas and customs duty for Moldovan products that will be sent to the European market.

Link: <http://economie.moldova.org/news/dacian-ciolos-european-investments-will-automatically-come-to-moldova-241193-eng.html>

In 2013, Moldova exported more to EU, less to CIS

Goods exports have significantly increased in November 2013. Moldovan National Bureau of Statistics reported that exports increased in November by 12.4% more than in October 2013 and by 17% more than November 2012. Exports were worth \$252.7 million.

Goods imports increased by 1.4% compared to a month before. However, the country imported less by 2% compared to November 2013. Imports were worth \$487.2 million.

Based on the data, Moldova exported more to the European Union (EU) member states than to the Commonwealth of Independent States (CIS).

Exports to the EU amounted \$1038.9 million in January-November 2013, which is by 12.7% more compared to the same period a year before. Export quota to the EU was about 47.3%.

A decrease in exports to the CIS was registered during January-November 2013 compared to the same period of 2012. Therefore, export quotas to this region decreased from 43.2% (in January-November 2012) to 38.8% (in January-November 2013). Total value of exports to this region amounted \$853.5 million.

Among the top export destinations were Russia, Romania, Italy, Ukraine, Turkey, Germany, the UK and others.

Link: <http://economie.moldova.org/news/in-2013-moldova-exported-more-to-eu-less-to-cis-241043-eng.html>

The Decision to Abolish Visas for Moldova is to be Adopted by the End of May

This was declared by the European Commissioner for enlargement and European neighborhood policy during the joint press conference in Chisinau with the Moldovan Prime Minister Iurie Leanca and European Commissioner for agriculture and rural development Dacian Ciolos. He stressed that there is no reason to say that such a decision will not be made as it was agreed before, since there is a strong political consensus on granting visa-free regime to Moldova on the basis of European Commission recommendations. Stefan Fule said that the next week the rapporteurs on this issue from European Parliament will arrive to Chisinau. It can be reminded that on January 9 the European Parliament Committee on civil liberties, justice and internal affairs presented positive report on visa regime liberalization for Moldovan citizens. The rapporteur, MEP Tanya Faion called for prompt granting free travel regime to EU countries for Moldova. The commission decision will be made till the end of February and the final decision will be taken by the European Parliament at its plenary session till May of this year.

Link:

http://infomarket.md/en/politicalreview/The_decision_to_abolish_visas_for_Moldova_is_to_be_adopted_by_the_end_of_May_till_the_expiration_of_the_mandate_of_the_current_composition_of_European_Parliament_-_Stefan_Fule

Moldova is Actively Negotiating New Power Purchase Contracts and Hopes to Have the Power Price Brought Down

According to Vice-premier, Economy minister Valeriu Lazar, Moldova sent purchase proposals to energy companies of Ukraine, to Moldovan Hydropower plant (Transdnistria) and to Romania. Romania has offered a lower selling price for power and the government of Moldova is actively negotiating the power supply with this country, Valeriu Lazar briefed to journalists. Up to March 31 2014, Moldova purchases electricity from DTEK Vostokenergo (Ukraine), a member of DTEK holding,

owned by well-known businessman Rinat Ahmetov, and from Moldovan Hydropower plant, which belongs to INTER RAU UES (Russia). Since April 1, 2012 the electricity price for Moldova has not changed, staying at 6.9 cents per kWh. Earlier, Minister of Economy of Moldova Valeriu Lazar announced Moldova's interest in importing power from Romania, where it is 15-20% cheaper than that bought from Moldovan Hydropower Plant and DTEK Vostokenergo, Ukraine. As he said then, the technical obstacles for the import would be removed by equipping the Vulcanesti-Isaccea line with the back-to-back converter to synchronize technical parameters on both lines in order to broaden the inflow of power from Romania.

Link:

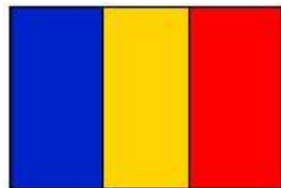
http://infomarket.md/en/pwengineering/Moldova_is_actively_negotiating_new_power_purchase_contracts_and_hopes_to_have_the_power_price_brought_down_since_April_1_2014

Industrial Prices Grew 4% in Moldova in 2013 Year-On-Year

In December 2013 they increased 0.6% month-on-month and 4% as compared with December 2012, the National Bureau of Statistics reports. In December, 2013 mining industry prices went down 2.4% as compared with December 2012, and down 0.9% month-on-month. Mining industry prices went up 5% as compared with December 2012, and up 0.7% month-on-month. In the energy sector, they decreased 2.4% against last December but stayed unchanged as compared with November, 2013.

Link: http://infomarket.md/en/industry/Industrial_prices_grew_4_in_Moldova_in_2013_year-on-year

ROMANIA



Mortgage loans in lei are now just as profitable as euro-based credits

The annual percentage rates for the cheapest offers of real estate loans in lei have settled below 6%, which makes them just as profitable if not more profitable than loans in euro. This along with the fact that a new European directive will make it easier for clients to convert the currency of their loan from foreign currency to lei creates the context for a surge in lei-based mortgage loans in the near future.

“The most important news of this year, maybe even of the last decade, which concerns over 2 million Romanians and their families, has gone completely unnoticed: the cost of mortgage in lei has reached the same level as those in euro”, Cristian Hostiuc, editor-in-chief of Ziarul Financiar, writes in his feature editorial on the topic.

Hostiuc argues that for over a decade, mortgages in euro were far more profitable than those granted in lei. The cost of Romania’s national currency on the interchange has fallen and as a result, banks had to lower interest rates on credits granted in lei. At the current level of 2% on Robor at 3 months (the indicator used as reference for the cost of retail credits), a loan granted din lei has reached an interest rate equal to that of a credit in euro.

For example, the month rate for a credit of RON 180.000 (approximately EUR 40.000) contracted over 3 years starts at RON 950 (EUR 210). The client will have to reimburse 363.000 lei in total, and the interest rate will be 5.7%/per year. A loan in euro of the same value will carry a monthly fee of 220 euro and an interest rate of 5.9%/per year.

At the start of 2007, mortgages in foreign currency represented 85.5% of total housing loans contracted by the general population, according to gandul.info. Seven years later, in January 2013, the total value of mortgage credits in a foreign currency has risen to 94.9% of total stock. Towards the end of the year, the percentage dropped to 92.2%, as loans in lei resurfaced.

Clients have avoided lei-based credits for decades, intimidated by the high interest rates. For example, the rate for a lei-based credit was 30% higher than the rate for a mortgage in euro at the start of 2012. Banks chose to aggressively promote foreign currency loans, since they could always rely on cheap resources from mother banks.

These resources are gone, and in turn bankers need to rely more on loans in lei. The Central Bank of Romania is helping with its policies of monetary relaxation. The key-interest rate in lei has been reduced by 1.5% in the last 6 months, to a minimum of 3.75% per year.

“This is a huge opportunity, but it will only last for 1 to years, after which the interest rates will start rising again”, Hostiuc concludes.

BCR Banca pentru Locuinte says 19 percent of young clients seek ‘immediate’ loan

Another major shift about to happen in the mortgage loan industry is the implementation of a new European directive that allows credit-holders to switch from foreign currency to lei, at the exchange rate of the day they made their solicitation, without having to refinance their loans. The bank creditor may

deny the request only if the guarantees supplied by the client are insufficient, which may happen given the state of the real estate market.

At present, if a client wishes to change the currency of a mortgage loan, they would need to refinance their credit. A refinancing is similar to taking out a new loan, but many credit-holders have seen the value of their real-estate drop considerably, which makes refinancing difficult. The conversion to a lei-based credit would solve a lot of problems.

The change will take place in march and Romania has a curfew of two years to change it legislation. The practical details of how the conversion will unfold are yet to be determined, most likely to be ironed out in spring.

Link: <http://business-review.eu/featured/mortgage-loans-in-lei-are-now-just-as-profitable-as-euro-based-credits/>

Romania's Dacia global sales rose by 19.3 percent

Romania's Dacia, the car maker controlled by France's Renault, said on Tuesday its global sales rose by 19.3 percent to a fresh high of 429, 540 units last year, despite poor market conditions in Europe and Eurasia, its main growth regions.

In Romania, Dacia gained 12.4 percent in the sales to 24,890 units, increasing its market share by 5.4 percent to 31.6 percent.

Dacia Logan Sedan was the best sold model locally with 10,000 units, followed by supermini model Sandero and the Duster SUV.

“We have been able to grow our market share in companies and individuals, as we were significantly helped by the Remat program (e.n. cash for clunkers scheme),” said Thomas Dubruel, commercial director of Renault Group in Romania. Companies have generated 77 percent of Dacia's total sales in Romania.

The top selling destinations for Dacia are France and Germany, with 94,000 units and 47,000 units, respectively. In Algeria, Turkey, Spain and Morocco, the car maker reported sales over 30,000 units. Over 290,000 cars under the Dacia brand have been registered on the European market last year, which is equivalent to a 2.1 percent market share.

Dacia manufacturers cars at its plant in Mioveni, Pitesti County.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187691>

Romania: Retailers going digital is one of the major trends predicted for 2014- Source

Online expansion and new formats, increased efforts to find local suppliers and a slowdown in store openings are the main developments expected on the Romanian retail scene in 2014, Michael Weiss, partner with A.T. Kearney's Bucharest office, tells BR.

There is little to indicate that 2014 will be considerably different from the previous year for the local retail industry, yet at a closer look, there are the right premises for this year to mark the beginning of more profound changes to come.

“While at first glance, the challenges look similar to last year’s – for example flat market dynamics, little prospect of improving purchasing power, retail overcapacity and discount-driven competition – most retailers reached the peak of what business as usual offers in 2012 and short-term optimization and operational tactics are no longer enough to protect current levels of operative margins,” said Weiss. Retailers’ reactions over the past year have ranged from introducing innovative formats such as new franchise concepts, changing their approach to local sourcing strategies and category management, he explained.

2014 will not bring abrupt changes, but rather the beginning of a gradual transformation over the next two or three years, where “the market and retail landscape will be shaped by players that not only have innovative approaches but are actually able to implement them,” added Weiss. This will mean introducing new formats, increased efforts to find local suppliers and changes in store operations.

Above all, retailers going digital is one of the major trends predicted for 2014. “We are expecting significant changes in digital retail. If you consider a market like Romania where a discounter such as Lidl has more than 1 million Facebook friends, you can see a clear indication of the market potential,” he said. With the right strategy in place, the shift towards online looks like the most promising game changer this year, across formats, but also for urban versus rural retail segmentation, he believes.

As for new players entering the local market, Romania will probably not see the arrival of another international player in 2014, thinks Weiss. However, existing players will look into expanding into selected niche categories and formats, and consolidation is likely for retail formats where there is overcapacity. The growth potential of big retail formats is limited and players will most likely slow down the opening of new stores.

