

Summary of the papers

*Neda Ivović
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EU approach to capital market regulation

Abstract

European Union is trying to create single European financial market with the adoption of many Directives. The main objective of those Directives is harmonization of regulations of financial services and capital markets as well as setting “minimum standards” for mutual recognition within member countries. Even though the process of adoption of directives was modified it didn’t provide for harmonization of securities regulation in EU since member countries are entitled to implement stricter rules and often impose additional requirements on issuers and market participants that conduct business on their territory.

Key words: *EU Directives, harmonization, regulatory competition, deregulation*

Slobodan Lakić

Strategic selection of monetary policy regimes – approaching European monetary integrations

Abstract

Monetary policy regimes encompass the constraints or limits imposed by custom, institutions and nature on the ability of the monetary authorities to influence the evolution of macroeconomic aggregates. A nominal anchor can be interpreted as a commitment by the central bank to impose strict limits on the process generating the economy's inflation rate. In principle, there are four broad monetary policy strategies that can produce a nominal anchor that credibility constraints the discretion of the central bank over the medium term: “hard” exchange-rate pegs, “soft” exchange-rate pegs, monetary targeting, and inflation targeting. An important decision for the Central and Eastern European countries seeking membership in the European Union is choosing the most appropriate exchange rate regime. Discussion of the optimal monetary and exchange rate arrangements for an emerging market economy have traditionally centered on fixed or flexible exchange rate or (most often) some hybrid

of the two, perhaps combined with capital controls or other regulatory measures. Managing the euro entry process will be a challenging task.

Key words: *monetary policy (strategies, regimes, frameworks), emerging market economies, european integration, central bank, dollarization, inflation targeting, currency board, exchange rate mechanism II, euro*

Nina Labović

Role of foreign direct investment in process of EU accession

Abstract

The aim of this paper is to underline the importance of high FDI inflows, as they are crucial for the successful transition in Montenegro and the entire Western Balkans while trying to reach the level of economic development of the most advanced transition countries. Positive effects of FDI for the host country are transfer of technological know-how, modernization of the industrial sector, strengthening of the economy's competitiveness, facilitation of the access to the foreign markets and stimulation of economic growth. The experience of Central and Eastern European countries during their preparation for the EU accession in the last decade and the experience of earlier EU enlargements demonstrate that economic integration can increase FDI inflows. The Western Balkan follows a specific process of economic integration, which is related to the intra-regional integration as well as to the EU integration. The aim of this paper is also to show whether these economic integration processes could have an impact on FDI inflows comparable to the FDI attraction experienced in advanced Central and Eastern European countries.

Keywords: *FDI, Economic Integration, Free Trade Agreements, EU Integration, Transition*

Ivana Vojinović

System of public finance in European Union

Abstract

Since the establishment of the European Community, annual budget was aimed at financing both common institutions and policies. However, serious problems regarding budget planning and control during the 80-is created the need for finding the new model of EU public finances. Consequently, in 1988. year, the agreement reached between three European institutions: European Commission, Parliament and Counsel, resulted in the establishment of medium term financial framework in the form of *financial perspective*. Technical objectives of financial perspective are the following: strengthening of budgetary discipline, control of the EU expenditures growth, and provision of smooth enforcement of budgetary procedure via determining frameworks, within whose limits, annual budget is adopted. Conceptually, it supports priorities and objectives that are agreed on the political level and represent their financial expression in certain time period. So far, two financial perspectives, »Delors 1« for the period 1988-1992 and »Delors 2« for the period 1993-1999, were realized. At the moment, »Agenda 2000« for the period 2000-2006 is in force, while negotiations on the new financial perspective for the period 2007-2013 are on the track.

Key words: *EU public finance system, EU budget, financial perspective*

Jelena Zvizdojević

EU enlargement and its impact on joint agriculture policy

Abstract

Agriculture wasn't one of the starting points for European Union but it has become one of the most important areas regarding politics when EU had developed what is well known under CAP label. CAP derives on significance more and more mainly because it always gave less and collects more. This politics numerous reforms didn't bring forth some significant changes but GATT agreement and ten new east and south European states accession to EU asserts her fundamental change even firmly.

Key words: *European Union, Common Agricultural Policy, fiscal framework, Single Area Payment Scheme, budget, farms, employment, population, GDP, investments...*

Nina Drakić

Agriculture policy of the WTO and challenges Montenegro faces with integration

Abstract

Agricultural trade barriers and producer subsidies inflict real costs, both on the countries that use these policies and on their trade partners. Trade barriers lower demand for trade partners' products, domestic subsidies can induce an oversupply of agricultural products which depresses world prices, and export subsidies create increased competition for producers in other countries.

