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ECONOMIC, LEGAL, COMMUNICATION ASPECTS OF THE WESTERN BALKAN WITH SPECIAL EMPHASIS ON BOSNIA AND HERZEGOVINA IN THE PROCESS OF ACCESSION TO THE EUROPEAN UNION

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Summary: The countries of the Western Balkans have decided to focus their future on the European Union, which presupposes an improvement in the economic situation of these countries. This is an essential prerequisite for achieving the economic level of the EU member states and standards of the population as a whole. Some countries of the Western Balkans, after EU accession, have significantly improved their economic position. Prior to formal political integration into the EU, the Western Balkan countries are taking more intensive measures to facilitate and accelerate their economic development. After Bosnia and Herzegovina's institutions and leaders adopted a document reaffirming their commitment to reform, a renewed approach led to the entry into force of the Stabilization and Association Agreement (SAA) between Bosnia and Herzegovina and the EU on 1 June 2015. He has replaced the Interim Agreement (IA) which has been in force since 2008. By signing the SAA, Bosnia and Herzegovina, thanks to an "evolutionary clause", confirmed the status of a potential candidate country. In July 2015, a Reform Agenda was adopted to address the difficult socio-economic situation and advance the rule of law and public administration reform. This paper will discuss and propose appropriate measures as a contribution to understanding and improving the economic situation of the Western Balkan countries.

Keywords: economic development, reforms, business, market economy, foreign investment, European Union

Introduction

The main topic of the XVI International Conference Economic, Legal, Communication Aspects of the Western Balkan Countries with Special Reference to Bosnia and Herzegovina in the Process of Accession to the European Union, organized with its academic partner Nakhichevan University of Nakhichevan, Azerbaijan, and held in Travnik, Vlasic from December 15-16, 2017, is of great importance to the Western Balkan

countries, as they have decided to focus their future on the European Union. This presupposes an improvement in the economic position of these countries, which is a necessary precondition for reaching the economic level of EU countries and the standards of the population as a whole. Some Western Balkan countries that have become EU members have significantly improved their economic position, while other Western Balkan countries, such as BiH, are at different stages of the EU accession process, and it is important to emphasize that all of them are committed to this goal despite today's disadvantage,

which will be discussed here and propose appropriate measures as our contribution to understanding and improving the economic situation of the Western Balkan countries.

It is also important to emphasize that, prior to formal political integration into the EU, more intensive measures are being taken to facilitate and accelerate the economic development of the Western Balkan countries, which is the main objective of this Conference. According to the current situation, it can be said that the dynamics of economic development of the countries of the region are different, and on average they have not yet reached 40% of European development. Over the last ten years, the region has grown at an average rate of 1.4% and the EU at 1%.

In the period 2017-2019, it is expected that bh. the economy will grow by an average of 3.2%. If BiH and the countries of the region continue at this pace, the European Union could only arrive in 60 years. However, if there is an increase in economic growth of 5-7% per year, it could happen in 20 years. According to the World Bank's latest Regular Economic Report for the Western Balkans, all six countries are expected to grow in 2017, with accelerated regional growth forecast of 3.3% in 2018 and 3.6% in 2019. Investment has fueled strong growth in Albania, Kosovo and Montenegro, while spending has led to steady growth in BiH. The previous political crisis has exacerbated growth in Macedonia, as well as in the extremely cold winter in Serbia.

Economic growth, coupled with job creation, contributes to the decline in poverty in the region. The 23.6% rate is the projected rate for 2017 and is a full percentage point lower than the year before, which means 124,000 people fled last year. Although the outlook for economic growth remains positive for the Western Balkan countries, the risks remain.

Unless the Western Balkan Region accelerates growth, the European level will remain elusive. Higher investment and an

increase in private consumption are among the main drivers of growth. The competitiveness of our economies is progressing at a certain pace, but it is still far from the desired level. The recovery has led to further job creation in the private sector, but the unemployment rate is still very high. Despite progress in fiscal consolidation, the high level of public debt in most countries in the Region remains a problem and a kind of brake on economic development.

Foreign trade imbalances are significant in the Western Balkan countries, which remains a challenge for most countries as well as growing public debt in GDP. EU policy is very important for the countries of the Western Balkans because it recognizes regional economic cooperation as a precondition for strengthening the economy of the countries, which is why it supports projects for their integration and integration into the European Union. The Federation of BiH's budget projection for the next three years is planning a deficit and borrowing KM 1.7 billion. It is obvious that the authorities do not expect significant economic growth, and the debt has to be rescheduled to make more investments. According to the framework budget documents, only in the period from 2018 to 2020, the Federation of BiH plans budget deficit projections, as revenues are lower than expenditures, which include debt repayments. This means that no significant economic growth is expected, as projected tax revenues are expected at KM 1.6 billion. Over the next three years, a whole billion KM will be spent on debt repayments, or 60% of total revenue goes to budget users. This further reflects unrealistic demands for this three-year period, as budget projections have shown higher expenditures than revenues. Also, according to some established limits for budget users, it is evident that some of them have been projected more than necessary, among other things, for the needs of the Government of the Federation of BiH.

In the Western Balkans, there has been an

increase in the number of jobs, but this is still insufficient in BiH. Compared to the beginning of 2008, exports continue to grow, direct investment is still low and consumption is high.

The World Bank is of the view that governments should work on fiscal sustainability, mitigate shocks, and emphasize structural reforms to remove barriers to employment and increase productivity. Revenues were found to increase but budgets remained strained. Almost a decade after the global economic crisis, employment has recovered to pre-2008 levels in all Western Balkan countries except BiH, where the unemployment rate remains high, but at the same time dominates the region's highest unemployment rate this year. The current account deficit in BiH is close to 5% of GDP.

I BOSNIA AND HERZEGOVINA BEFORE ACCESSION TO THE EUROPEAN UNION

1. Socio-economic situation in Bosnia and Herzegovina on its way to membership in the European Union

In December 2014, the European Union took a new approach to Bosnia and Herzegovina (BiH), changing the order of conditions for the country to make progress in European integration and to address challenging socio-economic issues. After Bosnia and Herzegovina's institutions and leaders adopted a document reaffirming their commitment to reform, a renewed approach led to the Stabilization and Association Agreement (SAA) between Bosnia and Herzegovina and the EU on June 1, 2015, replacing the Interim Agreement. (PS) which has been in force since 2008. In July 2015, a Reform Agenda was adopted aimed at addressing the difficult socio-economic situation and advancing the rule of law and public administration reform. The reform agenda is still being implemented with significant progress. In September 2016, the EU Council invited the European Commission

to submit an opinion on the application for Bosnia and Herzegovina EU membership, submitted in February 2016.

The reform agenda adopted by the country's authorities in July 2015 with a view to addressing the difficult socio-economic situation, advancing judicial and public administration reform, as well as the country's further progress towards EU membership continues to be implemented in 2016 and 2017. at the state and entity levels with encouraging initial results.

Regular political and economic dialogue is taking place between the EU and Bosnia and Herzegovina within the structures of the SAA/PA. In July 2016, Bosnia and Herzegovina initialed the Protocol on the Technical Adjustment of the PS/SSP, in order to take into account its traditional bilateral trade with Croatia.

Bosnia and Herzegovina is still in the early stages of developing a functioning market economy. Some progress has been made in modernizing labor legislation, improving the business environment and addressing shortcomings in the financial sector within the agreed Reform Agenda. However, the public sector is inefficient and the private sector is slowly developing. What will be key is strong and continued political support for the swift implementation of much-needed structural reforms in line with the agreed Reform Agenda.

Bosnia and Herzegovina is in the early stages of capacity building to cope with competitive pressure and market forces within the Union. There has been no progress on competitiveness, but implementation of the Reform Agenda is ongoing.

Bosnia and Herzegovina has not yet achieved sufficient budget transparency. Annual budgets are published and annual budget execution reports are prepared by the Ministry of Finance and Treasury. The audit is done by the Supreme Audit Institution. Similar provisions apply in the Entities and in the Brcko District. Lack of alignment of chart of accounts at the state

and entity levels makes it difficult to access consolidated data.

When it comes to budgetary oversight, there is a need to better monitor whether activities are in line with the findings and recommendations of the external audit. Reporting during the year is insufficient, as is citizen participation in the budget process. No attempt was made to prepare a budget for citizens at any level of government.

2. Stabilization and Association Agreement

The European Union's policy towards the Western Balkans is defined through the Stabilization and Association Process (SAP), which was concluded with the aim of future membership of certain countries in the EU. Therefore, the Western Balkans countries are involved in a progressive partnership to stabilize the region and establish a free trade area. The SAP sets common political and economic goals, and the assessment of progress is based on the individual results of each country. The SAP was launched in July 1999 and consolidated at the Thessaloniki summit in June 2003 when it included elements of the accession process. The basic elements of the SAP are:

1. Contractual relations (Stabilization and Association Agreements);
2. Asymmetric trade liberalization (autonomous trade measures);
3. Financial Assistance (Instrument for Pre-Accession Assistance - IPA);
4. Regional cooperation and good neighborly relations.

The improvement of the SAA leads to the establishment of contractual relations between the countries and the EU in the form of a Stabilization and Association Agreement (SAA). BiH and EU negotiated SAA for 13 months, after which it was signed in Luxembourg on June 16th 2008. The SAA officially came into force on June 1, 2015.

The Stabilization and Association Agreement (SAA) is a new, third generation association agreement offered exclusively to the Western Balkan countries as part of the stabilization and association process. The Agreement is signed for an indefinite period with the aim of contributing to the economic and political stability of Bosnia and Herzegovina. The countries that have become EU Member States have signed association agreements (the so-called European agreements) with the fifth enlargement. The fundamental difference between the two agreements is the content of the "evolution clause" in the SAA and the emphasis on regional cooperation in the Western Balkans. By signing the SAA, Bosnia and Herzegovina confirmed the status of potential candidate country thanks to an "evolutionary clause". This is much more than the signatories to the Europe Agreement have received in terms of further EU accession. The second difference is reflected in regional cooperation, where the signatory state undertakes to sign bilateral treaties / agreements with the countries of the Stabilization and Association Process and the candidate countries.

The SAA is a "mixed" agreement, which means that in addition to the European Union, the contracting parties are also all Member States, since the SAA covers areas which are not only within the competence of the EU but also fall within the competence of the EU Member States.

3. Instrument for Pre-Accession Assistance

The instrument for Pre-Accession Assistance (IPA) is a means by which the EU supports reforms in "enlargement countries" through financial and technical assistance. IPA funds build the capacity of countries during the accession process, resulting in progressive and positive developments in the region. In the period 2007-2013, the IPA budget was

approximately EUR 11.5 billion; The ensuing IPA II builds on the results already achieved and brings in another € 11.7 billion for the 2014-2020 period. Current beneficiary countries are: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey. EU pre-accession funds represent a reasonable investment in the future of enlargement countries as well as the EU itself. With their help, the beneficiary countries carry out political and economic reforms that prepare them for the rights and obligations that EU membership brings. These reforms should provide better opportunities for citizens and develop standards that are equivalent to those enjoyed by EU citizens.

Pre-accession assistance involves investment in

- Public administration reform,
- Rule of law,
- A sustainable economy,
- People and
- Agriculture and rural development

IPA II (2014-2020) was prepared in partnership with beneficiaries, IPA II sets the framework for providing pre-accession assistance in 2014-2020. The most important novelty that IPA II brings is its strategic focus. Country Strategy Papers are specific strategic planning documents that have been produced for each beneficiary country and relate to a period of 7 years. Through them, more ownership is transferred to beneficiaries as they integrate individual reform and development agendas of countries. The Multi-Country Strategy Paper is a priority for regional or territorial cooperation.

IPA II aims to reform within previously defined sectors. These sectors cover areas closely related to the enlargement strategy, such as democracy and governance, the rule of law or growth and competitiveness. This sectoral approach promotes structural reform that will help transform the sector and align it with EU standards. It also

enables the transition to better targeted assistance, ensuring efficiency, sustainability and result orientation.

The IPA II Regulation entered into force on 16 March 2014 and is retroactively applied from 1 January 2014. The IPA II Regulation is complemented by the Common Implementing Regulation (CIR), which is a set of simplified and harmonized implementing rules and procedures for all external action instruments, as well as the IPA II Implementing Regulation adopted by the Commission on 2 May 2014.

Implementation of IPA 2007-2013. is still in progress.

The instrument is designed to provide financial assistance through five channels (known as 'components'): Transition Assistance and Institution Building, Cross-border Cooperation (PGS), Regional Development, Human Resources Development and Rural Development.

4. Structural reforms

The Structural Reform Program (Program) supported by the IMF is very ambitious, and the implementation of a significant number of planned measures, more than half, is planned, again ambitiously, by the end of 2016. The institutions of Bosnia and Herzegovina in the Letter of Intent to the IMF have pledged to meet them within the set deadlines, and the continuation of the arrangement depends on their ability to deliver on their promise.

The program is linked to the measures in the Reform Agenda (RA) and essentially represents the financial support needed to implement structural reforms.

What exactly is the purpose of the Program? The aim is to achieve stronger economic and employment growth that should be achieved:

1. by improving the business climate,
2. improving fiscal policies; and
3. by strengthening the banking sector.