2013 highlights

Although consumption showed no concrete signs of recovery in 2013, several local retailers maintained a steady expansion pace throughout the year, with Mega Image, Kaufland and Profi among the most active. With the exception of Kaufland, small stores were the option of choice when opening new outlets. Last year’s big news was the opening of the first online grocery store operated by a large retailer. In July, Carrefour officially launched its online store – carrefour-online.ro. In November, Cora launched the first local drive-through service which for now is available in its Lujerului hypermarket in Bucharest. Mega Image was one of the players that maintained an aggressive expansion pace by opening 104 new stores: 37 Mega Image supermarkets and 66 Shop&Go proximity stores. Meanwhile, in September, Romania became the first country where the Belgian Delhaize group launched a new retail brand, AB Cool Food, which sells exclusively frozen foods. By the end of the year Mega Image was operating a network of 296 stores in Romania.

Other players also invested in opening new stores. Discounter Kaufland opened eight new hypermarkets in 2013, reaching a network of 89 at the end of the year. Part of the same Schwartz Group, Lidl opened 14 new outlets in 2013, giving it a total of 168 units. Profi opened 63 new stores in 2013 and launched new retail formats. By the end of the year the retailer was operating 207 stores.

By December, Carrefour Romania had grown to a network of 25 hypermarkets, 78 supermarkets, 56 Carrefour Express proximity stores and the firm’s online store.

Cora opened two new hypermarkets in 2013 and had a network of 12 hypermarkets at the end of the year. After taking over the 20 local Real hypermarkets as part of a regional deal with Metro Group in 2012, Auchan started rebranding the first stores. Following the takeover, Auchan Romania reached a network of 31 branches.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187671>

Five consortiums submit bids for Romania's Hidroelectrica IPO

Romania's Hidroelectrica, the state-owned hydroelectricity producer, announced on Monday five consortiums submitted bids for handling the initial public offering (IPO) of the company on the Bucharest Stock Exchange.

Constantin Nita, energy delegate minister, said Hidroelectrica would be listed in June, along with electricity supplier and distributor Electrica. The IPOs are part of Romania's stand-by agreement with international lenders such as the IMF and the World Bank.

Bidding consortiums

Alpha Finance Romania, Alpha Bank Romania, Deutsche Bank, London subsidiary, SSIF Intercapital Invest, SSIF Broker, UniCredit Bank Austria.

Erste Group Bank (syndicate manager), Goldman Sachs International, Banca Comerciala Romana

BRD Groupe Societe Generale (syndicate manager), Societe Generale and JP Morgan Securities

Citigroup Global Markets Limited, Wood & Company Financial Services, NBG Securities Romania, NBG Securities, Swiss Capital, BT Securities

Raiffeisen Capital & Investment, Morgan Stanley & Co International

A joint commission, set up by the department for energy and Hidroelectrica, will assess the offers in the next period, according to a company statement.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187593>

Romanian Real Estate: Trend Shows Downwards

In 2014, apartment prices in Romania are expected to decrease further. However, the downward trend will decelerate slightly, according to experts.

Since the outbreak of the financial crisis in 2008/09, the Romanian real estate market shrank drastically. Last year, property prices continued to drop further. In the last twelve months, property prices fell by 6% in Romania.

In contrast to the property market, prices for farmland rose enormously. In the past two years, farmland prices rose by approximately 50%.

According to the Romanian real estate group Darian, the trend of decreasing apartment prices will continue, but decelerate slightly. Due to the weak economic development, there is no rebound in sight yet.

Link: <https://www.friedlnews.com/article/romanian-real-estate-trend-shows-downwards>

Coffee consumption in Romania is on the rise

According to different market studies, Romanians drink coffee on a daily basis, only sip tea on occasion and indulge on soda frequently.

Coffee

On average, Romanians drink half a cup of coffee every day, Mondelez reports. By comparison, the Dutch cannot survive without at least two and a half cups of java-juice for their daily consumption.

Still, coffee consumption in Romania is on the rise, from 2.23 million kg. in 2010 to 2.39 million kilograms last year. Romania imports over 40.000 tons of coffee annually, and the market is valued at USD 100 million, writes wall-street.ro.

Tea

Romania doesn't have a tea-drinking tradition like other countries, namely Russia, Poland, UK or Turkey, and it is thought of more as a remedy than a desired drink.

“Tea consumption is very reduced in Romania, compared to neighbouring countries and to the European average. If Russians and Poles drink 50 to 70 litres of tea every year, Romanians barely drink 3 litres yearly“, according to Daniel Barbulescu, Foods&IceCream marketing manager at Unilever, quoted by incomemagazine.ro.

The overall value of the tea market in Romania in 2012 was EUR 23 million.

Soft drinks

A Romanian buys on average over 55 litres of soda in one year, which is abysmal compared to the 170 litres purchased by an American, according to data pooled by Euromonitor.

Still, the Romanian soft drinks market had total revenues of USD 1.8bn in 2011, representing a compound annual growth rate (CAGR) of 0.8% between 2007 and 2011.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187520>

FDI in Romania rose by 22.3%

The National Bank of Romania said on Friday foreign direct investments (FDI) to Romania totaled EUR 2.4 bln in the first 11 months of 2013, an increase of 22.3% compared to 2012 and a maximum value for the last four years.

November saw the highest monthly volume of foreign investments, with EUR 571 million. November along with September (EUR 379 million) and October (EUR 313 million) were the best months for foreign investments.

The current account deficit registered a deficit of EUR 1.32 bln between January and November 2013, compared to EUR 5.39 bln in 2012, according to the same source.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187481>

Romania: Construction of Comarnic-Brasov motorway set to start on April 20

Buildings works on the Comarnic-Brasov motorway are set to start on April 20, and should be completed by 2017, said Romanian Prime Minister Victor Ponta.

The Vistrada Nord consortium, comprising France's Vinci, Austria's Strabag and Greece's Aktor, will build the 53 kilometer motorway and another 7 kilometers of linking roads. The project runs a cost of EUR 1.8 billion, accounting for roughly 28 million per kilometer, according to PM Ponta.

The motorway will pierce through the Carpathian mountains and should significantly cut down travel times between Bucharest and Brasov, and in the same time ease traffic on the National Road 1 (DN1), linking Bucharest to northwestern Romania. This will be the first motorway to operate under the pay-to-use system. Drivers will have to pay a toll of RON 5.7 (EUR 1.2)/VAT excluded.

“At present negotiations are underway with banks to finance the projects. Normally, by April 20 we should sign the contract and inaugurate the building site from Comarnic (e.n. town in Prahova County) and from Cristian (e.n. locality in Brasov County),” said the PM on Thursday, quoted by Agerpres newswire.

The consortium has inked today a memorandum with the government on the construction of the motorway, under a concession system.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187449>

Romanians are optimistic regarding economic development

Romanians are optimistic regarding economic development in the following 12 months and both their willingness to buy and income expectations are rising, a survey from market researcher GfK showed.

However, most of the polled Romanians expect unemployment levels to rise in the next year compared with 2013, GfK said in its latest Consumer Climate survey.

“Population confidence will continue to grow, fueled by political promises during the election campaigns this year. Confidence levels are always above average during election years,” said Andi Dumitrescu, general manager of GfK Romania.

According to the survey, Romanians’ confidence in the local economy rose to its highest level since the global and financial crisis started in 2008.

However, around 40% of the surveyed Romanians believe their family’s finances worsened during the past year, with only 13% of the respondents thinking their situation has improved.

58% of survey participants said the overall state of economy suffered a regress in 2013, compared to 2012. However, in December 2012 this was the general mindset for 68% of respondents. 18% of Romanians expect 2014 to be a better year for them.

Also, 7 out of 10 Romanians believe that prices were higher in 2013, compared to the 83% in December 2012.

The only indicator that regressed is the feelings toward employment. Two thirds of respondents believe unemployment will be worse in 2014, compared to 63.5% who believed the same thing in 2012. The percentage of people optimistic about employment has also been reduced, from 7% (2012) to 5% (2013).

Link: <http://www.balkans.com/open-news.php?uniquenumber=187838>

RUSSIAN FEDERATION



Quantity, Not Size, Key Theme for Russian Real Estate Market in 2014

Despite lowered expectations for economic growth, Russian real estate remains attractive to foreign and domestic players with total investments expected to reach \$7 billion in 2014, consultancy Jones Lang LaSalle said in a report.

This is a decrease from 2012 and 2013, when investments totaled \$8.8 billion and \$8.1 billion respectively, but is not due to a decline in market activity.

Last year was filled with major deals on the commercial property market, most notably Morgan Stanley's record-breaking purchase of the Metropolis shopping complex for \$1.2 billion.

Deals of this size are not anticipated for 2014, meaning that the investment volume may well decrease, but the total number of deals is likely to rise, said Stanislav Bibik, head of the capital market department at Colliers International.

While investment in other sectors has fallen, the Russian real estate market has remained strong thanks to a supply of premium commercial property that offer higher rates of return than equivalent products in Western Europe, Bibik said.

A survey published last week by Ernst and Young reached similar conclusions.

Among representatives of 33 companies active on the Russian property market, 73 percent expected the volume of real estate deals to rise in 2014, with 88 percent describing Russia as an attractive or very attractive location to invest in real estate.

Respondents expressed an increased interest in residential real estate, with 72 percent saying they intended to focus investment in housing this year, up from 23 percent in 2013.

But office and retail, which each accounted for about 37 percent of investment in 2013, are expected to remain leading destinations for investment.

The office sector will dominate, said Olesya Dzuba, deputy head of research at Jones Lang LaSalle Russia, pointing to upcoming deals such as mobile operator MTS's plans to buy more than 100,000 square meters at business park Nagatino I-Land in Moscow.

Retail also remains an investment vehicle of choice, particularly for foreign investors, thanks to Russia's notoriously high consumer demand and an under-supply of retail facilities, Bibik said.

Investment in warehouses shot from 7 percent in 2012 to 14 percent in 2013 following Renova's \$900-million sale of its MLP warehouse portfolio to BIN Group.

The warehouse sector will see 10 percent of total real estate investment in 2014 thanks to several major deals now under negotiation such as logistic complex Logopark as well as an increase in demand for built-to-suit projects, Dzuba said.

Last year also saw increased activity in the regions, including the \$250-million purchase of the Auro shopping center in Novosibirsk by RosEvroDevelopment, one of the largest deals ever closed outside Moscow and St. Petersburg.

"People, and especially retail developers, are further discovering the regions," Bibik said, identifying cities with populations upwards of 250,000 as an increasingly popular destination for developers.

Link: <http://www.themoscowtimes.com/business/article/quantity-not-size-key-theme-for-russian-real-estate-market-in-2014/493031.html>

B2B: The Importance of the Right Commercial Policy

Does your organization have a written commercial policy? Does it set clear and equitable rules and drivers for your business partners? Do your managers clearly understand and consistently apply them? Does your policy fully meet the commercial objectives of the business? Is it overly conservative or flexible enough to encourage more proactive sales strategies by accepting a reasonable level of risk. To what extent is the policy open to your business partners? Does it comply with the applicable tax, competition and anti-bribery legislation? These are just some of the questions that executives periodically address to drive up sales and profitability. Let's take a closer look at certain practical and legal aspects of how organizations perform with and without a proper commercial policy.