Eliminating global agricultural policy distortions would result in an annual world welfare gain of \$56 billion. High protection for agricultural commodities in the form of tariffs continues to be the major factor restricting world trade.

One of the key goals of economic policy in Montenegro is joining World Trade Organization. In order to achieve this goal agricultural sector in Montenegro need comprehensive reforms. Having that in mind, this paper explains requirements that World Trade Organization member countries need to meet in agricultural policy, as well as its implications on agricultural policy reform in Montenegro.

Key words: *trade, agriculture, liberalization, tariffs, subsidies*

Tanja Bošković

Policy of custom protection in integration into WTO

Abstract

Tariff rates are crucial instrument of trade policy. This paper covers several important issues related to the reforms in this area. First part of the paper explains the key features of tariffs as protection instrument: different policy takers and opposite economic interests; benefits and adverse effects; alternative measures of protection; dependence of tariff policy on the development priorities and the welfare effects, etc.

Paper explains main WTO requirements concerning protection policy such as primary role of tariffs, restricted set of non-tariff instruments, limited scope of safeguard measures, comparison on the legal development in the field until now, and an indication of further legislation changes necessary in the period of adjustment. It also gives main elements of the customs-reform strategy: choice and concentration of goals and priorities; criteria for preparation of the alternative scenarios; solving convergence problems; defining conditionality for alternative solutions and interdependence of relevant externalities.

The goal of the paper is to give recommendation for trade policy reform in our country necessary in order Montenegro to become member of the World Trade Organization.

Key words: *Trade liberalisation, Tariff rate, Policy-taker*

Anja Vrandečić

European Agreement on Free Trade (EFTA¹) – Possibilities for Montenegro

Abstract

If we start from the fact that the main objective for the Montenegro is the EU membership, than we can see the agreement with EFTA as one of the steps towards that goal. First step would definitely be the membership in CEFTA, than EFTA, than WTO and finally EU. The most important thing during the climbing to EU is to take care of how much Montenegro gives at first three steps in order to save as much as possible for the negotiations with the EU. Since the Montenegro skipped first two steps and went directly to WTO, we tried to point out a few things that could be beneficial for Montenegro that only EFTA can provide.

Key words: Free trade, Intellectual property rights, European Economic Area, Organization for European Cooperation and Development.

Andrijana Drobnjak

World Trade Organization – challenges of accession

Abstract

The idea of integration is an ancient idea. There were many economical and political reasons for it. Current integration trends, creation of common legal and economic systems and globalization are very appealing to developed, as well as underdeveloped, countries. All want to be a part of that process. One of the products of integration, which certainly gathers the most attention, is the World Trade Organization (WTO). The creation of an efficient market economy and institutions within the economy are required conditions for a country to enter the “ranks” of the World Trade Organization. The accessing country must meet some criteria because their membership represents a “long-term project” that raises some issues, like transition and modernization of the entire society. The object of this commentary is

¹ European Free Trade Agreement

to provide an overview on the creation of the WTO, its current situation, as well as to discuss the conditions that Serbia and Montenegro have to fulfill in the direction of accession.

Key words: *WTO, approach, harmonization, lows*

Milan Lakićević
Milijana Novović

Financing company issuing long term bonds

Abstract

This paper discusses some basic aspects of enterprise financing by issuing long-term bonds as an instrument of loan capital. For this purpose, it was necessary to explain the concept, basic characteristics and classifications of these financial instruments. A bond is an instrument of debt. Long-term bonds are traded on the capital market and they are interest instruments. The market value of the long-term bond equals the sum of the present value of interest periodical yield and the present value of the principal at the moment of bond maturity. Special attention is given to the calculation of the price of capital, raised by issuing long-term bonds. Enterprise financing by issuing bonds is very appreciative, because the company usually has the possibility to retire the bonds before the period of their maturity if this source of financing becomes very expensive, because of the decrease in market interest rates. The enterprise is also able to do repay one issue of matured bonds by issuing a new issue. This operation is called bond refinancing. The mechanism of bond refinancing is also explained in this paper.