The intention is to ensure balance of payments stability, rebalancing the sources of growth from current - based on current consumption to growth based on investment, and reducing public debt. Achieving the planned goals depends on the implementation of structural reform programs that should result in strengthening the private sector and increasing employment in it.

In the past, a total of five planned measures have been implemented, eleven of them have not been implemented within the foreseen deadline, while twelve of them should be implemented by the end of 2016.

The Government of the FBiH is 10.02.2017. accepted the information of the Ministry of Communications and Transport regarding the commitment from the Letter of Intent signed by the Government and undertook to complete, in consultation with the World Bank Group and / or the EBRD, a financial and operational due diligence for BH Telecom d.d. Sarajevo.

The Bill on Amendments to the Law on Bankruptcy Proceedings is being harmonized in the FBiH Parliament, although the deadline for its adoption was by the end of September 2016.

In the area of "Fiscal policy in support of growth while ensuring sustainability", one measure was implemented, four were not implemented, while five were to be implemented by the end of 2016.

Contribution rates, that is, taxation of labor in BiH, especially in the FBiH, as it is one of the biggest burdens for domestic producers, and in the market it reduces the competitiveness of the domestic economy. In accordance with the Program, comprehensive plans to reduce the mandatory contribution rates and to simplify and improve the efficiency of the income tax system in both entities should be prepared by the end of September 2016.

The public is already aware of the social partners' assessment that the Amendments to the Rulebook on the Implementation of the Income Tax Act, as well as the draft Contribution Law and the Income Tax Act, represent an additional burden on the real sector and are not in line with the objective of the measure accomplish.

5. The gray economy

The gray economy is the most represented in BiH, accounting for 25.5% of gross domestic product. According to the World Bank, it is estimated that the informal economy in BiH, or work without reporting, is estimated at around 30% of GDP. The gray economy is one of the biggest problems in Bosnia and Herzegovina, and is manifested through the employment of the undeclared workforce, the pursuit of illegal money transactions, as well as the illegal trade in goods and services.

With the advent of the gray economy and its development, significant sources of budget revenues are eroded by the state. Therefore, the gray economy not only threatens the regular inflow of budgetary resources, but also seriously threatens the production and regular circulation of goods and services. Its high level indicates that the system is not functioning in all dimensions and, among other things, shows that the existence of the state and its institutions is unnecessary. The shadow economy has a direct impact on reducing public revenues, which threatens the efficiency of public institutions, forcing them to offer less and less quality public services and goods. This reduces the standard of budget users, but also of all citizens. By unfairly competing with the entire registered (legal) economy, it also reduces the effectiveness of economic policy at the state level.

If we know that the total GDP is about 29 billion, then almost another 10 billion is done in the gray economy. Large payroll

contributions are a problem for all employers, and it is therefore the duty of the state to recognize that taxpayers are correct in helping them reduce their tax burden. The gray economy has a negative impact on attracting foreign investment and competitiveness of BiH. economy.

Fighting the gray economy is also essential for integration into the European Union. In terms of reducing the informal economy, two levers are crucial, namely: the fight against corruption and the effective functioning of the state. It all starts with the responsible authorities. Responsible action by the authorities establishes the conditions for the legal acquisition of wealth and makes it unprofitable to operate in the gray zone. The Indirect Taxation Authority is a key institution in combating the informal economy and preserving BiH's financial stability.

5.1. The gray economy in Bosnia and Herzegovina

In the economic literature, the concept of the gray economy is more recent, although its existence is as old as the state, government revenues and social accounts. The gray economy is becoming a social phenomenon that is a legitimate expression of the conflicting economic motivation of the state and taxpayers. Four basic drivers of the gray economy are:

1. Avoiding payment of obligations to the country,

Paying tax liabilities to taxpayers is a cost, and it is understandable that an integral part of their motivation will be to reduce it. The method of this reduction may also be a conscious avoidance of the registration of the state taxable income or a diminution of their amount. If tax burdens increase, and especially if they are progressive, taxpayers will reduce or adjust the scope of activities so that their registered tax base is as low as possible.

2. Protection against reduction of business profitability,

The shadow economy does not have to arise only as a consequence of tax avoidance.

Any restrictive measure of economic policy, that is, state interventionism in the economy can provoke reactions of market participants with the effects of the gray economy.

3. Supply of public goods and services,

The volume and quality of public goods and services offered by the government through the use of public money can also be a cause of greater or less inclination of companies and individuals to act in the gray economy. High tax rates, in the face of low supply and poor quality of public goods and services, will act as an additional pressure on the existing formal economy sector to start activities in the gray economy.

4. Over-regulation

The number of regulations, the conditions for their implementation and the administrative costs of operating in the legal sector can often be a motive for acting in the informal economy and a demotivating factor for the transition from the informal to the formal economy.

5.2. The general crisis as an environment for the expansion of the gray economy

The spread of the global economic crisis to Bosnia and Herzegovina (BiH) has not been accompanied by the reaction of authorities, the business community, trade unions and citizens' associations in the way similar groupings react in other countries.

The general crisis in BiH has several causes.

1. Political instability. Throughout the post-war period, BiH maintained a relatively high degree of political instability. The process of democratic decision-making, harmonization and coordination has hardly worked.

2. The poor state of the economy. The BiH economy is burdened with serious structural problems in the economy, the absence of a strategy and policy on the use

of resources, which is directly manifested in the creation of a small social product, very low resource efficiency and uneconomic valorisation of the contribution of resources to the creation of a social product. The net cost of labor is low, but with relatively high rates of payroll taxes and contributions, it has been artificially raised to higher than labor market supply and demand. Unemployment is high. Wages, though low, rise faster than labor productivity.

3. Absence of the rule of law. Without a strong rule of law, there is no establishment of a value system, no legal certainty of business, no morality in interpersonal relations, no protection of property, no exercise of liberties...

4. Low efficiency of reforms. Most of the reform processes in BiH have been initiated, led and funded by various international organizations. Such a way of reforming the economic and social system in BiH did not create enough responsibility for the local authorities to implement the reforms and monitor their results.

5. High poverty rate. Almost a third of BiH's population is poor or at risk of poverty. There are also poor in the richest countries in the world, but being poor in BiH is much more difficult because the chances of getting out of poverty are slim.

6. Low level of coordination between different levels of government. BiH is a decentralized state. This fact implies effective mechanisms for coordination and cooperation between different levels of government in order to achieve common development goals.

7. Low level of efficiency of institutions. Institutions of different levels of government in BiH do not have a high level of efficiency. They are slowly changing the characteristics of the system, insufficiently protect the rights of citizens and the business community, do not create quality public services and spend a large part of the social product for all of this.

8. The great role of the international community. One of BiH's most powerful

integrative forces over the past fourteen years has been the international community. A large number of reforms in recent years in BiH have been initiated and 'tailor made'.

It is a public secret that the BiH economy has long been ruled by the people of BiH, instead by people close to the World Bank and the IMF. This is precisely one of the key reasons why this situation in the economy is what it is. For the last 20 years, it has been working on the desires, plans and orders that come from the World Bank and the IMF. It is known that in 1996 the World Bank took over the reconstruction of BiH. economy and startup production. The primary objective was to increase industrial production and reach GDP in 1991 within 5 years. The present results show that today's production reaches 50% of the pre-war production. Pre-war GDP has not been reached, only in recent years has its structure significantly changed. Unlike pre-war GDP, which was dominated by industry, mining, trade, agriculture, fisheries, construction, etc., public administration, defense and social security account for the largest share of GDP today. At this rate of growth, which we currently have, we will not reach pre-war production in the next 50 years, and that only an extremely high growth rate can reach it in the next 10-15 years. This is because we have enabled the World Bank and the IMF to experiment with what they want, all because of the loans we repay regularly. Today, the biggest problems in BiH are foreign trade deficits, low savings rates, low employment and high inactivity.

5.3. Corruption, poverty and the gray economy

The gray economy is one of the main causes of the unfavorable business environment in Bosnia and Herzegovina, with an estimated 150,000 to 200,000 people also working in the informal zone. Poverty and the need for mere survival are the reasons why Bosnians and Herzegovinians do not choose jobs,

while employers among the many unemployed can choose who will work for them for low salaries, without contributions and working hours. Part of the employers, especially smaller ones, because of the high levies of the state, they decide to hire undeclared workers, thereby harming both themselves and workers and budgets.

A country without transparent public spending and with corrupt government, no matter what nation it lives in, will be a poor country and the first capital to leave it will be the property of the indigenous population, that is, members of that nation. And corruption is a kind of gray economy. It is, after all, an illegal way of taxing. Gray economy actors need corrupt civil servants and corrupt officials the gray economy.

The spread of the gray economy in our country is not caused by the lack of regulations that limit it, although they are not perfect, they are not modern, nor efficient enough. Rather, it can be said that the impact of corruption on the profitability of the gray economy is one of its more powerful drivers.

Nor should we underestimate the poverty of the broad sections of the population, who, for existential reasons, are forced to economize in the shadow economy. This poverty is often a firm obstacle to curbing the informal economy. As the government has nothing to offer as an alternative to the poor living in the informal economy, it loses the moral right to apply repression to them.

5.4. The problem of high levies

There are around 400 to 500 para-fiscal levies that are defined through dozens of laws at the BiH, FBiH, cantonal and municipal levels, which regulate levies. With all these levies, depending on the cantons or municipalities, employers have to pay as much as 90 fenings to one pay mark. This results in the employer paying a lot and the worker receiving little.

Water, forests, fires, natural disasters, roads, grocery control, issuance of

decisions, land use, advertising, landscaping and company leakage fees are too large, directly affecting the number of employees in companies, and thus to the general level of employment.

BiH is among the world's leading in terms of gross wage levies, at 69%. Only Serbia is ahead of her. High workloads have a direct impact on BiH economy, from high unemployment, which is more than 40%, to the high level of gray economy, which is BiH. It does not make workers competitive in the world.

200,000 workers in BiH have been registered for minimum wage, while the other part has been paid out of hand. In addition to being illegal, this amount is not taxed. The current wage contribution is 41.5%, while for example, the burden in Germany, France, Turkey is below 34% and in Britain 32%. Due to high levies, there are no good social protection systems that are unsustainable in the long run.

The authorities need to take some measures to relieve the economy, such as:

- A. Reduction of para-fiscal levies,
- B. Cancellation of membership fees for tourist boards,
- C. Reduction of administrative and court fees,
- D. Cancellation of multiple membership fees for chambers of commerce and
- E. Abolition of the obligation of notarial certification of acts for legal entities.

6. Sustainability of doing business in Bosnia and Herzegovina

A significant warning that BiH is lagging behind when it comes to ease of starting a business comes from the United Nations.

To start a business in BiH, it has to go through 11 procedures and will need \$ 65 and about 13.5% of the average monthly income of the population, making BiH the 175th in the world. In Serbia, it takes five

procedures and about seven days to start a business, as well as about 6.5% of revenue, which ranked the country 47th in the world. In most Southeast European countries, it takes a maximum of 10 days to register a company. Therefore, only BiH is lagging behind the region and the rest of the world, as it ranks 175th.

Starting a business continues to be one of the best points of all who have encountered it. Thus, it takes 11 steps to start a new business, from collecting paper, going to notaries, large expenses, and the founding stake in the Federation for Limited Liability Companies is 1000 KM plus all costs, while in RS it all costs 132 KM.

According to the Law on Business Companies of the Federation of BiH, the establishment of a limited liability company requires a minimum share capital of KM 1,000, while the establishment of a joint stock company requires a minimum share capital of KM 50,000. Other costs related to the notarial processing of the founding act, the court fee for registration and publication of the registration in the Official Gazette, the making of a stamp, copying and certification of documentation. When founding capital is excluded, the biggest expense is filing a claim for fiscalisation that can reach as high as 700 KM. When all the maximum possible costs are summed up, except for the founding capital, the maximum amount of KM 1,780 is paid, which in FBiH must be paid in order to start a business, which is by far the highest in relation to the debt in the country.

According to the Doing Business report, BiH has fallen back by seven positions and now ranks 86th. In our circumstances, it is too difficult to maintain a business.

The World Bank's Business and Competitiveness rankings for 2018 rank Bosnia and Herzegovina in 103rd place out of 190 countries in terms of overall competitiveness. While countries in the region are among the top 50, Bosnia and Herzegovina is among the last in the region

and the last in Europe. According to the World Bank, out of 190 countries, BiH is ranked 133rd in terms of "ease of paying taxes". In addition, based on the Doing Business list, it takes an average of 21 days to start a business in the world, while in BiH this number increases to 65!

As for the amount of taxes, the percentages can be expressed as follows: value added tax 17%, income tax 10%, income tax 10%. And as the "other side of this coin" to the data on rates it should only be said that Hungary has a value added tax rate of 27% and Belgium income tax of 34%. Therefore, only a few European countries have a higher tax rate than Bosnia and Herzegovina. But let's not forget the contributions, which total 41.5% in the FBiH, 33% in the RS and 30.5% in the Brcko District. In practice, this means that a salary of 1000 KM should be allocated an additional 415 ie. 333 Convertible Marks.