Optimizing VAT treatment of discounts, bonuses and service-type fees

There are many instances when companies incentivize their business partners with retroactive or prospective discounts and bonuses, which are VAT neutral if they do not change the price of goods sold. Most such incentive payments are well known, such as turnover and floor sample discounts, sell-in / sell-out bonuses, bonuses for timely payment, etc. They are most commonly used by major suppliers in the FMCG industry, but gradually will become more widespread, especially in the e-commerce sector and by companies seeking to expand.

Bonuses to cascading levels of the supply chain, e.g. in the absence of direct contractual relationships with sub-dealers, are used less frequently due to the associated tax risks. The same applies to bonuses for marketing of already sold products in third-party retail stores. Some payments, e.g. for provision of financial statistics, conducting marketing campaigns, training sales personnel, are service fees and attract VAT. Retroactivity should be minimized to avoid reissuing VAT invoices and amending earlier tax records and returns.

Mitigating the risk of losing tax deductions

Analyzing existing court practice, we find multiple cases when the Russian tax authorities challenged the deductibility of certain payments — which companies clearly made for business reasons to unrelated parties — either on the premise that they lacked documentation supporting the rationale for payment or as being economically unjustified (i.e. not aimed at generating profits), or if they violated applicable laws.

In many cases, taxpayers ultimately won, sometimes only at the federal circuit level. However, the mere fact that businesses encounter unplanned expenses litigating over matters that in many developed tax jurisdictions are barely challenged is an unnecessary burden. This is especially relevant in the current economic environment, coupled with budget deficits and a clear trend towards more sophisticated tax audit practice and a greater level of unpredictability in tax disputes.

We already live in a world where the Russian courts have developed concepts and doctrines going far beyond a literal reading of the statutory rules. Corporations need to be proactive and try to remove

unnecessary tax risks. One easy means to achieve this is to prepare an appropriate commercial policy that provides formal guidance for the business and explains the economic rationale for underlying payments, especially for new business techniques developed overseas and imported into Russia.

Upsides of greater compliance

If a particular payment contradicts applicable competition laws, the tax authorities may attempt to challenge its deduction for tax purposes. This is especially true for payments aimed at coordinating the market, at linking dealers with particular distributors, at maintaining suppliers' price policies at various levels of the supply chain, and at having sales managers give a particular brand preferred treatment over competing ones when offering products to customers.

There is plenty of risky creativity in the market regarding disguised payments. Some arrangements may contravene Russian competition law.

However, if the desired goals are not unlawful in substance, it is possible to achieve them through adjusted, but legitimate, means. The same applies to questionable payments under applicable anti-corruption laws.

Benefits of thinking in the long term

Developing a new commercial policy (or revising an existing one) is normally accompanied by an in-depth analysis of the drivers an organization sets for its managers and business partners.

Discussions over financial and operational considerations, working capital and inventory management, and related regulatory aspects help companies better understand their growth strategies and pave their unique way for products to reach customers in the desired manner.

In certain cases, businesses deliberately favor greater flexibility over complete, but restrictive, compliance policies, especially when the upsides of envisioned "freedom" of corporate behavior outweigh the potential penalties and cost of possible litigation. However, over time, organizations should benefit more if they can incorporate their vision of long-term corporate growth into a concise, flexible and user-friendly commercial policy that can be easily adjusted going forward.

Link: http://www.themoscowtimes.com/business/business_for_business/article/b2b-the-importance-of-the-right-commercial-policy/493000.html

Moscow High-End Apartment Market Soars to \$1.3Bln

The average price of one square meter of the 100 most expensive apartments in Moscow was \$44,800, with the average price tag of such properties hitting \$12.8 million, according to an index of high end residential real estate compiled by IntermarkSavills.

One square meter of premium real estate in Moscow has increased in price by 21 percent over three years, whereas the combined cost of elite housing has grown by 29 percent for the same period to reach \$1.3 billion, Vedomosti reported.

The most expensive property, a 500 square-meter apartment near Ostozhenka Ulitsa priced at \$37 million, equals the price of the 240 least expensive apartments in Moscow or an entire settlement of 870 similar properties located in the Moscow region, IntermarkSavills said.

The share of properties where one square meter cost \$40,000-50,000 has risen from only 14 percent three years ago to almost half now, IntermarkSavills managing partner Dmitry Khalin said, adding that properties costing \$35,000 per square meter were no longer among the top 100 positions in the index.

Ostozhenka remained the priciest street in Moscow, where up to 40 percent of all premium properties with combined value of \$565 million were located, down from 55 percent in 2010. Arbat took second place in the index with 17 percent of all premium residences, which have an overall value of \$167 million, followed by Patriarshiye Prudy where 10 percent of the elite properties are located, and have a combined value of \$136 million.

The least expensive apartment for sale in Moscow is a 17.7 square-meter property near Kantemirovskaya metro station costing 4.1 million rubles (\$125,540), said Alexei Shlenov, executive director at real estate agency Miel.

Link: <http://www.themoscowtimes.com/business/article/moscow-high-end-apartment-market-soars-to-13bln/493005.html>

Private Sector Seen as Solution to Run-Down Social Services

While the need to draw private business into the provision of Russia's often dilapidated and underfunded social services is now widely recognized, a road map for doing so stirred up concern and skepticism among officials at the Gaidar Forum on Friday.

Economists hope that competition and private investment could spur improvements in the state's outdated education, health care and other social service infrastructure.

"It is time for us to recognize that the access of private business to the social sector is the prerequisite for rehabilitating the social sector itself," said Lev Yakobson, first deputy rector of the Higher School of Economics.

Yakobson chaired an interdepartmental task force that developed the road map over the past six months on the order of the Agency of Strategic Initiatives, a government-linked think tank.

The need to attract private businesses to health care, education and other social services was clear even before the economic crisis of 2008 to 2009, Yakobson said.

At that time, a study by the Higher School of Economics found that the government would be unable to cope with the needs of its population without the participation of private business.

It will not be easy, however. There are few government agencies prepared to work with nongovernmental institutions, and vice-versa, Yakobson said.

Furthermore, there can be no uniform solution — attitudes toward private enterprise vary in different parts of the country, as does the level of development in the private sector, he said.

To accommodate these disparities, the road map suggests supporting pilot projects in a number of regions, which could accumulate area-specific experience and function as agents of change in their territories.

However, any transfer of state functions to private enterprise could face opposition from regional governors, acting governor of the Kirov region Nikita Belykh said.

It is not yet clear who would be held responsible if there were an accident in a private business cooperating with the state to offer social services, and governors would be wary of becoming political scapegoats, Belykh said.

Officials from the Labor and Education Ministries supported the initiative but appeared skeptical about its ultimate chances of success.

One issue is that some social services are simply not profitable enough to attract private business, Deputy Minister of Labor and Social Protection Alexei Vovchenko said.

Of the 7,200 facilities across Russia that provide long-term care to invalids and the elderly, only 78 of them are privately run, and they tend to be much more expensive than their state-run alternatives, Vovchenko said.

In contrast, private business is already a major force in certain sectors of education, particularly higher professional and supplementary childhood educational programs that go beyond the baseline provided by the state.

These are the two levels of education not guaranteed to citizens under the Constitution, where private enterprise has space to make an impact, Deputy Education and Science Minister Natalya Tretyak said.

About half of higher professional education is provided by private institutions, Tretyak said.

The ministry has "already instituted a series of measures that should accelerate the development of nonstate education," including offering subsidies to state and nonstate institutions alike if they provide childhood education up to government standards.

Nonetheless, the ministry "does not expect to see a sharp increase in the involvement of nonstate entities in supplementary education," she said.

Although many questions remain, the issue has advanced considerably in just the past two years.

Previously the debate was about whether to encourage private business to enter the social sector at all, whereas now it has become a question of practicalities, participants in the discussion agreed.

Link: <http://www.themoscowtimes.com/business/article/private-sector-seen-as-solution-to-run-down-social-services/492954.html>

Russian Company's 'Quiet Asphalt' Proposal to Be Developed

A Russian company's proposal to create "quiet" asphalt for highways was one of several selected by the EU for further development.

The project to develop silent pavement was launched by the Netherlands' Ministry of Infrastructure and the Environment and aims to reduce the noise pollution produced by tires speeding down highways by 90 percent (10 decibels).

Unikom, a subsidiary of Rusnano supported by the Russian Academy of Sciences, was selected along with three other firms from the Netherlands and Switzerland that will work together on the project, state nanotechnology company Rusnano said Tuesday.

Unikom proposed modifying the structure of roads by injecting a special form of rubber particle into the hot bitumen that when mixed with crushed stones cools into asphalt.

The additive, called Unirem, is produced from recycled tires and was originally developed to allow a 30-percent increase in road service intervals by improving the durability of asphalt in Russia's harsh winters.

Unikom's studies showed that the material also dramatically reduced road noise.

Unikom has already budgeted \$55 million on Unirem production, of which \$38 million is being provided by Rusnano.

Link: <http://www.themoscowtimes.com/business/article/russian-companys-quiet-asphalt-proposal-to-be-developed/493128.html>

Employment: Case Competitions Liven Up Search for Professionals

Today's labor market is forcing employers to come up with ever newer measures in the fight for talented professionals. Some are one-off initiatives, while others have become regular fixtures. In recent times, more and more employers, both Russian and international, have been making use of a new tool for strengthening their employer brand and attracting talented young people: case competitions, where young professionals propose solutions to business cases. So what exactly is a case competition? Let's start by defining what a business case is. Most commonly, it covers a specific business situation requiring management solutions from a company's management team. The competition participants' task is to come up with such solutions. This format is especially relevant for students in economics, financial and management courses, as well as for marketing and public relations specialists, although in practice, case competition participants come from a much broader range of fields: students studying technical disciplines, law students and many others enjoy taking part.

Case competitions are held by companies from absolutely different fields of industry as well: FMCG, IT, pharmaceuticals, audit and consulting, and so on. Companies wishing to organize their own case competition can use the services of an external provider, who will be fully responsible for the advertising campaign, attracting and selecting the participants, finding a venue, the catering, etc., or they can do everything themselves. Sometimes employers hold case competitions in partnership with some other entity, such as their country's most famous theater.

But what do employers and young professionals get out of this? Is it worth getting involved? First of all, case competitions are also very useful for employers. They are one of the recruiting tools that help them to identify talented students and invite them to work for them. More often than not, the jury in such competitions consists of employees of the company (and not infrequently even of senior managers), who have the chance to assess their potential colleagues and to test their analytical and presentation skills, level of English and ability to work as part of a team. Quite often at the end of a case competition the company makes a job offer to several participants at once, and sometimes to dozens. Case competition participants tend to be students from their country's top higher education institutions who are fluent in English, active and enquiring — the kind of people that every employer today is fighting to attract. A case competition is an excellent opportunity to find the best of the best. In addition, holding an in-house case competition can help to strengthen a company's employer brand and to increase recognition.