Key words: *long-term bonds, interest, installment, yield to maturity, duration, discount interest rate, bond refinancing, financial leverage.*

Mirjana Kuljak

Moral-Philosophical and theoretical bases of corporate goals

Abstract

This work reviews moral, philosophical and theoretical foundations of corporate goals i.e. the normative aspects of the issue. In the focus of this aspect are various interpretations of firm's aims (its justifiable goals) in different social environments, along with establishment of moral and philosophical guidelines for firm governance. In addition, there is an overview of theoretical considerations of corporate ownership and control – whose corporations are, what are their aims and who manage them.

Key words: Corporate goals, individualism, colectivism, solidarism, spontaneous order, teleology, liberalism, socialism, third way, evolutionary approach, constructivism, social contract, corporate social responsibility, ownership, control.

Ana Lalević

Target Costing as informatical support to define and make operational confrontation strategies of modern corporative enterprise

Abstract

Globalization, improvements in communications technology, improvements in infrastructure in third world countries, falling political barriers to trade and cooperation - all have combined to create a faster and, some say, more hostile world. A study describes confrontational strategies, Target Costing and the concept of the survival triplet: 1. price, 2. functionality, and 3. quality. The first 2 elements of the triplet are discussed as 2 elements frequently ignored in discussions of strategy. It is concluded that lean competitors can survive in confrontational environments. Quality and costs are different things; the management of costs requires an

aggressive cost management system. Furthermore, many firms only give lip service to such programs as TQM and JIT and fail to complete the transition to lean enterprises.

Target costing is an extremely useful technique from the very beginning of the design process. The first step in target costing is to determine a product's target price and target margin in order to determine its target cost. The second step is to break the target cost down to the component and raw material level so that the purchase of items acquired externally can be determined. The target price of a new product is determined primarily from the analysis done for product planning. The target margin is determined by corporate profit expectations, historical results, competitive analysis, and, sometimes, computer simulations. Once the product's target margin and target price have been determined, they are used as the basis for determining the purchase price of externally required components and raw materials.

Key words: *Target Costing, confrontational strategy, survival triplet, price, functionality, quality, market, TQM, JIT...*

Rajko Novičević

Human resources management and corporate culture

Abstract

Human resource management is a special management science segment. With properly human resource allocation an effective work division is realized, that is the most important factor of good, that is of an effective organization. Work division is mean as a process of concrete work task separation into smaller operations and their arrangement between organization members. In this way the labor will be performed by individuals not only by an individual.

It is right to say that human resource management function is one of the most important management and business functions that has important strategy and development dimensions. This function as well as other function of organization management is under different internal and external factor influence. The most important external factors are: society culture, economic system, work market, institutional conditions and like that. Internal factors, that have an important influence on this business function, other business functions and in an organization as a whole, especially are emphasize: organization greatness, business strategy,

production equipment, corporative culture, activity type, organization development stages.

The culture has important implications on human resources in a company, their competence and motivation as well as on the work success. The culture as an environment one has great influence on human resource in a company and as a corporative one has less influence.

Key words: *human resources, human resource management, corporative culture.*

Tanja Vukajlović

International Accounting Standards - 17

Apstract

Passing the Montenegrin Economic Reforms Package for 2002-2007, within the financial system framework, it is predicted enacting of the Law on Financial Leasing with the goal of improving financial leasing procedures in Montenegro and providing it with the regulated norms corresponding simultaneously with legal security principles and current leasing practice. Essential prerequisite for the implementation of leasing business practice beside passing the Law on Financial Leasing, is understanding the appliance of International Accounting Standard 17, which will be subject matter of this work. Starting from the basic definition, classification of leasing, the difference between financial and operative leasing will be stressed, as also as different accounting procedures treating the leasing business for both lessee and leaser and emphasizing the importance of this specific credit arrangement pursuant to its growing trends in our business practice.

Key word: *leasing, financial leasing, operative leasing, essence above form, lessee, lessor*

Ana Krsmanović

Value and Labor costs

Abstract

The value of labor is subjective category as in case of any other economic good. This paper gives the overview of marginal utility theory with special emphasis on labor value. Also the price of labor, as equivalent of numerical value of labor is discussed, as well as impact of regulation on the subjective assessment of value.

Key words: *Value, price, marginal* utility, marginal productivity, regulation

Tamara Backović

Decision making process – intuition of applications of formal modeling

Abstract

People face many important decisions in their lives: What college or university should I attend? What kind of job should I try to get? Which people should I hang out with? What kind of medical treatment should I use? A theory of practical reasoning should have something to say about how people can improve their decision making.