When it comes to the process of obtaining building permits, BiH is ranked 166th, with the best results recorded in the category of insolvency resolution, where it is ranked 40th. In the category of obtaining loans for starting a business, BiH is in 55th place, and in the category of paying taxes, it is 137th position.

Everyone did some activities and measures except us. The reform agenda promised to facilitate business, from the aspect of business registration, the introduction of a one-stop-shop system, reduction of para-fiscal levies, and improvement of the overall business environment by all factors. The business environment is not just about starting a business, but also about everything that influences quality work and business development.

Conditionally, it is relatively easy to start a business, but in our conditions it is too difficult to maintain a business, with such levies, both from the point of view of corruption, the work of the government, without having an incentive clear policy.

In mid-2017, the FBiH Government drew up a proposal for an Action Plan for Priority Measures to Fight the Gray Economy. This

document identifies priority short-term activities that need to be undertaken in order to reduce the informal economy in the Federation of BiH, especially in the construction, tourism and hospitality sectors.

Everything the authorities in BiH have done to improve the business environment has not been enough, as the new Doing Business Report has released a report according to which BiH ranks 86th out of 190 countries. A year earlier, BiH was ranked 81st. This report discusses the global place of hospitality for foreign investment. How easy is it for private firms to grow and for local entrepreneurs to start a new business? Preventing BiH from reducing its competitiveness requires much stronger, more determined and coordinated action.

Multiple sectors are dominated by state monopolies in the economy, which have a detrimental effect on market competitiveness and discourage foreign investors. BiH's state monopolies are inherent in aviation, airport management, power generation and distribution, forestry, healthcare, postal services, rail, telecommunications and waste management.

It also requires a strong commitment from the highest levels of government to define and implement the Reform Agenda. This requires laws and regulations to be more conducive to entrepreneurship, with private entrepreneurs playing a key role in setting reform priorities and confirming that they are not just on paper. If the business environment does not improve, the country's competitiveness will remain compromised, investments will go elsewhere, and the country will continue to export people as its best resource.

7. Unemployment

According to the BiH Agency for Statistics, at the beginning of 2017, there were 511,571 unemployed persons registered in

BiH. Data show that in BiH less than half of the working age population - 42.6% are active persons, ie. those who participate in the labor market as employed and unemployed persons.

According to BBC analysis related to the complicated administration of BiH, Bosnia and Herzegovina has the highest youth unemployment rate in the world. According to data from the same analysis, six out of ten people cannot find a job.

On the other hand, in January 2017, according to the statistics agency, 749,566 employees were registered.

The question is, what is the cause of such a high unemployment rate and the shadow economy? The answer is an insufficient production rate and huge taxes that are poorly distributed, as well as a way to spend the money raised that way.

This problem can be significantly overcome by improving the business climate, increasing production and introducing a low tax rate.

7.1. Unemployment rates in BiH and countries in the region

Prior to the global financial crisis, six Western Balkan countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) were flooded with cheap capital, which accelerated average economic growth of 5-7% annually in the countries.

According to the World Bank (WB), countries have managed to create 230,000 jobs, although they still have a high unemployment rate, with the youth unemployment rate extremely high, more than half of the jobs being created in the private sector, mainly in the service sector. Although unemployment has fallen across the region, it is still high; from 11.1% in Serbia to 30.6% in Kosovo, although Kosovo has seen employment increase by 8.5% in the last 12 months, World Bank analysts found unemployment in the six Western Balkan countries at 19%, while unemployment in the European Union

7.7%.

Economic growth is still resilient, but still too low to lead to a noticeable improvement in living conditions for citizens. In 2012, there was an economic decline of 0.9%, and due to extensive flood damage, production growth slowed down to 0.3% in 2014. As a result, average annual GDP growth during this period was only 1.4%. However, in 2015, production growth returned to 3%. Important drivers of growth were domestic demand, especially private consumption, as well as external demand. Resistance to private consumption is likely to be caused by a steady inflow of workers' remittances and an improvement in real surplus income, which has been driven by low inflation and increased employment. Domestic and foreign investments appear to remain weak, owing to the weak business environment, but also concerns about longer-term growth prospects. Industrial production intensified in the second half of 2015 and the first half of 2016, partly due to higher demand from abroad. Overall, data from the beginning of the year indicate moderate but solid economic growth. However, GDP per capita was still around 29% of the EU average in 2015, slightly higher than in 2011, when it was at 28%.

In five countries of the former Yugoslavia, unemployment looks like this:

- Serbia 11,1%,
- Montenegro 15,1%,
- Bosnia and Herzegovina 20.5%,
- Macedonia 22.6% i
- Kosovo 30,6%.

The 2008 economic crisis further exacerbated the existing structural weaknesses of the economy and the unemployment situation across Europe. High unemployment is one of the biggest social and economic problems in Bosnia and Herzegovina. According to the World Bank data for 2017, today Bosnia and Herzegovina, and Macedonia (27.3%), has the highest unemployment in the region of

25.4%.

In BiH, as of September 30, 2017, there were 480,379 persons on the records of employment services and employment services. Compared to the previous month, the number of unemployed persons decreased by 7,079 persons or 0.97%.

Of the total number of job seekers, 259,746 or 54.07% are women. Unemployment decreased in the Federation of BiH by 3,717 persons (1.04%), in the RS by 884 persons (0.75%) and in the Brcko District by 108 persons (0.97%).

Among jobseekers, at the end of September, the NKV of workers was 130.117 or 27.09%, PKV 8.137 or 1.69%, CV 157.898 or 32.87%, VKV 2.295 or 0.48%, NS 1.226 or 0.26% , SSS 134.670 or 28,03%, HSS 6,716 or 1,40% and HSS 39,320 or 8,19%.

The highest number of registered unemployment is made up of persons with the third level of education CV workers and workers with SSS. In September, 21,938 people were deleted from the employment service records. Out of this number, 15,198 persons are employed. At the same time, 8,236 people quit their jobs, while employers reported employing 5,995 new workers during this period.

The reform agenda produces some results, but they are not sufficient. Due to the huge unemployment and even more inactivity, BiH must have a growth rate of 6-7% per year instead of the current 2-3%. BiH needs more extensive reforms and bolder reform packages.

We need to relieve work because we have high unemployment. The structure of tax revenues in BiH should be looked at. Most are collected from indirect taxes and social contributions.

In Europe, where we want to reach, one third give direct taxes, indirect taxes and social contributions. With us, direct tax revenues are double that of neighboring Croatia, which is the last in Europe.

8. The existence of a functioning market economy

Bosnia and Herzegovina is still at an early stage in the development of a functioning market economy. Some progress has been made, such as modernizing labor legislation, improving the business environment and addressing weaknesses in the financial sector. However, stronger and more sustainable economic growth will require the development of a more efficient public and dynamic private sector. Strong and ongoing political support for the swift implementation of the much-needed structural reforms, in line with the agreed Reform Agenda, is crucial.

In line with the recommendations of the PER and the Reform Agenda, and in order to support long-term growth, next year Bosnia and Herzegovina should pay particular attention to the following:

- improving the quality of public finances through improved investment that supports growth, improved targeting of social expenditures, and stronger debt management;
- strengthening the financial sector by addressing poor quality loans, improving banking sector supervision and developing a new framework for bank rehabilitation and
- improving the provision and quality of timely and comprehensive statistics, with greater application of European and international standards.

Economic growth is still resilient, but still too low to lead to a noticeable improvement in living conditions for citizens. In 2012, there was an economic decline of 0.9%, and due to extensive flood damage, production growth slowed down to 0.3% in 2014. As a result, average annual GDP growth during this period was only 1.4%. However, in 2015, production growth returned to 3%. Important drivers of growth were domestic demand, especially private consumption, as

well as external demand. Resistance to private consumption is likely to be caused by a steady inflow of workers' remittances and an improvement in real surplus income, which has been driven by low inflation and increased employment. Domestic and foreign investments appear to remain weak, owing to the weak business environment, but also concerns about longer-term growth prospects. Industrial production intensified in the second half of 2015 and the first half of 2016, partly due to higher demand from abroad. Overall, data from the beginning of the year indicate moderate but solid economic growth. However, GDP per capita was still around 29% of the EU average in 2015, slightly higher than in 2011, when it was at 28%.

Monetary policy is still in line with political difficulties in the country. The currency board arrangement with the euro as the base currency is still in place and has a high level of reliability and credibility. This approach has so far been favorable to the economy. However, it also means that other areas, including fiscal policy, must bear the burden of adjusting to external shocks. This requires a more responsible fiscal policy, which requires the creation of sufficient fiscal depreciation mechanisms and a stronger emphasis on medium-term stability.

The general level of prices continued to decline, although it was slower. In 2016, the general consumer price index of consumer goods was 1.3% lower than the year before. The fall in prices was mainly due to a limited number of categories of goods, such as transport, while prices in the areas of housing, health and education increased by some 1-2%. Low domestic inflation was largely driven by lower prices of imported goods, e.g. energy and basic food, and a stable exchange rate against the euro.

General government accounts were almost balanced in 2015, although in 2016 the quality of fiscal administration was still low. Preliminary data indicate a small

surplus in total public sector accounts in 2015, of some 0.7% of GDP, compared to a deficit of 2.0% a year earlier. This significant fiscal adjustment of 2.7 percentage points of GDP appears to have arisen primarily from the delay in spending on investment and the level of spending on public sector wages maintained at last year's level. That is why public spending has been reduced from 45.8% of GDP in 2014 to 43.2% in 2015. A decrease of two percentage points in consumption resulted from a decrease in investments, which fell from 4.1% in 2014 to 2.0% in 2015 as a percentage of VAT. Difficult access to international capital markets has contributed significantly to this sharp decline in consumption. Total revenues in the public sector declined slightly, from 43.8% of GDP in 2014 to 43.2% in 2015. However, both the consumption rate and the revenue rate are still quite high compared to countries that are in a similar economic situation. Despite ongoing preparations to improve the focus of social spending and to reduce arrears, the quality of public spending is still very low.

The PER policy guidelines aim to improve the quality of public finances by improving the focus of public spending on growth, inter alia by increasing public investment and reducing spending on public sector employment. Improve social spending targeting and introduce a comprehensive list of public sector arrears. In addition, strengthen nationwide debt management capacity, and in particular improve collaboration and information flow from local data sources to the national level. Establish a rule-based, enforceable framework for the introduction of discipline at all levels of government.

Macroeconomic policy is generally appropriate. The approach of maintaining the arrangement of the Currency Board based on the euro and low fiscal deficits maintained the reliability and avoided the accumulation of large macroeconomic imbalances. However, sufficient attention has been paid to improving the quality of

public spending in the implementation of fiscal policy, e.g. through better targeting of social transfers and stronger public investment, which would increase the medium-term potential for government growth.

The average economic growth that BiH has achieved in the last three years is about 3%, and if compared to Europe, where the growth rate is lower, it seems like something significant for the economy. However, this is not exactly the case. At this pace, BiH will not reach the European Union standard in 60 years.

In order for BiH to be roughly developed as Europe now, it must grow much more and faster. If we continue to grow at these rates, it will take six decades to reach the level of capital per capita in Europe, but if we accelerate that growth process, if we discover new sources that can help boost growth in BiH, it could happen in half the time. What is important to do is to try to bring the macroeconomic model into balance. We currently do not have a lot of spending, little investment, so channels must be found to turn consumption into investment, where imports will decline, but exports will be accelerated and the private sector strengthened.

Foreign direct investment is not yet at the level we would need to drive growth a little more. From 2010 to 2016, Bosnia and Herzegovina had FDI of just \$ 92 per capita. BiH is also lagging behind in the ease of starting a business. All other countries in the region achieved better results, even higher than in the previous period. The average foreign direct investment per capita in transition countries is \$ 247, and at the European Union level, as much as \$ 846.

This year, the economy is expected to grow by 3% in BiH, and as it is mainly driven by spending, employment rates in the region have returned to pre-2008 levels, but this is not the case in BiH. Although employment is rising, it is still not enough to reach the

2008 level. It is encouraging that exports continue to rise.

It is discouraging that FDI is not yet reaching the level we would need to drive growth a little more. Fiscal stability is something that should continue to be worked on, however, if spending is what BiH's guidance will be. economy, then we have to be very precise about the issue of making strategic decisions that drive that spending. However, there is potential in BiH to take advantage, it is necessary to continue the reform process, with the estimate for 2018 being that BiH could grow at a rate of 3.2%.

In other Western Balkan countries, foreign direct investments are those that finance a significant portion of the current account deficit. In BiH, foreign direct investment finances about 25% of the current account deficit, while in Serbia the deficit is fully funded by foreign direct investment, and growth in BiH is expected to remain 3% in 2018, while it could reach 2019 3.4%, but only if reform processes continue.

II ECONOMIC ASPECTS OF BUSINESS IN BOSNIA AND HERZEGOVINA AND THE WESTERN BALKAN COUNTRIES

1. Economic exchange of Bosnia and Herzegovina with foreign countries

In 2016, the value of exports was KM 9.42 billion (EUR 4.82 billion) and increased by KM 429.30 million compared to 2015. The value of imports in the observed year amounted to KM 16.14 billion (EUR 8.25 billion), which is KM 287.46 million more than in 2015. Trade deficit amounted to KM 6.72 billion, which is 141.84 million less than the deficit in 2015. The coverage of imports by exports in 2016 was 58.35%.