Students and recent graduates, in their turn, get many benefits from participating in case championships. They get an opportunity to "have a go at the real thing," and also to try out the working environment typical in whatever field, be it consulting or marketing — in other words, to play the role of a specialist at the company in question. More often than not, case competition assignments are taken from actual company practice, or are as close as possible to real-life challenges. With FMCG companies, the case might relate to the launch of a new product, or to rebranding. At consulting firms, it might be reminiscent of work on a particular engagement in a specific industry — for example, a case study on a merger of two companies. Competition participants get the chance to prove themselves in conditions as close as possible to those they can expect to find in their future professional career, and to find out how suited they are to such a style of work. Another advantage students get out of taking part in case competitions is that it gives them something else to put on their CV: many employers value participation in such contests, and winning or reaching the final even more so.

With minimal work experience, or even none at all, the main bargaining chips for young professionals are their education and various "extracurricular" activities, meaning that case competitions are right up their street, as they give them the most relevant experience. Finally, of course, students are often motivated by the attractive prizes on offer from the employers — e.g., many companies offer a simplified selection process for job vacancies and internships as prizes, allowing the competition finalists and/or winners to skip one or more stages, or even to qualify automatically for an internship. Other valuable prizes, such as the latest electronic gadgets, can be pleasant extras. A chance to get an all-expenses-paid trip to the international final of the competition in somewhere like Brazil or Hong Kong may seem even more attractive to students. In international competitions, the opportunity for students to meet their peers from different parts of the world, to share experiences, and to meet senior managers from the company in an informal setting and ask them questions and make useful business contacts is becoming especially important. Finally, of course, the competitions produce vivid, never-to-be-forgotten memories, with which it is good for a company to be associated.

Link: http://www.themoscowtimes.com/business/business_for_business/article/employment-case-competitions-liven-up-search-for-professionals/493082.html

Finance Ministry Records \$9.2Bln Budget Deficit For 2013

Russia ran a budget deficit last year of 310 billion rubles (\$9.2 billion), the Finance Ministry said in preliminary data for 2013, news agency Prime reported.

The figure amounts to about 0.5 percent of the country's gross domestic product and is slightly lower than the Finance Ministry's latest prediction of 0.9 percent of GDP for the 2013 shortfall, according to the information released late on Monday.

Rising oil prices and rapid economic growth allowed Russia to record a budget surplus for much of the 2000s, but sputtering economic growth last year has led to smaller revenues and changes to long-term fiscal planning.

According to the budget signed into law last year by President Vladimir Putin, Russia is expected to record a budget deficit of 391 billion rubles (\$12 billion) this year and 817 billion rubles (\$25 billion) in 2015.

Russia's total income last year was 13.02 trillion rubles (\$386 billion), the Finance Ministry said.

Link: <http://www.themoscowtimes.com/news/article/finance-ministry-records-92bln-budget-deficit-for-2013/493047.html>

Report: Moody's raises Russia's 2014 GDP growth outlook to 1.9%

International rating agency Moody's has improved its forecast for the growth of Russia's gross domestic product (GDP) in 2014 to 1.9% from 1.5%, Bloomberg reported Tuesday, citing the agency's report.

Russia's Economic Development Ministry expects the GDP to grow 2.5% in 2014, compared with 1.3% preliminarily estimated in 2013.

The use of infrastructure built for the 2014 Winter Olympic Games in the Black Sea resort of Sochi will have a positive effect on the Russian economy, as it may attract tourists in the long-term run, the agency said.

Russia's economy will be also strengthened by an economic revival in the eurozone, as it will allow boosting exports, as well as by state investments in large infrastructure projects.

The agency also expects unemployment in Russia to rise to 6.3% in 2014 from 5.5% in 2013.

Link:

http://www.1prime.biz/news/politics_economy/ Report_Moodys_raises_Russias_2014_GDP_growth_outlook_to_19/0/%7B3CE7774B-41A8-497A-8C9B-A0C6A86B769A%7D.uif

EBRD sees Russian economy to grow 2.5% in 2014

The Russian economic growth will partially recover to 2.5% in 2014 from 1.3% last year, according to a report of the European Bank for Reconstruction and Development (EBRD) released Tuesday, RIA Novosti reported.

Raw material prices will no longer support economic expansion curbing budget revision possibilities.

The country needs to carry out structural reforms, stimulate investments and improve its investment climate to accelerate the growth beyond 2.5%.

The EBRD's forecast coincides with the government's prediction of economic growth.

Link:

http://www.1prime.biz/news/politics_economy/ EBRD_sees_Russian_economy_to_grow_25_in_2014/0/%7B563A85E7-76EB-4991-AF12-C8371A0CC9BD%7D.uif

Russian govt to absorb 9 bln rbl liquidity from banks Wed–Jan 28

Russia's central bank expects the government to absorb 9 billion rubles of liquidity from banks between Wednesday and January 28, according to a central bank forecast released on Tuesday.

The regulator said that the government absorbed 153 billion rubles from banks from January 15 to Tuesday.

The central bank said that it would absorb 2.476 trillion rubles between Wednesday and January 28. An increase in the amount of cash in circulation will decrease the liquidity of the banking sector by 70 billion rubles.

Considering the gap between supply and demand of banking liquidity, the central bank imposed a 2.56 trillion ruble weekly limit on the injections.

The central bank has been publishing weekly liquidity forecasts since December 2012 to improve the transparency of its activities and to inform the market of its policy.

Link:

http://www.1prime.biz/news/politics_economy/ Russian_govt_to_absorb_9_bln_rbl_liquidity_from_banks_WedJan_28/0/%7B71BD38A8-42C5-43F6-91BA-D65FA0A75C62%7D.uif

Cbank: Russia's foreign debt rises 15% to \$732 bln in 2013

Russia's foreign debt rose 15% in 2013 to U.S. \$732.046 billion as of January 1, 2014, according to preliminary estimates, the central bank said in a statement Monday.

As of January 1, 2013, Russia's adjusted foreign debt amounted to \$636.435 billion.

Link:

http://www.1prime.biz/news/politics_economy/Cbank_Russias_foreign_debt_rises_15_to_732_bln_in_2013/0/%7B27F6A949-DBC4398-83BD-CA55C58B9CEE%7D.uif

Putin wants private-public partnerships for healthcare

Russian President Vladimir Putin has called for establishing private-public partnerships for the development of obligatory health insurance, RIA Novosti reported Tuesday.

"It is quite difficult, ineffective, costly and sometimes just a waste of money to spend only government's money on the development of healthcare infrastructure," Putin said.

The government needs to create favorable conditions for private investors who could finance the development of healthcare infrastructure, he said.

Link:

http://www.1prime.biz/news/business_wire/Putin_wants_private-public_partnerships_for_healthcare/0/%7B68B169ED-3822-47B8-88D8-EF75A7264140%7D.uif

Russia's Putin orders cbank to study cutting rates for producers

Russian President Vladimir Putin on Monday ordered the central bank to consider taking measures to stimulate banks to cut interest rates on ruble-denominated loans for companies in the production sector by September 1.

Putin also ordered the central bank and the government to analyze rates on loans provided to regions to cover budget deficits and submit proposals on how to stimulate cuts of those rates by April 1.

Link:

http://www.1prime.biz/news/business_wire/Russias_Putin_orders_cbank_to_study_cutting_rates_for_producers/0/%7B160C7592-D389-42E9-8AEE-4C2ECB9D77DE%7D.uif

Russian stock market may rise at open on favorable environment

The Russian stock market will likely edge up at Tuesday's opening, continuing the previous day's trend, with favorable background and climbing prices for oil, the backbone of the country's economy, supporting prices, analysts said.

"Foreign background prior to the trade opening in Russia is positive today. From the beginning, the MICEX index may gain up to 0.3–0.5% and again reach an important range of 1,500–1,520, in which we have witnessed multiple sales in previous months," ITinvest-Prospekt analyst Vasily Oleinik said in a note.

The MICEX index rose 0.57% to 1,495.36 points at Monday's closure.

The Brent oil futures for March 14 rose 0.23% to U.S. \$106.51 per barrel as of 9 a.m. Moscow time.

Dmitry Kulakov, director of Olma's shares department, also expects indices to rise at opening. "Interventions of the Chinese central bank have contributed to the stabilization on the country's money market which may have a favorable impact on demand on the stock market," he said.

Oleinik said natural gas giant Gazprom, which became the growth leader on Monday ahead of a meeting with China's CNPC, still has growth potential.

"The event will take place on Wednesday and may result in signing of long-term contracts of gas supplies to China. If the deal is signed, Gazprom will get a good impetus for growing," Oleinik said.

Gazprom jumped 1.84% yesterday to 139.75 rubles on the Moscow Exchange.

"For a long-term investment, it's worth waiting for a 5-7% correction on the U.S. floors and only after that assess the situation on the Russian market. The upcoming Olympics factor will certainly influence the mood on the stock market, but it's practically impossible to assess its scale," Oleinik said.

Sochi, a Russian southern resort city, will host the Winter Olympics on February 7-23.

Oleinik expects a moderately "bearish" trend on the U.S. floors until the Federal Open Market Committee's meeting on January 28. "The strongest moves, both on the Russian and the U.S. markets, will start only in February," he said.

Link:

http://www.1prime.biz/news/financial_wire/Russian_stock_market_may_rise_at_open_on_favorable_environment/0/%7B0FD0A2C4-6DE1-44F3-9C89-B29E6ADE9EEC%7D.uif

Russia Jumps to 44th in Bloomberg Business Rankings

Russia made a leap in Bloomberg's 2014 "Best Countries for Doing Business" rankings, moving from 56th place to 44th.

The rating, Bloomberg's annual list of countries most attractive for running a business, gave Russia 61.6 points out of 100 based on the degree of economic integration, cost of setting up a business, cost of labor and materials, cost of moving goods, the readiness of the local consumer base and less tangible costs.

Hong Kong retained its place atop the list with a rating of 83.4, followed by Canada and the U.S. Russia shared 44th place with Oman, with both countries coming after Bulgaria and ahead of Panama.

Russia's overall score in the rankings was brought down by the "less tangible costs" category, which includes the perception of corruption and property rights, where it received 39.3 points out of 100.

Russia was ranked third among the BRIC countries, ahead of India (48th) and behind Brazil (38th) and China, which fell from 19th to 28th.

The Bloomberg ranking places Russia much higher than on the World Bank's global ranking of business climates, where it ranks 92nd after a 19 spot jump in the international financial institution's 2014 Doing Business list.