Decision making is a conscious process of making choices among two or more alternatives with the intention of moving towards some desired state of affairs. This involves identifying problems and opportunities, choosing the best decision style, developing alternative solutions, choosing the best solution, implementing the selected alternative and evaluating decision outcomes.

Decision makers have difficulty choosing the best solution because organizational goals are ambiguous or in conflict, they do not process information fully or objectively, and they tend to satisfy rather than maximize.

The question is whether the effective solution can be chosen by identifying and weighting the factors used to evaluate alternatives, using decision-support systems to

guide the decision process or by using intuition where we possess enough tacit knowledge on the issue.

Keywords: *Decision, decision making, opportunity, programmed decision, nonprogrammed decision, mental models, escalation of commitment, postdecisional justification, informed intuition.*

Boban Melović

BENCHMARKING – «Learning from the best»

Abstract

Fast, complex and unexpected changes which have great influence on business success, are the main characteristics of the time we live in. The increase of business competition and developing of market economy, initiate a necessity of continuing perceiving of business position. If an enterprise wants to be able to react on changes and challenges, in fact, to ensure constant success and protect itself from negative surprises, it is necessary for it to use different methods, concepts and techics, which all makes full effectiveness and effectual business. Wrong business decisions can affect not just financial problems, but also future long-term development and progress consequences. Progress and development of modern business could be accomplished only if business decisions are harmonized with business surrounding demands, especially with competitors, who have obvious changes.

Nowdays, situation which is characterized with strong competition and multiply changes in surrounding, is made up by companies who work in problems and business stagnation. Companies which are learned to adapt quickly and successfully on new market situations, have business growth for sure. Nobody can allow himself unappropriate surrounding behaving, undevelopment and undiferency with competitors. That's the reason why it's necessary to find modality which could help in realizing sustainable competition advance.

One of the modalities, both opening new sights and the development of competency of foreign and domestic enterprise, is benchmarking as a techics for increasing success and competency of companies in modern business atmosphere. Business benchmarking gives directions for developing business processes, technical solutions and functions. It also shows necessity for breaking with old business modality, which hasn't been successfull, and orientation to new modified business

modalities. In that case, we can define benchmarking as a techincs for increasing competency of entreprise and as a way for developing of marketing and management as main business functions in modern business.

Basic intention of this essay is to mark on the place, function and meaning of benchmarking in process of effectiveness and effectively managing in entreprise.

Key words: *benchmarking, competency, surrounding, effectiveness, effectively....*

Budimka Mićković

Global competitiveness, competitiveness of Montenegro – measures and analysis

Abstract

The competitiveness and competition are always in focus of attention, no matter if it is about micro or macro level: competition is the essence of capitalism. Competition is one of the main pillars of liberal market and economic freedom. Competition and competitiveness could not be explained, analyzed nor measured without empirical examples and its implementation in practice. Theories and methodologies on measuring competitiveness on global and micro level are at the table and raised many questions. Thus, competition is a challenge for brave and threat for the others; in any case is producing significant changes. Montenegro became aware that is not alone and that is necessary to be positioned among other economies worldwide. Initial steps were already made, as response to the global competitiveness challenge and its importance is clear now. Very next steps in improving internal and external rules of the game at the market and its implementation are crucial for what is to be left for the future generations.

Key words: *Competitiveness, competition, productivity, return on investments, Growth Competitiveness Index*

Darko Konjević

Business regulation in Montenegro – Rules of Law and Economic Freedom

Abstract

The rule of law provides the infrastructure for most other aspects of economic freedom, and it is essential in its own right. Montenegro is facing new challenges. It is not enough to draft and adopt the laws that are in compliance with the EU directives. It is necessary to implement them. Key factor in the implementation of the laws is the business sector. Therefore strong public private partnership should be built between the government and the private sector because only strong and developed private sector can make things happened.

Key words: *rule of law, free market, liberalization, business barriers.*

Marina Milić

Transaction costs and informal economy

Abstract

No matter how hard the state tries to legally regulate the operation of economic activities, to register and to tax them, there are always some segments that can avoid some of these regulations. Practice shows that the tendency towards the grey economy rapidly increases in disturbed economic conditions with huge external shocks (war, blockade, isolation, sanctions, etc.), but also increases because of sudden political-economical turnovers following by high transaction costs (characteristic of countries in transition) when the fall of production and living standards may also occur (so called Transition shock). That is a very convenient milieu for the spreading of the grey economy. On the other hand, in the micro plan, the bent of citizens towards the grey economy is increased by their mistrust towards the state, by poverty and by the general economic insecurities, as well as by a shortage or decline of business (and tax) morals.