Exports to CEFTA countries account for 14.80% of total BH exports, while imports from CEFTA countries account for 12.75% in total BH imports. In trade with CEFTA countries, Bosnia and Herzegovina

recorded an increase in exports of 4.45%, an increase in imports of 5.12% and a trade deficit of 6.56%. Exports to other countries (Rest of the World - ROW) account for 7.49% of total BH exports, while imports from other countries account for 20.84% of total BH imports. In 2016, in trade with the rest of the world, there was an increase of exports of 2.72%, followed by a fall in imports by 3.88% and a decrease in the deficit of 5.49%. Of the main trading partners, the largest export-import coverage is with: Austria of 90.08%, Germany 74.72% and Slovenia 73.95%, In 2016, BiH exported most to the following countries: Germany (15.71%), Italy (12.01%), Croatia (10.46%), Serbia (8.74%), Slovenia (8.57%) and Austria (7.76%). Exports to these countries account for 74.32% of total BH exports. Viewed by country of origin of imports, most were imported from: Germany (12.27%), Italy (11.69%), Serbia (11.26%) and Croatia (9.95%). Imports from these countries in 2016 accounted for 71.94% of total BH imports.

In the first nine months of 2017, BiH achieved exports worth KM 8 billion and 95 million (EUR 4 billion and EUR 150,000), which is 18% more than in the same period in 2016, while imports amounted to KM 13 billion and KM 306 million. up 13% from last year. The coverage of imports by exports remains in deficit by almost 40%, which is a bad sign for potential investors.

The coverage of imports by exports in the third quarter of 2017 is close to 61%, while the value of the foreign trade deficit is 5 billion and 211 million KM.

Weak macroeconomic indicators in the area of foreign trade are responsible for the complicated political situation, failure to implement reforms, inefficient legal system and weak market control mechanisms.

The only recorded surplus of exports in relation to imports is recorded by the timber industry. Bosnia and Herzegovina continues to have a disproportionate increase in imports of meat and meat

products, milk and water. Germany and Austria remain the foreign trade partners with which Bosnia and Herzegovina achieves the highest level of harmonization of exports with imports. At the same time, these are the countries with the highest value of goods exported from Bosnia and Herzegovina.

The most important partner of Bosnia and Herzegovina in foreign trade is the European Union, while the most important EU country in terms of trade is Croatia. The highest percentage growth in exports compared to last year was recorded in Montenegro, Serbia and Croatia.

Positive developments in the international environment and developments within BiH industries have had a positive impact on foreign trade in goods. Thus, in the first nine months of 2017, the overall merchandise trade, exports and imports of goods increased at double-digit growth rates in BiH, while the foreign trade deficit narrowed and the coverage of imports by exports improved. However, it should also be noted that during the observed period, there was a significant increase in export and import prices, so that the real increases in these indicators are actually slightly lower.

Exporting products is the most important segment of the economy in BiH, and without exports, the country would stagnate. What is also important is the structure of these exports. BiH has a lot of potential when it comes to exports, be it exports of aluminum, steel, and wood products.

Until 1992, BiH was the only republic in the former Yugoslavia to have a trade surplus. The good news is that bh. the economy is showing signs of life, it wants to resist the dominant import dependency for decades, the less good news is that we are still not using the potentials and chances to make a significant impact on capital flight from the country.

One of the chances that is becoming more and more realistic these days is the concept of "buy local". I know more and more

people who buy homemade and who don't bother to say it publicly. Likewise, I know of more and more companies that take domestic products and subcontractors for suppliers of their products.

Between 2001 and 2004, several large companies completed the process of privatizing and finding strategic partners. These companies have undergone restructuring by acquiring new equipment, resolving employee status and securing financial resources to enter the foreign market.

The metal and electrical sectors are one of the largest in the Federation of BiH. Exports for the first nine months of 2017 amounted to KM 5.4 billion and are 16.4% higher than in the same period last year. Other export activities were initiated. The top exporting countries are Germany, Croatia, Italy, Austria and Serbia. The total number of employees is 30,000. A positive example is the Igman company from Konjic, which works in the area of the dedicated industry, which employs 1,700 workers and is expected to receive new workers. Before the war, 23,000 workers in more than 20 companies were employed in the dedicated industry, and today 3,500 workers are exported to 54 countries. In the dedicated industry, there are still significant employment needs to work on.

Reliable companies must have a special place in the business world, because being a creditworthy company means being a stable support to your customers, suppliers, partners, which is, in fact, a competitive advantage today. In BiH, out of a total of 31,554 firms, 13.5% of them met the reliability criteria.

The importance of these companies for the economy of BiH is evidenced by the fact that the total income of credit rating companies in BiH in 2016 amounted to about KM 15.4 billion. It is a BiH force that needs to be promoted and supported.

BiH cannot fight alone in the world market, but needs to partner with countries in the region, as other countries have warned.

This would enable us to transfer goods and services faster through infrastructure investments. But our complicated procedures, dysfunctional market, inefficient legal system and the rest are limiting factors for faster progress. We are not tapping into the place, we are moving, but there is no wind in the back that we expected from the state, which have countries in the region.

As real economic indicators show the country's stalemate with regard to the region, as we still have high unemployment rates, high trade and wage deficits, the sustainability of external debt is realized through international assistance, and foreign transfers are barely maintained.

We need to build industrial chains that will import everything that can be imported into the manufacturing part. We have experience in the metal industry with these, but they are in the chains of large EU clusters. The story of IT and digitalization can go a long way in countries that have solved it all, and we who have to contend with these conditions to lift the economy are far from over.

The solutions were announced through IPA funds to finance agriculture, but we did not meet the requirements. The state is still waiting, but nothing concrete is working and we need to put a lot more effort into moving forward.

When it comes to the results achieved in the foreign trade of goods and services, BiH still has a deficit in the coverage of imports by exports.

Only in Austria we exported goods and services more than we imported for KM 17,401. Looking individually by entity, the Republic of Srpska has higher exports than imports with Montenegro, Austria, Croatia, the Netherlands, Germany and Italy. Unlike the RS, the FBiH imports more from all countries than it exports and generates a deficit in foreign trade.

Foreign investments in BiH have increased by 66.8% this year, reaching 400 million KM in the first six months of 2017, which is insufficient and does not allow for

solving unemployment and reducing public debt, as well as GDP and GDP growth. salaries of employees.

A number of new investments are underway, one of which will be signed on 27 November in Budapest. The investment is worth one billion marks.

In order to increase exports, reduce high unemployment, attract foreign investment, political stability and economic reforms are considered to be key factors for BiH. In doing so, it is necessary to build a new economic model based on export and investment growth. Reforms in the area of the rule of law are crucial to ensure that capital is safe, that is, healthy investments come. Although some progress has been made in this regard, in improving the legal order, it is still a challenge to work on in the future. The BiH outlook is optimistic, despite the problems identified in economic development, and we know that we can and must do more. The main objective is to carry out structural reforms and to lead sustainable economic development, especially public finances. Yet, the BiH economy has begun to show signs of recovery. Exports from BiH increased significantly, by almost 18% in the third quarter of 2017 compared to 2016. Industrial production shows strong growth, as does consumption. Interest rates for commercial and private lending, although still comparatively high, have been at their lowest level since the establishment of the Central Bank of BiH, and consumer lending is on the rise. Collection of indirect taxes increased significantly (10% in Q3 2017). Debt relative to GDP is at a relatively low level.

2. Agriculture in BiH

BiH still does not have the possibility to use the funds from the IPA II Fund for Agriculture. Representatives of the European Commission stressed that BiH will exercise the right to use the funds from the IPA II Agricultural Fund in 2018 if the Rural Development Strategic Plan is

adopted at the national level by the end of this year. Without IPA II funds, BiH can hardly achieve more serious shifts in agriculture.

The Office of the European Commission in BiH has repeatedly suggested that in order to attract money from EU funds, BiH must make greater progress in developing a strategic plan for rural development at the national level and implementing a harmonization program for agriculture, food and rural development.

The BiH Ministry of Foreign Trade and Economic Relations initiated a public debate this year on adopting the BiH Rural Development Strategic Plan. Adoption of this document is a prerequisite for obtaining additional funds from EU pre-accession funds, as well as opening access to the IPA fund.

The document has been completed and recent preparations are under way before the BiH Council of Ministers finally submits it to parliamentary procedure.

If Bosnia and Herzegovina fails to meet this deadline by 2021, it will not be able to participate in IPA funds, and if it does, it will have over 200 million euros available over the next four years.

A strategy for agricultural information is still expected to be adopted in Bosnia and Herzegovina. Preparations for the agricultural census are still at an early stage. Improvements in agricultural statistics and the agricultural information system are still insufficient. Land-entry systems have not yet been harmonized across the country, and land management requires further strengthening. The lack of consolidated statistics hampers agricultural policy-making.

The Government of the Federation of BiH, at the proposal of the Federal Ministry of Agriculture, Water Management and Forestry, adopted the Agricultural Incentive Program established by the FBiH Budget for 2017 in the amount of KM 65,700,000. Of these, incentives for plant production refer to KM 10,400,000, to the

animal 52,200,000 KM, to the capital investment model KM 2,300,000; 300,000 KM is planned for other types of support, and 500,000 KM for court judgments and appeals by decisions. The 2,400,000 KM Veterinary Incentive Program was also adopted.

In 2016, incentives for agricultural producers amounted to KM 5,099,416.67.

3. Entrepreneurship and Corporate Entrepreneurship

In today's economy, the basis for successful business, especially in a global context, is to create a favorable climate in an organization that promotes entrepreneurial behavior, innovation and flexibility. According to modern understandings, an entrepreneur no longer has to be an individual who owns a business. An entrepreneur may also be an individual employed by the employer but possess the characteristics that are characteristic of entrepreneurial behavior.

The corporate entrepreneurship model is increasingly evolving, which enhances teamwork, whose members are motivated to work toward success and accept risk. Entrepreneurship today means a continuous creative process, whose main goal is to implement innovations in the organization in order to succeed in business and solve problems of consumers and society.

In modern business, entrepreneurship is more a matter of organization behavior and business policy definition and implementation of appropriate business practices, and less of a personality issue.

Large enterprises need to encourage entrepreneurship to overcome the difficulties they face as they learn how to work with partners or allies. Large enterprises in their organizational structure create a unit that behaves completely differently from the rest of the organization. Over time, large systems have developed models of entrepreneurial behavior and the development of an entrepreneurial climate that have enabled them to compete with

medium-sized enterprises. However, the smallest businesses (micro and small businesses) are the least innovative, due to the fact that they operate in conditions of resource poverty - a general lack of staff, financial resources, equipment and the most knowledge.

The issue of applying corporate entrepreneurship is of paramount importance for businesses coming from countries in transition. Completing the transition process, that is, changing the economic structure of society - privatization, market economy, liberalization of foreign economic relations, etc., is a basic precondition for successful integration into international economic flows. The transition process should enable the economic operators in the country of transition to be able to compete independently, compete soundly, and operate internationally. This implies significant changes both in the organizational structure of the business entity and in the thinking of management and employees in the organizations. The key role in this process lies with the executive management and the domestic owners of capital, who should establish sound market bases of business, based on continuous improvement of knowledge of all employees and productivity of work.

Entrepreneurship education must create the conditions and climate that will enable the newly acquired knowledge to be applied to work and knowledge (the emphasis is not only on what to do but also how to do it). In this sense, the overall result of entrepreneurship education must be an entrepreneur and manager, to whom the world-wide definition of "one who is responsible for the application and practical performer of knowledge" can apply. "Entrepreneurship education includes:

1. Acquiring knowledge and developing the capacity for creativity, problem solving, developing entrepreneurial style and entrepreneurship in youth and

adults, in the formal sense of education,

2. Increasing the level of knowledge and ability to run businesses with existing entrepreneurs and executives (financial and legal business, IT, management, marketing, business communication),
3. Empowering the unemployed and redundant to start their own businesses.

4. Small and medium-sized enterprises

Small and medium-sized enterprises are increasingly the subject of interest in more developed countries where these enterprises are a factor of development. More developed countries put SMEs at the center of their economic strategies and programs and competitive measures of macroeconomic, targeted fiscal policies towards SMEs, through tax breaks, directly affecting the reduction of operating costs, improving the liquidity and thus the competitive position of SMEs. However, Bosnia and Herzegovina is not yet adopting the tax policies and practices of many developed countries, and is thus not paying sufficient attention to the advancement of the SME sector. This has been shown by the conducted research in Bosnia and Herzegovina. Changes in the socio-economic system with a reliance on the market economy, create favorable conditions for the development of various industries, which will be profitable and keep pace with development, while constantly adjusting to the constant changes in the market, gives priority to small and medium-sized enterprises.

How to define a small business? A business is a set of specific business activities that meet the needs of business owners, that is, invested capital, employees of the business and society. This term covers any economic activity of an individual and an organization in all activities. A business can

also be formed as a business, farm, bank, agency, shop, insurance, health, educational or other organizations. So the term business is broader than the term business. For any other organizational form of business it is possible to use the term "firm".