Link: <http://www.themoscowtimes.com/business/article/russia-jumps-to-44th-in-bloomberg-business-rankings/493192.html>

Government Wants Dividend Payout Based on International Accounting Standard

An obligation for state owned companies to pay dividends equaling 25 percent of their net profit as calculated under international financial reporting standards is part of a proposal by the Economic Development Ministry to promote socio-economic development, Vedomosti reported Wednesday.

"This reflects the interests of the state and private investors," according to the proposal, a copy of which was obtained by Vedomosti.

Currently, according to government regulations, state companies distribute dividends in the amount of 25 percent of net profit as calculated according to Russian accounting rules. This has resulted in conflicts with minority shareholders, who have tried to have limits increased. For example, for 2012, Transneft paid dividends of 4.9 billion rubles (\$148 million) on a profit calculated under Russian standards of 10.7 billion rubles. But its profit calculated under IFRS was 184 billion rubles.

The issue revolves around filling government coffers. Last year the Finance Ministry proposed that state owned companies pay 35 percent of profit as dividends, but other government agencies said that was too much.

The Federal Property Management Agency will be reviewing a version of the policy that mandates a 25 percent payout based on international standards next week, said Viktoria Semerikov, a department head at the agency.

The Finance Ministry is satisfied for now with the 25 percent payout but the idea of paying 35 percent remains, said a source at the ministry. "Dividends from 2015 set to feed the 2016 budget are already calculated at that rate," he added.

The Economic Development Ministry said in its proposal that dividend contributions to the federal budget have grown significantly, from 10.4 billion rubles in 2002, to 213 billion rubles in 2012.

Link: <http://www.themoscowtimes.com/business/article/government-wants-dividend-payout-based-on-international-accounting-standard/493169.html>

Statistics: Russia's CPI at 0.1% Jan 14–Mon, 0.4% from Jan 1

Russia's consumer price inflation index (CPI) amounted to 0.1% between January 14 to Monday, and reached 0.4% since January 1, the Federal State Statistics Service said in a statement Wednesday.

The annual inflation slowed down to 6.3% as of Monday.

In 2013, inflation was at 0.6% between January 1 and Monday, and amounted to 1.0% in January.

Prices for milk, butter, and frozen fish increased 0.3–0.4% from January 14 to Monday, while cheese prices increased 0.6%. Egg prices fell 2.5%, sugar prices eased 0.4%, and prices for tea, lamb meat, sunflower oil, and buckwheat decreased 0.2–0.3%.

Vegetable and fruit prices increased 0.9% on average. Prices for onion, cabbage, and potatoes rose 3.6%, 3.1%, and 2.1% respectively.

Gasoline prices rose 0.1%.

The Economic Development Ministry expects the inflation at 0.7–0.9% in January. In 2013, the inflation amounted to 6.5%.

Link:

http://www.1prime.biz/news/politics_economy/Statistics_Russias_CPI_at_01_Jan_14Mon_04_from_Jan_1/0/%7B1F1B0BD0-6934-452E-A096-A2134D9CB112%7D.uif

Russia's consol budget surplus falls 41% to 1 tln rbl in Jan–Nov

Russia's consolidated budget surplus fell 40.6% on the year to 1.03 trillion rubles in January–November 2013, the Federal Treasury said Wednesday.

The budget's revenues amounted to 21.57 trillion rubles, while spending was at 20.54 trillion rubles in this period.

The consolidated budget includes the federal, regional, and municipal budgets, as well as non-budget government funds.

Link:

http://www.1prime.biz/news/politics_economy/Russias_consol_budget_surplus_falls_41_to_1_tln_rbl_in_JanNov/0/%7BBD73D1B9-9037-4B2D-B19C-F998CA0C97FF%7D.uif

Russia's industrial output flat in 2013 - minister

Russia's industrial output was flat on the year in 2013, Industry and Trade Minister Denis Manturov said Wednesday.

“In the first half of the year the industrial output dynamics slowed down, and last summer there were forecasts that the output would decrease. But a recovery was seen in the processing industry in the fourth quarter and we managed to reach the 2012 figures in the end of the year, according to preliminary estimates,” Manturov said.

He said that the output rose 10% in the defense sector, 13% in the pharmaceutical industry, 15% in the aviation, and 5% in the oil and gas industry. The output fell 3% in the ferrous metals industry.

The ministry has proposed to establish a fund with a charter capital of 30–50 billion rubles, to support the development of domestic industries with concessionary financing, including loan subsidies, Manturov said.

Link:

http://www.1prime.biz/news/politics_economy/UPDATE_Russias_industrial_output_flat_in_2013_-_minister/0/%7B07384479-57E8-42E5-A6B5-C18CD6044BB9%7D.uif

Moscow, Brussels to start WTO pricing consultations Feb 12-13

Russia and the European Commission have preliminarily scheduled consultations on disputable World Trade Organization (WTO) energy pricing issues for February 12-13, the Deputy Economic Development Minister Alexei Likhachyov said Thursday.

“We have already had official meetings with the E.U., and voiced our requests and the E.U. officials said that they were ready for consultations,” Likhachyov said.

The E.U. has deemed some Russian companies to be in breach of E.U. anti-dumping policies as they have had access to cheap energy in Russia's domestic market.

Russia says its producers of fertilizers, ferro-alloys, pipelines, other steel products and aluminum foil have lost hundreds of millions of dollars a year due to these policies.

The WTO calculates the prices for products basing on the European fuel prices, not on Russian prices.

Likhachyov said that if the disagreement cannot be settled out of court, Russia will demand to call a panel of arbiters.

Link:

[http://www.1prime.biz/news/politics_economy/ Moscow Brussels to start WTO pricing consultations Feb 12-13/0/%7BDA96C073-9E18-424C-A348-403072870BBE%7D.uif](http://www.1prime.biz/news/politics_economy/ Moscow_Brussels_to_start_WTO_pricing_consultations_Feb_12-13/0/%7BDA96C073-9E18-424C-A348-403072870BBE%7D.uif)

Russia-dedicated funds see \$15 mln outflow January 16–Wednesday

Russia-dedicated funds registered a U.S. \$15 million outflow in the week between January 16 and Wednesday after an outflow of about \$80 million a week ago, UralSib Capital reported Friday, citing data of the Emerging Portfolio Fund Research (EPFR).

The country witnessed an outflow for the sixth week in a row, with a slowdown being attributed to an investment of \$121 million into Parvest Equity Russia, one of the largest domestic traditional funds, run by BNP Paribas Investment Partners. Without this money the outflow would have amounted to \$106 million.

The exchange-traded funds lost \$45 million in the reported week.

Link:

[http://www.1prime.biz/news/financial_wire/ Russia-dedicated funds see 15 mln outflow January 16Wednesday/0/%7BB0F98CF8-4B2A-4526-9611-7F7F82EB990A%7D.uif](http://www.1prime.biz/news/financial_wire/ Russia-dedicated_funds_see_15_mln_outflow_January_16Wednesday/0/%7BB0F98CF8-4B2A-4526-9611-7F7F82EB990A%7D.uif)

SERBIA



Serbia-China trade exchange exceeded 1.1 billion dollars

In 2013, Serbia-China trade exchange exceeded 1.1 billion dollars, International Radio Serbia learns from the Serbian Chamber of Commerce, where the Chinese Trade Fair – the largest retail sale trade in the world, due in Guangzhou from 15 April to 5 May, was presented. The secretary general of the China Import & Export Fair, Wang Ji-Ping, called on Serbian companies to visit the fair and take part in it. Serbian Chamber of Commerce Vice-President Mihailo Vesović stressed that Serbia-China had been raised to the highest level through the establishment of a strategic partnership and that bilateral economic cooperation should be improved further. There is an enormous deficit in Serbia's trade exchange with China and Serbia is also importing large quantities of Chinese goods from third countries, while there is insufficient mutual cooperation between Serbian and Chinese companies, pointed out Vesović. He said that the Chinese fair was an ideal opportunity for Serbian companies to establish direct contact with Chinese companies.

Link: <http://www.serbia-times.com/serbia-china-trade-exchange-exceeded-1-1-billion-dollars/>

IMF mission visits Belgrade on February 26

An IMF mission will visit Belgrade from February 26 to March 13 to start the talks on a potential arrangement with Serbia, IMF Resident Representative in Serbia Daehaeng Kim said on Tuesday.

Zuzana Murgasova will lead the IMF mission during the two-week visit, according to the statement.

An arrangement with the IMF is important for Serbia because it would be another step towards regaining credibility on the international financial markets and show that the government's actions guarantee the stability and sustainability of the macrofinancial economic system, Finance Minister Lazar Krstic said.

“We do not need the arrangement because of money, the level of the foreign exchange reserves is such that there are no negotiations on taking a loan from the IMF, but in order to get a symbol, that is a recognition, that the programme of reforms we are implementing is credible,” Krstic noted.

National Bank of Serbia Governor Jorgovanka Tabakovic stated she believed Serbia would sign a precautionary arrangement with the IMF, and that it was extremely important to Serbia, but not because of the funds, seeing that the foreign exchange reserves were at a record level of EUR 11.2 billion.

“A precautionary arrangement with the IMF would be an additional recognition of the credibility of Serbia's economic policy, a confirmation that it is now conducting the reforms it decided on and that the economy is on a certain path to recovery and sustainable development,” she stressed.

A technical assistance mission of the IMF visited Belgrade in early December to review the situation with the public finance management system in Serbia and give recommendations concerning that field, including planning and control of budget.

Link: <http://www.serbia-times.com/imf-mission-visits-belgrade-on-february-26/>

Serbia's public debt totals 61.2% of GDP at end of 2013

Serbia's public debt totalled EUR 20.09 billion at the end of 2013, which represents 61.2 percent of the country's GDP, the Public Debt Administration released.

At the end of 2012, the country's public debt totalled EUR 17.67 billion and the figure increased by some EUR 2.42 billion in 2013, and of this, the December increase added up to around EUR 590 million.

Serbia's total direct obligations at the end of December 2013 added up to EUR 17.28 billion, with the internal debt at around EUR 7.03 billion and external debt at EUR 10.25 billion.

The country's total direct obligations at the end of 2013 added up to EUR 2.81 billion, the Public Debt Administration posted on its website.

Of the total debt, 75 percent is based on fixed interest rates and 25 percent of the debt is calculated according to variable interest rates.

Link: <http://www.serbia-times.com/serbias-public-debt-totals-61-2-of-gdp-at-end-of-2013/>

Swarovski will relocate part of its production to Serbia

The Austrian crystal maker Swarovski will relocate part of its production to Serbia, that company has confirmed for the Austrian national ORF television. It has been pointed there will be no radical decrease in the number of working places in Austria itself. Swarovski already has plants in China, India and Serbia. According to latest data, relating to 2012, the Swarovski group has made the circulation of 3.08 billion euros and employed 30,600 people around the world.

Link: <http://www.serbia-times.com/swarovski-will-relocate-part-of-its-production-to-serbia/>

World Bank delays the USD 250 million loan for Serbia

The World Bank delayed the adoption of decision concerning the USD 250 million loan for Serbia because relevant laws were not adopted, Tanjug learnt in the World Bank Office in Belgrade.