Key words: *Grey economy, Transakcion costs, Transition, Entrepreneur, Tax system,*

Slaviša Delić

Labor market barriers and proposals from private sector how to remove them

Abstract

Transition period left deep trace in the labor market. Labor Law didn't follow the society changes, so it becomes one of the most important barriers for labor market liberalization. Labor Law in Montenegro prefers economy with large number of stabil work places and focuses mainly on keeping the exsisting employment level and labor relations rights. The protection of workers is emphatic, labor contract is overloaded with number of clauses and employment precedure is very complicated. Private sector which is represented by MBA suggested some amandmans regarding to Labor Law, in order to increase flexibility of the labor market. Partnership between state and private sector is the best way how to get better conditions for doing business and also economic prosperity in Montenegro.

Key words: Labor market, employment, barriers, Labor Law, Collective agreement, flexibility, taxes, contribution, partnership

Marija Todorović

Criteria and procedures for companies to get loans from commercial banks in Montenegro

Abstract

The focus of this paper is on credits potential in Montenegrins commercial banks as well as on procedure for getting credits for entrepreneurs and enterprises. In the first part, the paper presents performance of Montenegrin commercial banks with special accent on credit potential. After that, it follows the procedure of credit extension for entrepreneurs and enterprises, divided on conditions for short-term and medium/long-term credits. Further part of the paper is devoted to the structure of credits based on economic activity and to credit risks. The conclusion shows measuring Index of economic freedoms for area of Credit Market Regulations and comment what it means.

Key words: *loans, banks, short-term, long-term, entrepreneurs, enterprises, risk, index of economic freedoms*

Zoran Vulević

Small hydro plants – chance for energy sector in Montenegro; or what are barriers for private investors to invest in energy sector in Montenegro

Abstract

The deficit of the electric power in Montenegro is problem which it deals with for decade. The solution for this problem is faster entering of private sector in energetic sector. Nevertheless, complicate and unnecessary long procedure for obtaining concession for constructing small hydro-plants, make this problem even bigger. However this is difficult to achieve, because there is no adequate legal regulation. Montenegro Business Alliance, as the strongest voice of private sector in Montenegro, following interests of its members, has focused this problem. Some results have been already achieved, but in next time period we have to expect more significant improvement.

Key words: *mini hydro-plants, electric power, energetic sector, concession, license for work, investors, business, procedure, to short, to simplify, MBA...*

Nataša Masoničić

Ecofond – privilege of developed or...?

Abstract

Environmental policy is only one of the several sector policies of the state. Therefore environmental protection is in steadily competition with other state tasks as health, education or economic growth.

When the implementation of a fund is part of the defined balance there are at least two messages behind that.

The first message is: Environmental protection promoted by the fund is an important goal of the society. This goal (and the activities behind) is visible to everyone and justifies a specific structure.

Secondly: If once a fund is implemented it limits the influence of a government to change priorities radically. Changes of the fund can be implemented only to the degree as the common agreement (i.e. within the relevant legal framework) allows it.

Key words: *environmental fund, environmental policy, environmental protection, extra budgetary fund, budgetary fund.*

Tatijana Ivanović

Role of merchandising in competition strategy of Montenegrin companies

Abstract

Innovation implies newness. This discussion try to explain psychological processes which are happen in customer conscience in a face of trade and which influence on customer behavior, try to explain what is it merchandising and to present basic principles of merchandizing. Through practical examples it is tried to explain why merchandizing is interest of manufacturer and /or distributor and retail chains.

Key words: *merchandizing, stimul, perception, facing, position*

Damir Nezirić

Corporate Governance – initiator of development of market economy

Abstract

This work is based on the importance of corporate governance and its influences on companies managing and shareholders. The main question in this work is how to make managers work for owners and company's utility? From this point of view corporate managing is based on: managing control, making rules in terms of giving information to shareholders and insiders, founding board of directors and internal structure. Today a high level of corporate governance is one of the pre-conditions for

making an attractive informative ambient and effective financial market. There is no corporative governance without correct information about position of the company, like financial position, performance, property and management.

Key words: *Corporate governance; Investments; Property; Protection of shareholders; Information.*

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