Developed countries, thanks to their particularly small business, make up the bulk of their successful economic and social development. Just over 2/3 of employees (67%) of the EU, 27% of the business non-financial sector were employed by SMEs in 2016 in a total of 20.8 million SMEs or 98% of the total number of enterprises, contributing to the gross additional 58.4% of the total gross value.

This can be explained by the following facts:

1. Small businesses are more adaptable to market demands,
2. They achieve higher profitability than large firms in relative terms,
3. More successfully address emerging environmental disorders,
4. They can work more successfully with a relatively small amount of invested capital,
5. Very often, they are in the hands of members of a wider and narrower family and are strongly and directly interested in the survival, growth and development of their businesses and
6. They have a lower risk of failing business and operating at a loss.

Depending on the development of an economy, as well as the benchmarks that can be taken to categorize the size of a business, these benchmarks are as follows:

1. The total value of the company's assets,
2. Sum of share capital,
3. Annual amount of revenue i
4. Number of employees employed.

For a long time, those in the EU were

considered small enterprises with up to 100 employees. However, today it is more complex to approach the definition of small business, so its importance, place and role, as well as the aspiration to define small and medium-sized enterprises throughout the EU are determined from this aspect.

Bosnia and Herzegovina is the European country with the smallest number of SMEs. Only a few other former Soviet Union countries, such as Georgia and Kyrgyzstan, have fewer SMEs than Bosnia and Herzegovina.

This is considered to be one of the most unfavorable periods for the BiH economy as banks have difficulty lending. The time when banks spread their hands for someone to come and take out a loan, whether it be a natural or legal entity, is definitely with us. The reasons are very simple, money supply is insufficient. Money is like any commodity currently lacking in the market. Then the banks automatically think about how to secure the repayment of the loans they place. Even in situations where development banks have lent through commercial banks; even in these situations, problems arose.

The global economic crisis has hit Bosnia and Herzegovina to a great extent. About 50,000 jobs have been lost so that the number of unemployed is about half a million, each new job is precious but in a situation where the state has to borrow to allow salaries for its officials and budget users, banks become more and more alert when in the case of lending, especially to small start-ups. The state, on the other hand, is not saying anything about investing in research.

World examples show that with the help of the state, the development of small business and new ideas has its own perspective. In Japan, the state is launching competitions for innovative business ideas. The winners of these competitions receive assistance from the state on the basis of which they can realize their ideas and create jobs, and in some European countries, such as Denmark, the whole economy is based on

small and medium-sized enterprises. Therefore, more work needs to be done in Bosnia and Herzegovina to develop cooperation between the private and public sectors in which the state would assist companies that are just starting up through professional and financial assistance. Although Bosnia and Herzegovina has adopted a strategy for the development of small and medium-sized enterprises. Its coordinated implementation is still lacking. Improving the financing mechanisms of small and medium-sized businesses is one of the main priorities of the strategy, but in reality it has not registered any progress in implementation so far. Businesses continue to face high interest rates on loans offered by banks or microcredit organizations.

Also, businessmen believe that sources of financing, in this case banks and microcredit organizations, are reluctant to give long-term loans to companies. All this makes BiH business difficult. to companies that are struggling daily to gain a foothold in the market.

Regarding institutional support, there is no state-level SME development agency. Progress has been made in this area with regard to Republika Srpska, which has set up an agency to support small and medium-sized enterprises. In the Federation of BiH, no such agency has yet been formed.

5. Knowledge and new technologies

Knowledge has always been one of the basic instruments for the development of social communities and successful national economies. In modern conditions, especially globalization, innovation and newly acquired knowledge as a result of research becomes not only the basis of development but also a key factor of society. Increasing investment in the creation of new knowledge in all scientific fields and the transformation of that knowledge into all-round development is necessary not only to create a knowledge-

based society but also to improve national competitiveness, the quality of life of individuals and society, reduce disparities in the labor market, create social justice and connectedness of all groups of society. In today's environment of a global market economy, only those economies that value knowledge and innovation and invest adequate resources in innovation, research and development can make progress.

Developers, or IT professionals, are those who offer new, up-to-date knowledge and, due to their knowledge of new technologies, can contribute to the productivity and competitiveness of businesses, thanks to the innovations and ideas they have to offer. A good idea today is the best product on the market and the most expensive.

Knowledge has the effect of increasing the volume of business. Knowledge is the most important production factor that requires investing in it. There is a correlation between knowledge and investment. Namely, investments can increase knowledge, and knowledge can accelerate the realization of new investments, making growth, according to endogenous growth theory, limitless.

The basic factors of production (country, labor, capital and organization) characterized the so-called old economic science. However, in the context of new economic science, information, space and time are considered to be emerging factors of economic growth and development.

If there is already a demarcation on the so-called. old and new economic science is needed before defining the so-called new economies to state the technological and technological changes in the form of technological revolutions that have characterized today's civilization. The first technological revolution was characterized by the advent of steam, propulsion machinery, steamboat, railways, and the characteristic is that the animal and human physical labor was replaced by a steam-powered machine. The centerpiece belonged to workers who provided

relatively primitive means of labor. The second technological revolution is marked by the emergence of electricity, and the technological characteristics of the same are electronics, mechanization, conveyor, telephone, radio, car, airplane, where the primary place is occupied by experts. The focus of the third technological revolution is on information technology, and for it is the emergence of computers, microprocessors, rockets, televisions, robots. It represents the most significant feature of modern world production, while at the same time we can talk about the beginnings of the fourth technological revolution followed by the emergence of fusion of atoms, biochips, artificial raw materials, biotechnology, genetic engineering, and the basic subject is a scientist. The rapid development of technology, technology, organization, especially automation, robotics, computerization, nanotechnology, creates the foundations for the coming of the fifth technological revolution, which should focus on the teams of scientists and should take place in the 21st century.

The new economy is a term closely linked to the strengthening of globalization trends and the importance of the information society. In this global and information economy, knowledge is the factor that simultaneously creates new, added value but also new knowledge. Therefore, the availability of capital is no longer relevant but information. In this context, a new economy is an economy based on knowledge, high technology, a developed infrastructure with information and ideas, that is, innovation as the most important sources of improving living standards and job creation.

The earlier mention of technological revolutions (especially the third one) aimed to substantiate the fact that under the influence of globalization, a number of social, technical, technological, manufacturing and development changes have taken place in the last few decades.

These same changes have changed the face of the world economy, the business environment of the company and its organizational structure as well as the production process itself. The production process is transformed into a scientific process, so that the qualification structure of employees is changed in such a way that the physical workers are replaced by the so-called intellectual workers, and that this increase in the share of knowledge in the newly created value is a basic feature of the already mentioned new economy, also known as the knowledge economy, where the most important productive resources are no longer capital, labor and land but knowledge, and in it intellectual capital. Intellectual capital, recognized as the most important factor in production, has its stronghold in the following: the modern economy rests on the scientific and technological revolution (s) and globalization processes, the current world market affirms competitive development advantages, while innovation emerges as a monumental trigger of economic activities. In such conditions, only intellectual capital can respond dynamically and in a timely manner to the new changes, by the way, creating new value. In other words, the most important place in this competitive global economic system is the actual knowledge, information, abilities and skills of employees.

6. Knowledge as a decisive factor in the successful operation of a company

The task of the company is to generate profit, not in the old way, but in a new way, because it imposes on it a modern way of doing business. Changing business conditions also imply a change in the way a business operates, that is, management must have a vision for the changes that will come later. That is why many of the elements that make production go away because they are uncompetitive and new

ones that will allow businesses to compete for long periods of time.

Knowledge is a competitive advantage for the enterprise because what the company knows and to what extent it uses it, as well as the ability to quickly acquire new knowledge. A responsible manager must recognize this knowledge in his company, how to use it and how to manage it in order to create new values, that is, to turn that knowledge into intellectual capital. Intellectual capital consists of three parts: Human capital (knowledge, skills, experience used in the business process), Structural capital-intangible (business processes, routines, customs, databases, intellectual property), Consumer capital (the link between consumers, customers, suppliers, distributors, includes the image, brand and identity of a company in the market).

All points to the fact that knowledge records the trend of obsolescence in three to five years if it does not respond in time, that is, if it is not refreshed and expanded.

According to research conducted by the UK Fast Forward 10 organizations, the jobs of the future are: stress developer, worker health manager, genetic designer, privacy consultant, vertical farmer, water trader, intelligent clothing designer, social worker on social networks, wellness manager for the elderly, epidemiologist. For this kind of job structure for the future, the role of knowledge and knowledge management is becoming a key strategic issue for every economy, and knowledge and innovation are fundamental factors for survival and development. Once a competitive advantage based on intellectual capital is achieved, this is not the end, but continuous investment is required to maintain that advantage. Each business is specific in its own way, so there is no universal solution for managing intellectual capital. The task of the manager is to successfully connect the strategy, employees and technology of the company with the market environment.

When possessing the knowledge and good judgment of the visions and the goal to be achieved, small specialized advisory firms occupy an increasingly better position than large investment banks. Such a company was founded by Simon Robbie, who worked at Morgan Stanley Investment Bank and Simon Worsho, former UBS financial advisor: They only confirm the view that intellectual capital creates value and that knowledge can increase profits and that knowledge workers carry their knowledge with them. The advantage of such small specialist firms is that the revenue from the high fees for consulting services that are charged for large jobs is shared by fewer people. For the modern economy, the most significant factor in the relentless competition in the modern market is the continuous improvement of intellectual capital, because only intellectual capital will ensure success and a stable position in the market.

7. The importance and application of communication in modern business

In an effort to put their business as high quality as possible in the service of entrepreneurship development and business improvement, most companies pay special attention to market communications, current communication trends and professional code of conduct. Quality, clear and targeted communication has long been not only an advantage, but the basis of a successful business. Focused on the consumer or service user, communication becomes a basic tool for marketing information, raising profits and achieving a successful business identity. Well-organized and functional channels seek to achieve predefined corporate goals. The purpose of communication is not only information, employee motivation and resource management, but also the duration and imposition of a market full of challenges and demands. When we talk about the process of communication and actualities in the relation of BiH to the world, the fact is that our experts do not lag

behind in the knowledge of technologies, trends, information. The disadvantage is most often expressed in the application of knowledge, the exchange of experience and the continuous improvement of existing knowledge, the organization of workshops, courses and training in the field of communication. The way we communicate has completely changed, so the role of the Internet and digital media is completely irreplaceable in modern business. The most pronounced difference in the attitude of BiH towards the world is reflected in insufficient awareness of the importance of planned and strategically guided communication, identification of marketing communications with business, access to social networks without previously done analysis, plan and expected results, carelessness in the selection and placement of information, inaccuracy and inaccurate direction by which communication is moving. In BiH, new trends appear to be the most prevalent in the field of digital communications and integrated communications across multiple platforms. Social networks are usually accessed for advertising purposes without first understanding the importance of interacting with the community that follows them. It is necessary to distinguish between groups of visitors and then apply different approaches to them and their expectations.

Conclusions

Based on the current situation, the EU Accession Agreement, the implementation of the Reform Agenda and the problems expressed in the Western Balkan countries, conclusions and measures are taken to overcome the disadvantaged economic situation, reduce unemployment, indebtedness and achieve a higher standard of total population.

1. Exports of products and services are now considered to be the most important segment of the economy, not only in BiH, but in all Western Balkan countries, and without an increase in exports, it cannot

contribute to increased production, lower indebtedness, and especially unemployment, as currently the most important issue. .

2. Until 1992, BiH was the only republic in the former Yugoslavia to have a trade surplus, which has now been eroded so that the deficit in exports is 40% of total exports, which represents a major problem in the functioning of BiH so far, and for the emergence of a large number of unemployed people, especially the young and for the overall standard of population.

3. One of the chances to get out of the current crisis in BiH is to focus on the concept of "buy domestic", because it is the only way to reduce the imbalance in foreign payments and increase employment as well as the personal and social standard as a whole.

4. The main problem in all the countries of the region, and especially in BiH, due to the existing organization of the state, is political uncertainty and instability, which significantly affects the favorable business environment, foreign direct investment and economic growth. The negative political climate and failed reform processes are the cause of the current setback and a very poor business climate.

5. This requires a strong commitment from the highest levels of government to define and implement the Reform Agenda, and to make laws and regulations more entrepreneurial, with private entrepreneurs playing a key role in setting reform priorities and confirming that they are not just paper. If the business environment does not improve, the country's competitiveness will remain compromised, investments will go elsewhere, and the country will continue to export people as its best resource. This is also compounded by the large number of state monopolies that are becoming an impediment to the economic development and competitiveness of BiH's economy in the domestic and global markets. Among the state monopolies, power, distribution, forestry, water management, railways, healthcare, television, telecommunications,

postal services and a large number of utility companies at entity, cantonal and municipal levels are particularly prominent.

6. The reform agenda produces some results, but they are not sufficient. Due to the huge unemployment and even more inactivity, BiH must have a growth rate of at least 6-7% per year instead of the current 2-3%. That is why BiH needs more extensive reforms and bolder reform packages.

7. The key to economic growth and development of BiH are small and medium-sized enterprises, precisely because of certain advantages, because small firms are easier to adapt to market demands, and achieve greater profitability than large firms, in a relative sense, more successfully deal with emerging disruptions environment, and can work more successfully with a relatively small amount of invested capital, etc.