According to previous statements by World Bank representatives, the Board of Directors should decide on February 27 whether to grant Serbia the USD 250 million worth of loan as budget support. Serbia could make use of the funds as soon as the parliament ratifies the agreement.

In early December, Director of the World Bank Office in Serbia Tony Verheijen said that the condition for the loan to be granted was the adoption of the budget, privatisation law, bankruptcy law and law on construction permits.

On December 30, the Serbian government adopted the draft law on privatisation and the amendments to the Bankruptcy Law and forwarded the document to the parliament for adoption on urgent procedure.

The laws are the grounds for the beginning of work of the Transition Fund which envisages that RSD 20 billion should be transferred as payment of overdue salaries and ensuring uninterrupted years of service for employees, as well as redundancy pay for employees in restructuring companies.

Link: <http://www.tanjug.rs/news/114318/world-bank-delays-decision-on-loan-for-serbia.htm>

TURKEY



Outlook bright for Turkey's wind power industry

Massive wind and solar potential to be utilized in the next 10 years will turn Turkey into a renewable energy powerhouse in the region as the country gradually increases the use of domestic resources for power generation.

Wind power is expected to account for 20,000 megawatts (MW) of the country's planned 120,000 MW total installed capacity by 2023. In contrast with Europe, where most of the easily accessible forms of renewable energy are already tapped to the limit, Turkey and its vastly underused wind potential present lucrative opportunities for energy companies looking for long-term growth.

"Turkey's wind energy potential is 25-30 percent higher than that of Europe", according to the President of the Turkish Wind Energy Association (TÜREB), Mustafa Serdar Ataseven. Reviewing the last year from the wind power perspective, Ataseven said that 2013 was a good year in terms of capacity increases and new investments.

"With 700 MWs having joined the grid last year, installed capacity from wind power has reached 3,000 MWs while 1,000 MWs of capacity is under construction", Ataseven noted.

"Wind farms with a combined capacity of 800-1000 MWs will join the grid in 2014, taking the total to a level between 3800-4000 MWs", he said, with regard to the industry's new year target.

The country's installed capacity of 62,000 MWs as of the end of 2013 is expected to reach 120,000 MWs in 2023, a third of which will be generated from renewable sources.

Link: <http://www.portturkey.com/energy/5915-outlook-bright-for-turkeys-wind-power-industry->

Turkey's assets abroad to increase

Turkey's assets abroad have been \$228.5 billion by November 2013 and liabilities have been \$645.2 billion.

Central Bank of The Republic of Turkey announced data related to Turkey's International Investment Position.

According to International Investment Position data, by the end of November 2013, Turkey's external assets increased by 7.4 percent and reached \$228.5 billion compared to by the end of 2012, liabilities also increased by 1.8 percent and reached \$645.2 billion.

Difference between Turkey's external assets and liabilities, net International Investment Position had had a deficit by \$421.3 billion by the end of 2012, deficit decreased to \$416.7 billion by the end of November 2013.

Link: <http://www.portturkey.com/finance/5933-turkeys-assets-abroad-to-increase>

4,295 new companies established in Turkey in December

4,295 new companies were established in Turkey in December and in the same month 2,400 companies went out of business

More than 4,000 new companies were established in December 2013, with 2,000 going out of business in the same period, according to a report published Friday by the Union of Chambers and Commodity Exchanges of Turkey (TOBB).

According to TOBB, the number of new companies actually decreased by 7.59 percent to 4,295 while the number of collapsed companies increased 131.44 percent to 2,400 compared to November.

Throughout 2013, the number of new companies increased by 26 percent to 49,028 compared to 2012. There was also a 10 percent increase in the amount of companies that went out of business.

The report also stated that 489, out of the 3,875 that were established with foreign partners in 2013, Syrian-funded foreign companies were established in Turkey.

There were 394 German-funded and 280 Iranian-funded companies established in 2013.

Link: <http://www.portturkey.com/finance/5929-4295-new-companies-established-in-turkey-in-december>

Istanbul boosts Turkey's budget

Turkey's biggest city Istanbul and capital Ankara were the largest contributors to the state budget in 2013, according to Finance Ministry data

The western province Istanbul and the capital Ankara are boosting state income by providing more than half of all revenues, 53 percent of the Turkey's budget, collected by the Treasury Department, according to figures indicated by the Finance Ministry.

Mega city Istanbul single-handedly contributed a sweeping 39.05 percent of the entire state budget with some \$68.2 billion in 2013. In turn, some \$7.8 billion liras were spent on Istanbul from the budget. It makes 866.7 percent difference.

The country's capital city Ankara which provided some \$24.2 billion, a contribution of 14 percent of the state budget, for the Treasury. The capital received \$15.5 billion from the state budget. It received more than Istanbul thanks to being home of the central branches of government ministries and other public institutions.

Istanbul's neighbor Kocaeli province came the third and provided some \$18.5 billion - 10.64 percent of state budget - for the Treasury. The central administration spent close to \$1.58 billion on Kocaeli during the last year.

The western port city of Izmir provided about \$16.75 billion - 9.62 percent of the budget - for the state budget while receiving \$3.8 billion from the state fund.

Link: <http://www.portturkey.com/finance/5926-istanbul-boosts-turkeys-budget>

Turkish government pays \$38 bln to its employees in 2013

The general budget was \$177.9 billion for the last year while \$195 billion were allocated to the public institutions for 2014.

The biggest share of the 2014 general budget was allocated to the National Education Ministry with \$35.6 billion; the Ministry of Health came at second place with \$33.5 billion.

The Ministry data shows that The Soil Products Office's (TMO), the Turkish Coal Enterprises (TKI), the Turkish State Railways (TCDD) made for a total loss of \$415 million, \$187.4 million and \$131.6 million, respectively.

Turkish government spent approximately \$38 billion on its employees in fiscal year 2013 alone — a price tag that makes employee payments that year the government's largest expenditure, according to the data given by the Finance Ministry.

Turkish government spent approximately \$38 billion on its employees in 2013.

Link: <http://www.portturkey.com/finance/5922-turkish-government-pays-38-bln-to-its-employees-in-2013>

Turkey to boost railway investments

Turkish State Railways will invest almost half of its 2014 budget in high-speed train projects.

Turkey will invest more than 5.5 billion lira in its transportation projects, according to the country's 2014 budget.

The Turkish government will allocate around 3.5 billion lira to Turkish state railways, and around 2 billion lira to the Turkish Ministry of Transportation, Maritime Affairs and Communications, for its railway investments.

Turkish State Railways (TCDD) will invest almost half of its 2014 budget (1.8 billion lira) in high-speed train projects, according to the company's budget program.

Turkey's Transportation Minister announced last month that Turkey will develop its own high-speed train line, which will be completed in 2018.

Turkey increased its investments on transportation as part of its "2023 Vision" program, which aims to celebrate the country's 100th anniversary of the establishment of the Republic by developing significant projects, such as building 11 thousand kilometers of new railway and expanding high-speed train networks.

Link: <http://www.portturkey.com/finance/5920-turkey-to-boost-railway-investments>

Turkish constructors to achieved the highest business volume in Turkmenistan

Economy Minister Nihat Zeybekçi has announced that, Turkish constructors have achieved the highest business volume in Turkmenistan. Turkish construction sector has risen its success in 2013.

Mr.Zeybekçi has announced the performance data of Overseas construction sector in 2013. Turkish contractors have undertaken 374 projects in 45 countries in 2013. The total amount of projects reached \$ 31.3 billion. The projects which are undertaken on an annual basis exceed 30 billion dollars. Turkish constructors begun to create Project in South Sudan and Senegal in recent years.

The mostly projects were carried out in Turkmenistan in 2013. The worth 10,5 billion dollars 60 projects were implemented in Turkmenistan. Turkmenistan was followed by Russia with 5,6 billion dollars, Azerbaijan with 2,8 billion dollars, Iraq with 2,1 billion dollars and Kazakhstan with 1,8 billion dollars.

The most projects were carried out in Iraq by 65 projects. The cost of Projects were 60 billion dollars in 2012. That figure has risen 83,7 billion dollars in 2013. The projects are which are carried out in 2013, Ashgabat Airport, Ashgabat Olympic Village 3 stage and Port Turkmenbashi.

Link: <http://www.portturkey.com/real-estate/5914-turkish-constructors-to-achieved-the-highest-business-volume-in-turkmenistan>

EBRD cuts Turkey outlook, but sees improving euro zone steady region

The European Bank for Reconstruction and Development (EBRD) cut its economic growth projections for Turkey on Tuesday but otherwise barbuely trimmed its overall view for its regional emerging markets.

Political tensions meant Turkey took the biggest hit, with a downward revision of 0.3 percentage points to 3.3 percent.

"As the recovery takes hold and U.S. monetary policy is gradually tightened, emerging markets are likely to continue receiving lower inflows of capital," the EBRD said.

"The (overall) revision is largely driven by lower growth expectations for Turkey, mostly offset by expectations of a quicker recovery in the Central Europe and Baltics region," it said.

The report also highlighted rising levels of bad loans in banking systems in Slovenia, Hungary and most of south eastern Europe as dragging back economies, along with broader bank deleveraging.

Link: <http://www.portturkey.com/enterprise/5935-ebrd-cuts-turkey-outlook-but-sees-improving-euro-zone-steadying-region>

Turkey to repay \$168 billion in foreign debts in 2014

Short-term foreign debt that the public and private sectors must repay by the end of the year has reached a total of \$168 billion, including due payments from earlier long-term debts, central bank data have revealed.

Short-term foreign debt owed by state and foreign businesses rose from \$29 billion at the end of 2012 to \$129.4 billion last November, a record high figure. Turkey's short-term foreign debt was \$38.9 billion in 2005.

Added to the amount due by the end of this year, the total short-term debt stock has hit \$168 billion. The data serves as a wake-up call; the Turkish lira is losing value against the US dollar and the large amount of external debt in US dollars is a concern for Turkish businesses borrowing money in dollars while earning lira. The lira weakened to a record low on Monday at 2.25 against the US dollar, and stayed around 2.24 on Tuesday.

According to Taner Berksan, the head of the School of Economics at Okan University, public institutions will not have a serious problem in repaying debts this year; the biggest burden falls on private businesses. Berksan says an ongoing decline in the value of the lira against foreign currencies will result in an economic slowdown and unemployment. “Regardless, this should not trigger a large-scale economic crisis,” he says. Economist Uğur Gürses thinks that high interest rates on loans (around 7-8 percent) push Turkish private companies toward foreign lenders offering rates as low as 1 percent rather than the Turkish Central Bank.

Economist Güldem Atabay argues that the major problem arises when the private sector has to borrow money from foreign lenders. “If they fail to repay debts, businesses will start burning assets at home and eventually be pushed to dismiss employees. ... The central bank and the government should look for ways to avoid this,” she says.