8. More concrete measures to be taken by the state are to increase fiscal stability, relieve the economy of taxes and contributions, which will eventually lead to the suppression of the informal economy.

9. The gray economy is one of the biggest problems in Bosnia and Herzegovina, and is manifested through the employment of undeclared workforce, the carrying out of illegal money transactions, as well as in the illegal movement of goods and services. If we know that the total GDP is about 29 billion, then almost another 10 billion is done in the gray economy. Large payroll contributions are a problem for all employers, and it is therefore the duty of the state to recognize the proper taxpayers and help them reduce their tax burden. The gray economy has a negative impact on attracting foreign investment and competitiveness of BiH. economy. Fighting the gray economy is also essential for integration into the European Union. In terms of reducing the informal economy, two levers are crucial, namely: the fight against corruption and the effective functioning of the state. The Indirect Taxation Authority is a key institution in

combating the informal economy and preserving BiH's financial stability.

10. Everything that the BiH authorities have done to improve the business environment has not been enough, as the new Doing Business Report has published a report according to which BiH ranks 86th out of 190 countries. A year earlier, BiH was ranked 81st. This report discusses the global place of hospitality for foreign investors.

11. In order for BiH to be roughly developed as Europe now, it must grow much more and faster. If we continue to grow at these rates, it will take six decades to reach the level of capital per capita in Europe, but if we accelerate that growth process, if we discover new sources that can help boost growth in BiH, it could happen in half the time. What is important to do is to try to bring the macroeconomic model into balance. We don't have a lot of spending right now, we have a little investment, so channels have to be found to turn spending into investment, where imports will decline, but exports will be accelerated and the private sector strengthened.

12. The IC sector, which needs particular engagement, is now the fastest growing and fastest growing in Europe. Our problem is that we are still living in another industrial revolution, and the world is in the fourth. We need to think about the internet. In Europe, only BiH and Ukraine are on 3G. As many as 30 to 40 African countries are on 4G and this clearly shows where we are. If we want to be better, the vision of BiH must be a high-income country.

13. The basic factors of production (land, labor, capital and organization) were characterized by the so-called old economic science. However, within the new economy of science, that is, the knowledge economy, which is becoming the most important factor of growth and development, it is considered that information, space and time become the basic base of knowledge and progress of the population.

14. Knowledge has always been one of the basic instruments for the development of social communities and successful national economies. In today's environment of a global market economy, only an economy that values knowledge and innovation and invests adequate resources in innovation, research and development is possible to progress.

The economic impact of the Western Balkan countries is very important for them to become full members of the EU. Economy is the most important issue, the main condition for convincing European citizens. It is for this reason that the Western Balkans common market should be established as a precondition for accession, and the long-term integration of the Western Balkans common market in the EU internal market should be created.

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NEW TECHNOLOGIES IN TRAINING DRIVERS, DRIVING TEST AND DRIVING IN THE FUTURE

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Summary: Various changes have been introduced into driver training and driving exams over the past period in an attempt to improve the ability of new drivers and reduce the risk of involvement in road accidents. The changes introduced are intended to address the driver's inexperience and behavior of new drivers. This is primarily about introducing a minimum number of hours of driving on the road before passing the driving test, improving the quality of training through new content and methods to achieve high-level skills, longer driving times for exams, self-driving, and hazard perception testing. After obtaining a driving license, trial periods were introduced with restrictions and safeguards for new drivers for up to two years. Despite these measures, participation in road accidents for new drivers between the ages of 18 and 24 is still increasing relative to other age groups. Research suggests that this is likely due to two key factors, lack of driving experience and age-related factors, such as biological development, distraction, sensitivity to environmental events, and psychophysical status. What else can be changed in driver behavior by introducing new technologies, such as e-learning, modern driving simulators, smart vehicle systems, or in the future are autonomous vehicles operated by driverless computers.

Keywords: new technologies, driver training, driving test, driving in the future

1. INTRODUCTION

Road safety in the European Union (EU) has been greatly improved over the past decades, thanks to strong and effective action at EU, national and local level to improve the behavior of road users, vehicles and infrastructure. This is why roads in the EU are the safest roads in the world. The increased safety can be largely attributed to the EU legislative requirements on vehicle safety introduced in recent years as part of the EU's road safety policy [1]. The automotive industry continues to innovate, and regulatory requirements need to be reconsidered in order to ensure that the EU's continued presence in the field of international development continues, as well as its ongoing work to save lives. Impressive progress in reducing road accidents has recently slowed, with an estimated cost of at least € 100 billion a year in road fatalities and injuries [2], and hundreds of families are still affected every year by the effects of road accidents.

Active safety features and their technological development result in gradual automation of vehicles. They are considered to be key technologies for improving and supporting vehicle automation, which contributes to the digitization of the internal market.

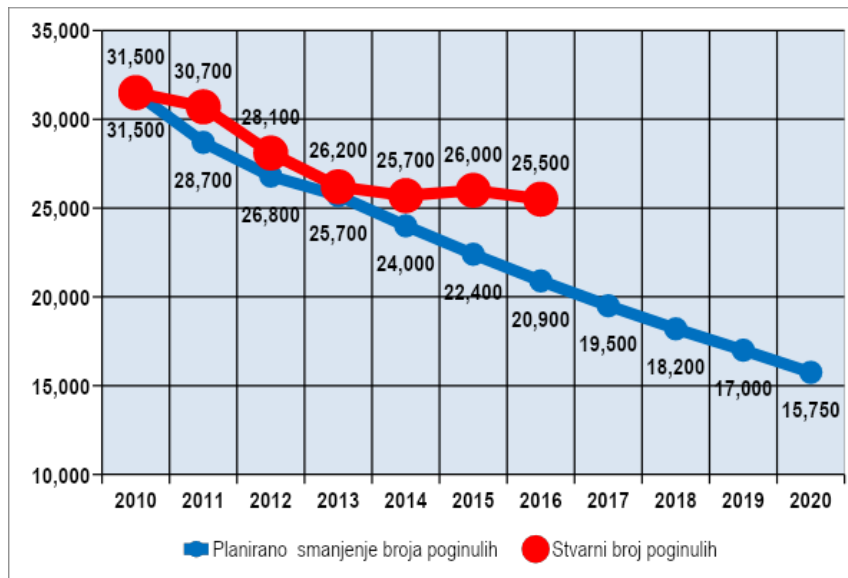
As increased levels of vehicle independence have become a priority for automakers, accurate, resilient, durable and accessible sensor technologies are becoming widely available. They are necessary for the full detection of the vehicle environment, thereby contributing to safety, especially with regard to unprotected road users and reducing

congestion and resulting pollution, bearing in mind that 15% of traffic jams in Europe are the result of road accidents [3]. The European Commission intends to contribute to the priorities of promoting the most efficient innovation, the digitalisation of the internal market by fostering security features that are considered key technologies to enhance and support the widespread automation of vehicles.

2. THE IMPACT OF NEW TECHNOLOGIES ON DRIVING AND ROAD SAFETY

In the EU Member States, 500 people are killed weekly in road accidents, most of them drivers, 105 pedestrians and 38 cyclists, and around 2600 people are seriously injured. Sweden has the lowest death toll in road accidents with 2.8 and the United Kingdom with 2.9 deaths per 100,000 inhabitants. At EU level, the estimated total costs generated by the death of a person in a car accident are estimated at EUR 1.1 to 1.3 million. It is estimated that the social costs (rehabilitation, health care, material damage, etc.) incurred as a result of fatalities and injuries on the roads amount to at least EUR 100 billion. In order to achieve the strategic goal of reducing the number of road fatalities by half, from around 31 000 in 2010 to 15 000 by 2020, additional efforts are needed in the EU, given that the objective in question will obviously not be met. Despite all measures being taken, 25,500 people were killed on EU roads in 2016, down 500 from 2015 and 6,000 from 2010, Figure 1.

Figure 1. Planned and actual death toll on EU roads 2011-2020.



According to EC estimates, 135,000 people were also seriously injured on the roads. However, this is not a sufficient step forward to achieve the goal. Most, on average, 55% of fatalities occur on roads outside settlements, 38% occur in urban areas, while only 7% of accidents are caused by highways. A total of 30% of road fatalities are related to pedestrians and cyclists, while this figure in urban areas is almost 43%. These figures generally indicate areas of improvement that can be targeted by amended pedestrian and general safety regulations. The average death rate in car accidents in 2010 was 6.3 deaths per hundred thousand inhabitants, in 2014 it was 5.1 and in 2015 it was 5.15, while in 2016 it was 5 or 50 deaths per million population, which is the best condition so far.

Another significant statistical indicator relates to unprotected road users, with the number of pedestrians being reduced to a lesser extent than expected, while the number of bicyclists killed has recently increased. Innovative technologies and

technological advances are increasingly influencing road safety, with significant potential for future improvements in road

safety, especially in the area of active vehicle safety and automated and networked driving. Experts say that approximately 95% of road accidents involve some level of human error, while an estimated 75% of accidents are caused solely by human error. According to research results, speeding, distraction and alcohol-fueled driving are

among the main causes of human-induced accidents.

Particular attention should be paid to unprotected road users and passengers in the vehicle who are at risk because of their age, that is, the elderly and children. Attention should also be paid to the assessment of technologies utilizing interactions between drivers, vehicles and driver environments such as intelligent transport systems (ITS), contributing to developments in the digital field in line with the Digital Single Market Strategy. Improving the vehicle's minimum safety standards is one of the most effective ways to reduce mortality from serious road injuries. The application of these proposed technologies can necessarily have a major impact on safety, such as the use of a seat belt. For example, the prevalent technology that helps drivers maintain their current driving speed is intelligent speed assistance, which is already offered by several manufacturers in Europe, including Volvo, Ford, Honda, Mercedes, Citroen, Renault and Peugeot.

3. APPLICATION OF NEW TECHNOLOGIES IN DRIVER TRAINING

For the purpose of applying new technologies in driver training, and in the specific case of the application of a modern driving simulator, a survey of the candidates' opinions on the quality of the services provided and the quality of training carried out on a modern driving simulator was conducted.

3.1. Aim of the research

The research consisted of checking the opinions and assessments that stem from the specific thinking of driver candidates towards the use of a modern driving simulator in the post-test training process. Such a problematic determination defines the aim of the research, which is manifested in obtaining and considering the opinion of the candidate about the effects of training a certain number of hours on the driving simulator after passing the test, and before training on the vehicle.

3.2. Data collection

Two survey questionnaires were prepared to collect the data, tailored to the content of the survey. The first questionnaire concerned the training of candidates in a modern driving simulator after passing the test, and the second questioned the opinions of driving instructors on the effects of training candidates on the driving simulator prior to on-board training. The questionnaire on the collection of data on the use of a modern driving simulator to train driver candidates after passing the test

consisted of two parts, with a total of 32 questions.

Research results on the use of a driving simulator after passing the test

Of the 35 candidates surveyed who have trained in the modern driving simulator (54.5%) are men and (45.5%) are women. In comparison to the age group, out of 35 candidates surveyed, most of them are more than 25 years old (24.4%), from 19 to 20 years (19.6%), followed by candidates 18 to 19 years (18.2%) , then 17 to 18 years (11.2%), 20 to 21 years (10.4%), 21 to 22 (7.8%), and 22 to 23 (7.8%). Table 1 shows the percentage of candidates surveyed who stated the number of training hours on the simulator. Of the interviewed candidates, 36.3% practiced for three hours, 36.3% spent five hours, 18.3% spent four hours, 9.1% practiced one hour.

Table 1. Percentage of candidates surveyed on the number of training sessions in the simulator

RB.	1. How many hours have you practiced	Percent
1.	0	0,0
2.	1	9,2
3.	2	0,0
4.	3	38,3
5.	4	16,2
6.	5	36,3

Table 2 shows the percentage of candidates interviewed who expressed their enjoyment during simulator training. Of the interviewed candidates, 63.7% said they enjoyed themselves and 36.3% did not enjoy simulator training.

Table 2. Percentage of candidates surveyed on enjoyment during simulator training

RB.	2. Did you enjoy practising	Percent
1.	Yes	63,7
2.	No	36,3

Table 3 shows the percentage of candidates surveyed who stated how much they helped to practice on the simulator. Of the interviewed candidates, 39.3% said a lot, 27.2% said they were mediocre, 23.3% said little and 10.2% did not help.

Table 3. Percentage of candidates interviewed for simulator training assistance

RB.	3. How much did practising on the simulator help you	Percent
1.	A lot	39,3
2.	Mediocre	26,2
3.	A little	23,3
4.	It did not help	10,2

Table 4 shows the percentage of candidates surveyed who stated how realistic the exercises on a driving simulator are with on-board exercises. Of the interviewed candidates, 18.2% said they were very realistic, 54.5% said they were quite realistic and 27.3% said they were a little realistic.

Table 4. Percentage of candidates surveyed about the reality of training in the driving simulator

RB.	4. How realistic are the exercises on the simulator	Percent
1.	Very realistic	18,2
2.	Quite realistic	54,5
3.	A little realistic	27,3
4.	Are not realistic	0,0

Table 5 shows the percentage of candidates surveyed who stated how long it took to adjust on the vehicle. Of the interviewed candidates, 9.1% said they needed 15 minutes, 27.3% said they needed 30 minutes, 18.2% said they needed 45 minutes minutes (45.4%) stated that they needed one lesson.