Link: <http://www.todayszaman.com/news-337201-turkey-to-repay-168-billion-in-foreign-debts-in-2014.html>

Turkey’s machinery exports rose by 8 percent year-on-year

Turkey’s machinery exports rose by 8 percent year-on-year, reaching USD 14 billion in 2013, according to a statement by the Machinery and Accessories Exporters’ Union of Turkey (MAIB).

“The increase in machinery exports went unhindered during 2012 and 2013 despite the not-so-bright situation in some of the export markets”, MAIB Chairman Adnan Dalgakiran said in a written statement. Pointing out the 8 percent increase last year, Dalgakiran said that the new year target was set at USD 16 billion due to the expected recovery in world markets. Turkey’s total exports reached a total of USD 151.7 billion in 2013.

“Last year, Turkish machinery shipments to Germany and the US increased by 10 and 15 percent, respectively. Registering an increase of machinery exports to developed countries at a time of global uncertainties is very encouraging”, Dalgakiran remarked.

European countries remain the main recipients of Turkish machinery shipments in the sector’s 200+ country export portfolio. The product groups that Turkey exports include; air conditioning units-cooling machinery, construction & mining machinery, engines & spares and metal working machinery. The industry aims to export USD 100 billion of products by 2023, the centennial of the Republic.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187694>

UNWTO forecasts 4% to 4.5% growth in tourism for 2014

International tourist arrivals grew by 5% in 2013, reaching a record 1,087 million arrivals, according to the latest UNWTO World Tourism Barometer. Despite global economic challenges, international tourism results were well above expectations, with an additional 52 million international tourists travelling the world in 2013. For 2014, UNWTO forecasts 4% to 4.5% growth - again, above the long term projections.

Demand for international tourism was strongest for destinations in Asia and the Pacific (+6%), Africa (+6%) and Europe (+5%). The leading sub-regions were South-East Asia (+10%), Central and Eastern Europe (+7%), Southern and Mediterranean Europe (+6%) and North Africa (+6%).

“2013 was an excellent year for international tourism” said UNWTO Secretary-General, Taleb Rifai. “The tourism sector has shown a remarkable capacity to adjust to the changing market conditions,

fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges. Indeed, tourism has been among the few sectors generating positive news for many economies”, he added.

UNWTO forecasts international arrivals to increase by 4% to 4.5% in 2014, again above its long-term forecast of +3.8% per year between 2010 and 2020. The UNWTO Confidence Index, based on the feedback from over 300 experts worldwide, confirms this outlook with prospects for 2014 higher than in previous years.

“The positive results of 2013, and the expected global economic improvement in 2014, set the scene for another positive year for international tourism. Against this backdrop, UNWTO calls upon national governments to increasingly set up national strategies that support the sector and to deliver on their commitment to fair and sustainable growth”, added Mr Rifai.

2014 regional prospects are strongest for Asia and the Pacific (+5% to +6%) and Africa (+4% to +6%), followed by Europe and the Americas (both +3% to +4%). In the Middle East (0% to +5%) prospects are positive yet volatile.

Europe welcomes most of the new arrivals

Europe led growth in absolute terms, welcoming an additional 29 million international tourist arrivals in 2013, raising the total to 563 million. Growth (+5%) exceeded the forecast for 2013 and is double the region’s average for the period 2005-2012 (+2.5% a year). This is particularly remarkable in view of the regional economic situation and as it follows an already robust 2011 and 2012. By sub-region, Central and Eastern Europe (+7%) and Southern Mediterranean Europe (+6%) experienced the best results.

In relative terms, growth was strongest in Asia and the Pacific (+6%), where the number of international tourists grew by 14 million to reach 248 million. South-East Asia (+10%) was the best performing sub-region, while growth was comparatively more moderate in South Asia (+5%), Oceania and North-East Asia (+4% each).

The Americas (+4%) saw an increase of six million arrivals, reaching a total of 169 million. Leading growth were destinations in North and Central America (+4% each), while South America (+2%) and the Caribbean (+1%) showed some slowdown as compared to 2012.

Africa (+6%) attracted three million additional arrivals, reaching a new record of 56 million, reflecting the on-going rebound in North Africa (+6%) and the sustained growth of Sub-Saharan destinations (+5%). Results in the Middle East (+0% at 52 million) were rather mixed and volatile.

Russia and China – leading in growth in 2013

Among the ten most important source markets in the world, Russia and China clearly stand out. China, which became the largest outbound market in 2012 with an expenditure of US\$ 102 billion, saw an increase in expenditure of 28% in the first three quarters of 2013. The Russian Federation, the 5th largest outbound market, reported 26% growth through September.

The performance of key advanced economy source markets was comparatively more modest. France (+6%) recovered from a weak 2012 and the United States, the United Kingdom, Canada and Australia all grew at 3%. In contrast, Germany, Japan and Italy reported declines in outbound expenditure.

Other emerging markets with substantial growth in outbound expenditure were Turkey (+24%), Qatar (+18%), Philippines (+18%), Kuwait (+15%), Indonesia (+15%), Ukraine (+15%) and Brazil (+14%).

Link: <http://www.balkans.com/open-news.php?uniquenumber=187600>

Turkey's cinema industry is finally showing a revival

Turkey's cinema industry is finally showing a revival worthy of the heyday of the country's domestic film industry, Yeşilçam, in the 1970s, with a new generation of filmmakers tackling topics of contemporary significance. Locals, however, have not been the only ones to cast an eye on the country, as a long line of foreigners have also captured Turkey for posterity.

Now, in honor of the foreign directors that have set all or part of their films in Turkey, Istanbul's Türker İnanoğlu Foundation (TÜRVAK) Cinema-Theater Museum is bringing together the posters of foreign films that were made between 1925 and 2013 in Turkey or about Turkey.

The exhibition, "İçinden Türkiye Geçen Yabancı Filmler" (Foreign Films About Turkey), features the visual memory of 54 films from American, European, Australian, Hong Kong and Scandinavian cinemas and four co-productions of Erler Film-Türker İnanoğlu.

Since 1925, several of Turkey's cities have been reflected in foreign movies, along with the country's history, culture, multilayered society and – insofar as some foreigners are concerned – exotic nature.

"We searched widely in the archives and examined cinematic history. We think the exhibition will attract the attention of cinema-lovers," said the coordinator of the exhibition, Aslı Yılmazsoy.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187631>

Turkey will invest more than 5.5 billion lira in its transportation project

Turkey will invest more than 5.5 billion lira in its transportation projects, according to the country's 2014 budget.

The Turkish government will allocate around 3.5 billion lira to Turkish state railways, and around 2 billion lira to the Turkish Ministry of Transportation, Maritime Affairs and Communications, for its railway investments.

Turkish State Railways (TCDD) will invest almost half of its 2014 budget (1.8 billion lira) in high-speed train projects, according to the company's budget program.

Turkey's Transportation Minister announced last month that Turkey will develop its own high-speed train line, which will be completed in 2018.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187535>

Motor vehicle registration in Turkey has increased 27.4 percent

Motor vehicle registration in Turkey has increased 27.4 percent in November from the previous month as motorists applied to register over 95,000 new vehicles, a 3.4 percent increase year on year.

The Turkish Statistics Institute (TurkStat) released its Road Motor Vehicles figures for November 2013 yesterday.

For the month of November 2013, automobiles lead vehicle registration at 63.7 percent, followed by small trucks at 12.1 percent. Motorcycles came in third at 12 percent. Tractors came in fourth with 6.2 percent, and minibuses, buses, trucks and special purpose vehicles shared the remainder.

For the first eleven months of 2013 (in January-November period), the total number of motor vehicles registered in Turkey logged a 3.4 percent increase, reaching 17.87 million. In that period, 1,049 million new motor vehicles were registered and the registrations of 203,439 vehicles were cancelled.

In the first eleven months of the year, out of the total vehicles in Turkey, automobiles enjoyed the lion's share with 51.6 percent of new registrations, and small trucks accounted for 16.4 percent. Motorcycles came in third at 15.2 percent and tractors followed at 8.7 percent. Trucks took 4.2 percent, minibuses 2.3 percent, buses 1.3 percent and special purpose vehicles 0.2 percent.

As of November, the most preferred car brand was Volkswagen, representing 15.2 percent of new registrations. Renault followed the German manufacturer with 12.7 percent; Ford, with 9.7 percent.

Opel came next, with 7.6 percent. Hyundai took 7.3 percent, Toyota 7 percent, Fiat 6.3 percent, BMW 3.9 percent, Dacia 3.6 percent, and Peugeot 3.2 percent. Other brands made up 23.7 percent of new vehicle registrations.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187783>

A tender to privatize Turkey's Derince Port has been cancelled

A tender to privatize Turkey's Derince Port in the northwestern province of İzmit was canceled on Jan. 22, after bidders failed to meet the price that had been requested by the tender committee.

Six firms had submitted their initial bids for the port, which belongs to the Turkish State Railways (TCDD), and the tender for the privatization was opened Tuesday. The highest bid in the first round was \$180 million, which was increased to \$252 million in the second round, and \$302 million in the third round.

Safi, Kumport and Cengiz were three firms remaining in the tender at the auction stage. However, all three firms withdrew their offers after the tender commission set the minimum price for the auction at \$516 million. Ahmet Aksu, the head of Turkey's tender commission, then announced that the tender had been called off.

With the cancellation, the second effort to privatize the strategically-located port failed.

The first tender for the transfer of Derince Port's operating rights was held in 2007, when the Türkerler Joint Venture Group was the highest bidder with \$195.25 million.

However, the Council of State later cancelled that tender, citing a contradiction in the land settlement plan of the area.

The privatization process restarted in October 2013, with the Privatization Administration's announcement that it was again collecting offers.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187747>

TUSIAD's growth rate expectation is 3,4 percent for Turkey

Turkish Industry and Business Association (TUSIAD) expects growth rate as 3.4 percent and inflation rate as 7.6 percent for end of 2014 in Turkey. According to TUSIAD, exports and imports are predicted as \$161.1 billion and \$260.7 billion, respectively.

TUSIAD expects growth rate as 3.4 and inflation rate as 7.6, while government waits 4 percent growth rate and 5.3 percent inflation rate.

On the other hand, it is predicted that decelerating growth rate will increase unemployment to 10.7 percent.

Link: <http://www.portturkey.com/finance/5943-tusiads-growth-rate-expectation-is-34-percent-for-turkey>

Turkey's labor market performance after the crisis has been remarkable- Source

The Ministry of Labor, The Ministry of Development and the World Bank launched a new joint report on “Good Jobs in Turkey”, and presented the Bank’s recent regional report “Back to Work: Growing with Jobs in Europe and Central Asia”. Minister of Labor Faruk Çelik; Minister of Development Cevdet Yılmaz; and World Bank Country Director Martin Raiser delivered the opening remarks during the Reports Launch event.