Table 5. Percentage of candidates surveyed on the time required to adjust to a vehicle

RB.	5. How much time did you need to get used to a vehicle	Percent
1.	15 min	9,1
2.	30 min	27,3
3.	45 min	18,2
4.	1 ns	45,4

Table 6 shows the percentage of candidates surveyed who stated how good the guidance they received while driving. Of the interviewed candidates, 45.4% said they were very clear and sufficient and 54.6% said they were basically good. None of the candidates stated that the instructions could have been clearer or that they were not good.

Table 6. Percentage of candidates interviewed regarding the statement of good guidance

RB.	6. Were the practice instructions good	Percent
1.	Very clear and enough	45,4
2.	Basically good	54,6
3.	Could have been clearer	0
4.	Were not good	0

Table 7 shows the percentage of candidates surveyed who expressed their views on how realistic driving was when driving on a simulator. Of the interviewed candidates, 33.3% said it was very realistic, 36.3% it was quite realistic, 18.2% it was very realistic and 12.2 % that it was not realistic.

Table 7. Percentage of candidates interviewed about the reality of driving a simulator

RB.	7. How realistic is the car management on the simulator	Percent
1.	Very realistic	33,3
2.	Pretty realistic	36,3
3.	A little realistic	18,2
4.	Not realistic	12,2

Table 8 shows the percentage of candidates interviewed who stated their reality about driving on a simulator. Of the interviewed candidates, 36.3% of them declared a lot of realities, 27.3% of them declared a pretty reality, 27.3% said a little about reality (9.1%) pleaded no reality.

Table 8. Percentage of candidates surveyed about the reality of driving in a simulator

RB.	8. How much reality is there in driving on the simulator	Percent
1.	A lot of reality	36,3
2.	Quite much reality	27,3
3.	A little reality	27,3
4.	No reality	9,1

Table 9 shows the percentage of candidates surveyed who stated their driving time on the simulator. Of the interviewed candidates, 9.1% said it was too long, 33.3% said it was enough, 35.3% said it was optimal (22.3%) it was declared to be too short.

Table 9. Percentage of candidates surveyed on simulator driving time

RB.	9. Was there enough time to drive on the simulator	Percent
1.	Too long	9,1
2.	Enough	33,3
3.	Optimal	35,3
4.	Too short	22,3

Table 10 shows the percentage of candidates surveyed who said they liked / disliked simulated driving. Of the candidates surveyed, 47.4% said it was simple, 16.2% did not like the appearance of dizziness, 15.25 said they were confused and (21.2%) said they were amazed.

Table 10. Percentage of interviewed candidates who like / dislike simulated driving

RB.	10. What do you like about the simulated drive	Postotak
1.	The simplicity of driving	47,4
2.	Dizziness	16,2
3.	Confusion	15,2
4.	Amazement	21,2

Table 11 shows the percentage of candidates surveyed who stated their problems when using a driving simulator. Of the candidates surveyed, 72.2% said they had no problems and 27.3% said they had problems (nausea).

Table 11. Percentage of candidates surveyed on problems using the simulator

RB.	11. Did you have problems while using the simulator	Percent
1.	No	72,7
2.	Yes	27,3

Table 12 shows the percentage of candidates surveyed who stated that they improved driving on a simulator. Of the interviewed candidates, 72.2% said no and 27.3% said they would improve.

Table 12. Percentage of candidates surveyed on driving simulator improvement

RB.	12. Does the driving on the simulator need improvement	Percent
1.	No	72,7
2.	Yes	27,3

Table 13 shows the percentage of candidates interviewed who voted for their performance. Of the interviewed candidates, 36.3% of them declared themselves excellent, 18.2% very good,

27.3% said good (18.2%)) declared the assessment sufficient.

Table 13. Percentage of candidates interviewed for evaluation of their work

RB.	13. Evaluate your work on the simulator	Percent
1.	1	0
2.	2	18,2
3.	3	27,3
4.	4	18,2
5.	5	36,3

Table 14 shows the percentage of candidates surveyed who expressed their impressions and recommendations for using a driving simulator. Of the interviewed candidates, 54.5% said that everyone should try a simulator ride, 31.3% said they had no recommendation and 14.2% did not respond.

Table 14. Percentage of candidates surveyed on recommendations for using a simulator

RB.	14. What are your recommendations for practicing on the simulator	Postotak
1.	I have no recommendations	31,3
2.	Everyone should try it	54,5
3.	No answer	14,2

3.4. Interpretation of research results

Analysis of the results of the survey provides information on the representation,

frequency and intensity of the opinion of the drivers candidates surveyed. Frequency distributions and percentages were used for the split below. The results obtained indicate the following:

- Candidates from 17 to 20 years of age (48.9%) predominate in terms of age,
- most candidates have not used a modern driving simulator so far (81.8%),
- the majority of candidates stated that they practiced in the driving simulator for 3 to 5 hours (90.8%),
- the exercise helped them a lot and mediocre said (66.5%) candidates,
- That the driving skills on the simulator and in a car are realistical, declared (72.7%) candidates,
- the adaptation time required for the training vehicle takes one hour for (45.4%) candidates and for (27.3%) 30 minutes,
- that the instructor's instructions for performing simulator exercises were basically good (54.6%) and very good declared (45.4%) candidates,
- That managing the vehicle on the simulator is quite real and very real declare (69.6%) candidates, and that the drive was real declared (45,4) candidates,
- for (68.6%) candidates the simulator driving time was sufficient and optimal,
- Candidates mostly enjoy simplicity and amazement for the type of practising (68.6%),
- (72.2%) candidates did not have any problems during training on the driving simulator,
- the majority of candidates stated that they were satisfied with the way of work (63.7%);
- (54.5%) of the candidates stated that it was excellent and very good for their work, and suggested that all

candidates who study in driving school should try a simulator ride.

Consideration of the possibility of using a modern driving simulator in the driver candidate training process and the possible effects of such a training method, while providing trainer feedback on the effects of training on a modern driving simulator with advantages and disadvantages, will provide suggestions for measures to introduce such technology into training.

4. POSSIBLE CHANGES BY INTRODUCING NEW TECHNOLOGIES IN DRIVER TRAINING

The application of new technological solutions in the driver training process has become a necessity. Some of these measures relate to the use of modern driving school simulators, the use of vehicles incorporating smart devices, such as uphill movement devices, parking assist cameras, reversing cameras, parking choices and assistance parking, parking sensors, etc. Modern driving simulators have in practice proven to be very useful for driver training, with the potential to significantly reduce the incidence of accidents in the period after obtaining a driver's license. Driving simulators have been found to be more suited to higher order tasks and procedural skills. The driver can master the basic situations and learn the risk perception and awareness skills of the situation without the potential danger arising from them and by repeating the various scenarios the simulator allows. Driving simulators could prove to be a very useful tool in driver education, for practicing situations similar to road situations, which would pose an increased risk to new drivers.

E-learning is becoming increasingly interesting and popular for road safety education. It could potentially complement road safety education, especially in areas

where learning is required about risks such as fatigue, inattention, alcohol, etc. The e-learning program should therefore be interactive to improve efficiency. E-learning tools offer opportunities for testing.

The implementation of new technological solutions include intelligent roads, intelligent vehicles and intelligent transport systems (ITS). Cybernetic and information upgrades of classic roads create intelligent roads, which in addition to basic functions provide better information to drivers, traffic management, management of variable traffic signaling, greater safety and more. Intelligent vehicle systems are designed to alert the driver to the functions of collision warning, off-roading, vehicle re-routing, pedestrian detection and more. If the driver responds improperly to light or sound alerts, the systems can take control of the vehicle. Intelligent vehicle solutions include automatic vehicle control, keeping a safe distance, and the electronic management of buses and trucks by special traffic lanes.

According to research, the most effective new technologies in the area of active vehicle safety that can be avoided by road accidents can contribute to a significant improvement, especially IntelligentSpeedAssistance-ISA, Autonomous Emergency Braking-AEB, emergency alert Lane Departure Warning (LDW / LCA), driver vigilance and distraction monitoring system, and Alcohol Interlocks, engine lockdown devices if the driver is under the influence of alcohol.

In the area of passive safety, as a measure to mitigate the effects of road accidents, a seat belt reminder system on all seats, as well as improving pedestrian injuries in the event of a head-on-front impact, and detection of cyclists in the event of an immediate collision, which are feasible as required technologies and already available on the market with effective conditions of

use. Other areas of great interest relate to improving direct visibility and removing blind spots on trucks to protect unprotected road users.

In the current global context, "good" driving is not only safe and considerate to other road users, but also environmentally conscious driving. There are three levels of environmental awareness that can be incorporated into effective driver training and driving exams:

- general principles relating to the environment and transport (eg use of alternatives, less polluting modes of transport, avoiding unnecessary travel),
- making decisions before driving (eg car selection, regular tire pressure check),
- practical eco-conscious driving techniques.

The application of eco-driving rules enables smarter and more modern driving styles, predicting traffic situations, avoiding unnecessary and sudden brakes, driving control, making it safer. Such techniques are easier for new drivers to learn, compared to experienced drivers, who have developed deep-rooted behaviors and personal driving styles.

CONCLUSION

The issue of new technologies and vehicle safety in the context of the application of new technologies and smart driver training devices is increasingly being raised. The purpose is to enable the driver to drive more safely and comfortably by monitoring the flow of traffic and the behavior of the driver, informing them, alerting them when necessary, and preventing the driver from reacting in a timely manner.

Analysis of the results The use of a modern driving simulator for driver training after passing the test with the aim of improving the training model shows that most

candidates are satisfied with the use of the driving simulator. While using the driving simulator in the training process, most candidates practiced 3 to 5 hours, which they thought was sufficient and helped a lot, as the simulator's real skills are with those on the vehicle. They think that using a driving simulator is very realistic when compared to on-board training, and that they like the simplicity and accessibility. They were satisfied with their way of working and suggested that all candidates undergo a training course in the driving simulator.

The analysis of the driving instructor's opinion on the use of a modern driving simulator for driver training prior to on-board training shows that the simulator is well suited for training, that simulator training has helped driver candidates, and that candidates have best practiced steering and shifting.

Taking into account the results of the research, measures have been proposed to improve the driver training system in the context of improving road safety by defining driver training objectives, improving training processes and models, reducing risk exposure and applying new technologies. Emphasis should be placed on the use of modern driving simulators and e-learning when implementing new technologies.

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BUSINESS INFORMATION QUALITY - THE KEY TO BUSINESS SUCCESS

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Summary: Collecting and using quality business information in the export business significantly increases the chances of successful business and reduces the business risks to which exporters are exposed. For an enterprise to effectively collect and utilize business information, it must first determine its information needs, select the appropriate sources of information, and establish a method for determining which foreign markets warrant serious consideration. The importance of the quality of business information lies in how information is perceived and used by its users. By defining, accessing, modifying, and redefining the quality of business information and how it can be better managed, information can be a driver, not an obstacle, to business success. The primary goal of this paper is to create an aggregate picture of the perception of information quality from individual sources. The following hypothesis was tested by a survey of the importance of business information quality for exporters: The success of exports is proportional to the use of quality business information on the export market, which has been fully proven. The highest quality export market business information, as perceived by exporters surveyed, is provided by specialized market research agencies. The results of the study showed that the surveyed companies with higher export values, compared to less successful exporters, used the business information collected from market research agencies more frequently.

Keywords: quality, business information, export business, international market, competitiveness

1. INTRODUCTION

In today's private and business world, we are inundated with a wealth of information. Information management has become a specialized discipline, and decision making is often implicitly dependent on their quality. Good and timely business information can give a business a competitive advantage - but only if it uses it before competition. Recent industry research has shown that the economic and social damage caused by poor quality business information is billions of dollars¹. Despite its importance, the quality of business information is still not uniquely and completely defined or simply ignored, as claimed by Fox, et al.², Wang, et al.³ and Wang and Strong⁴.

The most commonly used definition of information quality is readiness or suitability for use⁵. Perfect quality of business information is difficult, if not impossible to achieve, but it is not even necessary. If users believe that the quality of the information, which can be described by features such as accuracy, timeliness, completeness, availability, compatibility, etc., is sufficient for their needs, then from their perspective, the quality of the business

information available to them is good. Most researchers, whether conceptual or practice oriented, have used this concept as a starting point. The focus of quality assurance on business information should be to achieve a level of quality sufficient from the perspective of its users. One reason for this is probably the abstract⁶ and varied nature of the term "information", its association with particular meanings⁷, and the popularization of the idea that the user defines what information is⁸. With no consensus on the definition of information⁹, there is no general consensus on the attributes that determine its quality¹⁰.

2. QUALITY OF BUSINESS INFORMATION

The importance of business information quality lies in how information is perceived and used by the consumer. While quality attributes are important, what determines the quality of business information is how those attributes are perceived. Identifying the quality of business information involves two stages: first, labeling which attributes are important, and second, determining how those attributes affect specific consumers.

¹ Redman, T.C. (1998) The impact of poor data quality on the typical enterprise. *Communications of the ACM*, 41 (2), New York, USA: ACM, str. 79-82.