The countries of Europe and Central Asia have struggled to create jobs even before the 2008-2009 global financial crisis. By contrast, Turkey has done remarkably well. The presentation focused on the reasons for Turkey’s good performance and the lessons that could be learned for other countries. At the same time, a closer look at the labor market in Europe and Central Asia reveals that Turkey shares a number of challenges with its regional peers in sustain the creation of good jobs into the future.

"Turkey's labor market performance after the crisis has been remarkable. From 2009-2012 the country created some 3.5 million jobs while employment in the European Union fell by 2 million during the same period. While Turkey’s demographic and structural dynamics are different from the majority of European countries, others can still learn from Turkey’s experience and policies, while Turkey can benefit from preparing in time for the future challenge of aging”, said Martin Raiser, the World Bank Country Director.

According to Rebekka Grun, lead author of the Turkey jobs study, “Policies that facilitated labor reallocation and targeted reductions in labor costs have been instrumental in the fast creation of good jobs in Turkey. Looking forward, further reforms that support the development of a competitive and flexible labor market will be critical for ensuring that this trend continues but also that the process supports the inclusion of important groups such as women and youth.”

The World Bank’s regional jobs report finds that only 52 out of every 100 working-age people in Europe and Central Asia are employed currently. And what’s more, up to 60 percent of the unemployed have been searching for jobs one for more than a year. According to the report, to address the jobs challenge in the region, policy makers need to regain the pre-crisis momentum of reforms towards modern market economies, and reckon with the distinct demographic pressures of the rapid aging of the population in most European countries and the large number of youth entering the labor market in Turkey and Central Asian countries.

The regional report puts Turkey among the group of advanced reformers with better employment performance in the past and more promising prospects, together with countries like Poland and other New Members of the European Union.

“Turkey has done well in regional comparison, but the challenges it faces in sustaining the creation of good jobs are quite similar to those faced by other countries in the region”, said Omar Arias, one of the lead authors of the regional report. “This includes the need for an improved business climate to encourage companies to invest and create jobs, more flexible labor markets, more job-relevant education

and training to ensure workers have the skills demanded by employers, and efforts to get more people into work, particularly excluded groups such as youth, elderly people and women.”

The key lessons for policies to create more and better jobs are:

Enable private-sector led job creation:

In the region, only about 10 to 15 percent of high-growth companies, often young (often called “Gazelles”), account for about two-thirds of new jobs created. In Turkey, Gazelles should be nurtured more by making it easier to do and grow business. This includes regulatory reforms, access to finance, a better insolvency framework, reforms of the tax system and further improvements in connectivity and infrastructure. Helping workers acquire the right skills:

Companies now place more emphasis on higher-order (cognitive and “soft”) skills, over routine, manual skills. These trends are also visible in Turkey. Investments in early childhood education, improved teaching quality, and efforts to reform vocational, secondary and tertiary education in close collaboration with businesses will help improve the relevance of skills of Turkey’s young labor force. Eliminating disincentives in taxes and social protection, and barriers to employment:

On average, labor taxes amount to 37 percent of labor costs in Europe and Central Asia. Turkey’s payroll taxes are below the regional average, but employers face other barriers such as relatively high minimum wages and high costs of hiring and redundancies. Lack of child care and flexible, part-time contracts are making it more difficult for women to enter the labor market, while early retirement provisions may encourage informality.

Further steps to reform the labor market are needed to ensure Turkey makes full use of its demographic dividend. Removing obstacles to internal migration: Labor mobility within countries in Europe and Central Asia is low and prevents worker relocation to places with greater job creation potential. Other countries could learn from Turkey in this respect, which has experienced tremendous internal migration, facilitated by massive government supported investments in housing, the reform of social security to ensure universal access and improvements in municipal services.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187849>

Foreign tourists visiting Turkey increased by 10 percent

The number of foreign tourists visiting Turkey increased by 10 percent in 2013 compared to the previous year, despite the high tensions in neighboring Syria and Iraq and the political turmoil.

The Culture and Tourism Ministry said 34.9 million foreign tourists visited Turkey last year, while the number was 31.7 million in 2012.

“We are one of the top countries in the world with potential for tourism,” Culture and Tourism Minister Ömer Çelik said, adding Turkey’s tourism is on the rise, despite the regional and local crises. The numbers include Turks living in Europe who spend their holidays in Turkey. More than 4.5 million Turks residing abroad visited Turkey in 2013.

Turkey was the sixth most popular destination in the world last year and Turkey’s southern city Antalya beat all records by attracting 12 million visitors, according to figures from the U.N. and Turkey’s Culture and Tourism office.

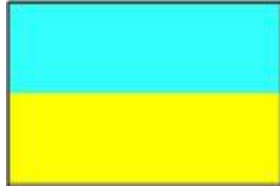
Three million Russians and two million Germans visited Antalya, a city of one million last year.

Fifty-two million more people travelled the world in 2013 when compared to 2012 according to the U.N. World Tourism Organization (UNWTO), an organization which monitors trends in international tourism.

France attracted more tourists than any other country in the world, while the United States came in second place, with China, Spain and Italy completing the top five most visited countries.

Link: <http://www.balkans.com/open-news.php?uniquenumber=187841>

UKRAINE



China the biggest customer for Ukraine's military industry

China is the biggest customer for Ukraine's military industry and could soon become the former Soviet state's No. 1 military technology partner, reports Duowei News, an outlet run by overseas Chinese.

Last year marked the 20th anniversary of the establishment of diplomatic ties between China and Ukraine, which has been credited with much of China's military development during this period.

Ukraine has so far exported around 30 types of military technology to the mainland, including that related to aircraft carriers and large vessels, supersonic trainer aircraft, tank engines, and air-to-air missiles.

Link: <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20140119000024&cid=1101>

State support to agriculture in 2014 budget increased compared with 2013

According to the Ministry of Agrarian Policy and Food of Ukraine, at year end 2013, agricultural producers will generate revenue for budgets of all levels in the amount of 47 billion UAH.

Agricultural market experts say that in recent years, the revenue of the consolidated budget by agricultural enterprises has been steadily growing. Thus, this figure has grown by 37% from 2010. This growth is due to the significant boost of agricultural production in recent years.

In particular, according to the State Statistics Service of Ukraine, agricultural production increased by 11.7% YOY for 11 months in 2013. And if we consider only agricultural businesses, the increase is 18.4%.

The government analysts also note the growth of export revenues from Ukrainian agricultural supplies abroad. Thus, in 2010 the exports of agricultural products and ready foods was 9.9 billion USD, in 2011 - 12.8 billion USD, in 2012 - 17.9 billion USD, in the 9 months of 2013 - 13.2 billion USD.

Experts at the Ministry of Agrarian Policy and Food note that budget support of the agricultural sector is not growing, in fact, it is falling. Although, they believe there is a need to increase the budget support especially for agricultural cooperation, development of farming, small and medium agricultural production. Specifically, there is a need to increase funding of agricultural advisory service. Without the help of consultants, it is difficult for the villagers to create and manage agricultural cooperatives, they emphasize.

It is also important to increase government funding of rural areas. Agricultural market experts emphasize that without good roads, reliable power and gas supply, it is hardly possible to ensure efficiency of agricultural production. The "School Bus" and rural medicine programs also need additional funding.

The Cabinet of Ministers has already submitted the draft State Budget 2014 to the Verkhovna Rada. The document is already under review in the Parliament Committees. Compared with 2012, it is planned to increase the financial support of cattle breeding. "We will continue to push for increased budgetary support of cooperatives, development of farming, small and medium-sized agricultural production," said Minister Mykola Prysyazhnyuk said.

According to him, the Ministry of Agricultural Policy will continue to defend the increased budget support for agricultural production and rural development during approval review of the Budget 2014 by the Verkhovna Rada.

Link: <http://en.info-kmu.com.ua/2014-01-13-000000pm/article/5573347.html>

Industrial production decline accelerates to 4.7% in 2013, from 0.5%

The decline in industrial production in Ukraine accelerated to 4.7% in 2013 against a 0.5% decline in 2012, the State Statistics Service reported.

At the same time, the decline in industrial production in the fourth quarter of 2013 slowed down year-over-year. In particular, industrial output in December 2013 alone was a mere 0.5%, while the decline in industrial production late in 2012 was only accelerating.

Link: <http://ukrainianjournal.com/index.php?w=article&id=17891>

Ukrainian Government, Slovakia Sign Reverse Gas Supplies Agreement

Ukraine's Cabinet of Ministers signed the agreement with Slovakia on reversing natural gas supplies, reported the Minister of Energy and Coal Industry of Ukraine Eduard Stavytskyi, reads rbc.ua. The document signed by Ukrainian party has already been forwarded to Slovakia. In December 2013 Stavytskyi stated that the agreement would be signed before the end of the year.

Ukrainian officials reported that the Slovak corridor for reverse natural gas supplies was the most promising for Ukraine, however, it was previously blocked by Russia's Gazprom, reads rbc.ua. At least five billion cubic meters of the substance can be pumped through the corridor annually.

Moreover, in 2013 Ukraine negotiated cheaper reverse gas supplies through the European countries' territories, such as Poland and Hungary and is still working on reaching respective agreements with Romania.

In May 2012 Ukraine signed a framework agreement with German electric utilities company RWE regarding the supply of gas to the Eastern European country. The company agreed to sell Ukraine up to five billion cubic meters of gas annually. By the end of 2012, RWE has sold Ukraine 56 million cubic meters of gas.

In January 2014, however, Minister Stavytskyi stated that at the current stage Ukraine would only purchase natural gas from Russia, while stalling imports of European gas in the reverse mode. He explained the move with the newly negotiated price for Russian gas being lower. Ukraine and Russia have signed an amendment to the bilateral natural gas contract of 2009 that cuts the price of Russian gas by one-third in the first quarter of 2014, reads rferl.org. Stavytskyi then told journalists that the new agreement set the price of Russia's natural gas at USD 268.50 per 1,000 cubic meters.

This new gas deal was reached in December 2014, shortly after Ukraine's President Yanukovich refused to sign the Association Agreement with the EU. As the price for the gas has to be re-established every quarter, it is speculated that the price mechanism would provide Russia with the necessary leverage to keep Kyiv away from Brussels.

In the recent years Ukraine stepped up its efforts to gain energy independence from Russia, for in 2013 alone Ukraine imported approximately 26 billion – 27 billion cubic meters of Russia's natural gas, paying USD 400 for 1,000 cubic meters. In November 2013, however, the volume of gas import decreased 1.7 times. Significant steps were made in the search and extraction of gas from Yuzivske deposit in Donetsk and Kharkiv regions, Oleske deposit in Lviv, Ivano-Frankivsk and Ternopil regions, Abikha, Kavkazka, Mayachna and Subotin deposits on the Black Sea shelf. Numerous oil and gas treaties were signed between the government of Ukraine and leading energy producing enterprises, including Royal Dutch Shell, Chevron, ExxonMobil, Eni and EDF.

Link: <http://wnu-ukraine.com/news/economy-business/?id=3850>