² Fox, C., Levitin, A. i Redman, T. (1994.) The notion of data and its quality dimensions. *Information Processing & Management*, 30 (1), Elsevier Science, str. 9-19.

³Wang, R.Y., Storey, V.C. I Firth, C.P. (1995) A framework for analysis of data quality research. *IEEE Transactions of Knowledge and Data Engineering*, 7 (4), Piscataway, NJ: IEEE Educational Activities Department, str. 623-640.

⁴ Wang, R.Y. I Strong, D.M. (1996) Beyond accuracy: what data quality means to data consumers. *Journal of Management Information Systems*, 12 (4), Armonk, NY: M. E. Sharpe, Inc., str. 5-34.

⁵ Naumann, F. i Sattler, K-U. (2006) *Information Quality: Fundamentals, Techniques, and Use*. EDBT

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⁶ Braman, S. (1989) Defining information: an approach for policymakers. *Telecommunication Policy*, 13, Elsevier Science, p. 233-242.

⁷ Machlup, F. i Mansfield, U. (1983) Cultural Diversity in Studies of Information. U: F. Machlup i U. Mansfield, ur. *The Study of Information*. Wiley, str. 3-59. Dostupno u: Emerald Insight.

⁸ Braman, S., op. quotation, p. 233-242.

⁹ Machlup, F. and Mansfield, U., op. quote. and Braman, S., op. quote, p. 233-242.

¹⁰ Levitin, A.V. and Redman, T.C. (1998) Data as a resource: properties, implications, and prescriptions. *Sloan Management Review*, 40 (1), Boston, MA: MIT, p. 89-101.

When it comes to the quality of business information, the question is what are the characteristics of quality business information and how to identify it. There are a number of different characteristics of information quality. Since not all of them can be investigated within this paper, they are grouped in such a way that only the main or general characteristics of the quality of information that are applicable to all business information are represented. Consequently, the research within this paper focused on ten representative characteristics of business information quality.

In this study, therefore, an attempt was made to investigate the role that good business information plays for exporters and the perception of the quality of business information from individual information sources. 10 characteristics (dimensions) of information quality are considered: relevance, accuracy, timeliness, completeness, reliability, form, availability, compatibility, security and validity of business information. These ten characteristics of information quality were selected because they summarize a large number of the 179 dimensions cited by Wang and Strong^[11], and because of the extensiveness required by the study of all 179 dimensions of information quality, it was necessary to reduce their number and summarize them.

3. RESEARCH METHODOLOGY

The primary objective of this research is to aggregate the perception of the quality of information from individual sources. The survey instrument selected for this research allows for an effective comparison between the independent variables of firm characteristics and the dependent variables of perceived quality of business information from individual sources. The survey instrument also provides tools for managing a large number of factors that play a role in the perception of the quality of export information. The study of the role and significance of the quality of business information in the export business for exporters was conducted from 15 January to 15 April 2017 on a sample^[12] of 300 exporting companies from the Register of Exporters of the Croatian Chamber of Economy. The interviewer (author of this paper) first contacted the manager in charge of the export business in the company by telephone, explained the purpose and purpose of the research, and then forwarded the questionnaire via email. After completing the questionnaire, the questionnaire was to be returned to the interviewer. Of the 300 exported companies contacted, the questionnaire was completed and submitted to 92 by the interviewer, which is 30.66%. The answers from all the questionnaires received entered the statistical mass and were used in aggregate form. The analysis of the basic activity of enterprises shows that the surveyed sample represents the most represented production activity with 96.73% (89 respondents), while the remaining 3.26% (3 respondents) are foreign trade enterprises. The largest number of surveyed companies in the

¹¹ Wang, R.Y. I Strong, D.M. (1996) Beyond accuracy: what data quality means to data consumers. *Journal of Management Information Systems*, 12 (4), Armonk, NY: M. E. Sharpe, Inc., p. 5-34.

¹² Petz, B. (1994) *Statistika za praksu*. Zagreb. Ministry of Internal Affairs, BiH

sample has up to 200 employees (51%), followed by enterprises from 200 to 500 employees (26%), enterprises from 1000 to 2000 employees (10%), enterprises from 2000 to 5000 (7%) and 500 up to 1000 (5%) employees and only one company with more than 5000 employees (1%).

4. RESULTS OF THE BUSINESS QUALITY RESEARCH RESEARCH PROVIDED BY THE INDOOR SOURCES

For the purpose of this research, 10 factors of quality of business information from individual information sources were observed: 1) Relevance - to what extent the information is applicable and whether it meets the needs of the users, 2) Accuracy - to what extent the information is accurate, whether there are errors. 3) Timeliness - the extent to which information is new or contemporary enough, 4) completeness - the extent to which information is complete, 5) reliability - the extent to which information is accurate and credible, 6) the form - how information is presented (e.g. written document, medium), 7) Accessibility - to what extent information can be accessed; can information be obtained at the time it is needed, 8) Compatibility - to what extent information is consistent with other information, can it be combined, 9) Security - to what extent access to information is restricted to maintain its security, 10) Validity - information is valid when it can be verified as correct and when it is consistent with other attributes such as accuracy, timeliness, integrity and security.

4.1. QUALITY OF BUSINESS INFORMATION OBTAINED FROM THE EXPORT ASSISTANCE INSTITUTIONS

Of the 92 exporters surveyed, only one does not use export assistance institutions in its export business (Table 1). Most respondents rate 67.4% of the information collected from export assistance institutions as rated 4. The accuracy of information collected from export assistance institutions 73.9% of respondents rate the rating 4. Timeliness of information collected from export assistance institutions 68.5% of respondents rate grade 4. The completeness of information gathered from export assistance institutions is the majority of respondents, 58.7% rate it as grade 4, while the reliability of such information 81.5% of respondents rate grade 4. Fifty percent of respondents form a form of information collected from institutions for Export Aid scores a score of 4 and 45.7% evaluates a score of 3. Rating 4, 75% of respondents rate the availability of information collected from export aid institutions. Compatibility of information collected from export assistance institutions with a rating of 3 is rated by 60.9% of respondents and 38% of respondents by a rating of 4. Security of information collected from export assistance institutions by 69.6% of respondents evaluates with a rating of 4. Finally, the validity of a rating of 4 evaluates 89.1% of respondents.

Table 1: Quality assessment of export information business information collected from export assistance institutions

RATING	No Use		1		2		3		4		5	
	f	%	f	%	f	%	f	%	f	%	f	%
Relevance	1	1,1	0	0	0	0	10	10,9	62	67,4	19	20,7
Accuracy	1	1,1	0	0	0	0	33	33,3	68	68,9	20	21,7
Timeliness	1	1,1	0	0	0	0	17	18,5	63	68,5	11	12,0
Completeness	1	1,1	0	0	0	0	26	28,3	54	58,7	11	12,0
Reliability	1	1,1	0	0	0	0	33	33,3	75	81,5	13	14,1
Form	1	1,1	0	0	0	0	42	45,7	46	50,0	33	33,3
Availability	1	1,1	0	0	0	0	16	17,4	69	75,0	6	6,5
Compatibility	1	1,1	0	0	0	0	59	60,9	35	38,0	0	0
Safety	1	1,1	0	0	0	0	26	28,3	64	69,6	1	1,1
Validity	1	1,1	0	0	0	0	43	48,3	82	89,1	5	5,4

Source: Research results of the author

From the above it can be concluded that the highest number of respondents rate the above mentioned factors of quality of information collected by export assistance institutions with an overall average score of 4.

4.2. QUALITY OF BUSINESS INFORMATION COLLECTED BY ECONOMIC ASSOCIATIONS

Out of 92 Croatian exporters surveyed (Table 2), 18 (19.6%) do not use economic associations in their export operations. 46.7% of respondents assess the relevance of business information collected from business associations by rating 4. Accuracy of information collected from business associations by 63% of respondents by rating 4. Timeliness of information collected by business associations 52.2% of respondents rate by rating 4. Rating 4, completeness of business information 43.5% of respondents evaluate the collected information from the associations, while the reliability of such information is rated by 67.4% of the respondents. The form of business information collected from the associations is rated by 45.7% of the respondents and 4, 33.7% of the respondents. The availability of business information collected from business associations is rated by 52.2% of respondents with a rating of 3. The percentage of compatibility of business information collected from business associations rated by grade 3 is 62%. The safety of business information collected from business associations is rated by 48.9% of respondents with a rating of 4.

The validity of business information collected from business associations is rated by 76.1% of respondents by a score of 4.

Table 2: Quality assessment of export information business information collected from economic associations

RATING	No use		1		2		3		4		5	
	f	%	f	%	f	%	f	%	f	%	f	%
Relevancy	18	19,6	0	0	0	0	8	8,7	4	4,3	2	2,3
Accuracy	18	19,6	0	0	0	0	2	2,2	5	5,8	1	1,4
Timeliness	18	19,6	0	0	0	0	2	2,9	4	4,8	4	4,3
Completeness	18	19,6	0	0	0	0	2	2,7	4	4,5	7	7,6
Reliability	18	19,6	0	0	0	0	5	5,4	6	6,4	7	7,6
Form	18	19,6	0	0	0	0	4	4,7	3	3,7	1	1,1
Availability	18	19,6	0	0	0	0	4	4,2	2	2,6	0	0
Compatibility	18	19,6	0	0	0	0	5	5,7	1	1,5	0	0
Safety	18	19,6	0	0	0	0	2	2,9	4	4,5	0	0
Validity	18	19,6	0	0	0	0	4	4,3	7	7,0	0	0

Source: Research results of the author

The highest number of respondents rated the above factors of quality of business information collected from business associations by an overall average score of 4.

4.3. QUALITY OF BUSINESS INFORMATION OBTAINED BY MARKETING AGENCIES

Of the 92 Croatian exporters surveyed (Table 3), 60 (65.2%) do not use market research agencies in their export

operations. Grade 5 assesses the relevance of business information collected from market research agencies by 31.5% of respondents. The accuracy of information collected from market research agencies is rated by 25% of respondents 5. The timeliness of information collected from market research agencies by 22.8% of respondents rated by 5. The completeness of business information collected by market research agencies by rating 5 is rated by 19.6% of respondents. while the reliability of such information is rated by 13% of the respondents with a rating of 5, and 21% of the respondents with a rating of 4. The form of business information collected from market research agencies by a rating of 5 is rated by 28.3% of the respondents. Grade 5 assesses the availability of business information collected from market research agencies by 19.6% of respondents. The percentage of compatibility of business information collected by market research agencies rated 4 is 22.8%. The safety of business information collected from market research agencies is rated by 19.6% of the respondents with a rating of 4. The validity of business information collected from market research agencies is rated by 22.8% of respondents as 5 and 12% by 4.

Table 3: Quality assessment of export market business information collected from market research agencies

RATING	No use		1		2		3		4		5	
	f	%	f	%	f	%	f	%	f	%	f	%
Relevancy	6	6,5,2	0	0	0	0	0	0	3	3,3	2	2,9
Accuracy	6	6,5,2	0	0	0	0	0	0	9	9,8	2	2,3
Timeliness	6	6,5,2	0	0	0	0	0	0	1	1,1	2	2,2
Completeness	6	6,5,2	0	0	0	0	0	0	1	1,4	1	1,5

Reliability	60	65,2	0	0	0	0	0	0	0	20	21,7	12	13,0
Form	60	65,2	0	0	0	0	11	1,1	5	5,4	26	28,3	2
Availability	60	65,2	0	0	0	0	44	4,3	18	19,6	10	10,9	1
Compatibility	60	65,2	0	0	0	0	22	2,2	21	22,8	9	9,8	2
Safety	60	65,2	0	0	0	0	22	2,2	18	19,6	12	13,0	2
Validity	60	65,2	0	0	0	0	0	0	11	12,0	21	22,8	2

Source: Research results of the author

The highest number of respondents rated the business intelligence quality factors obtained from market research agencies by an overall average score of 5.

4.4. QUALITY OF BUSINESS INFORMATION OBTAINED BY OWN RESEARCH

All of the 92 examined Croatian exporters independently collect business information on the foreign market (Table 4).

Table 4: Quality assessment of export market business information collected through own research

Rating	No use		1		2		3		4		5	
	f	%	f	%	f	%	f	%	f	%	f	%
Relevancy	0	0	0	0	0	0	0	0	22	23,9	70	76,1
Accuracy	0	0	0	0	0	0	11	12,0	77	83,7	4	4,3
Timeliness	0	0	0	0	0	0	55	5,4	62	67,4	25	27,2
Completeness	0	0	0	0	0	0	22	23,9	61	66,3	9	9,8
Reliability	0	0	0	0	0	0	19	20,7	71	77,2	2	2,2

Form	0	0	0	0	0	0	44	4,3	49	53,3	39	42,4
Availability	0	0	0	0	0	0	99	9,8	43	46,7	40	43,5
Compatibility	0	0	0	0	0	0	18	19,6	57	62,0	17	18,5
Safety	0	0	0	0	0	0	16	17,4	57	62,0	19	20,7
Validity	0	0	0	0	0	0	33	3,3	71	77,2	18	19,6

Source: Research results of the author

Most of the respondents, 76.1% of them assess the relevance of the information collected through their own research grade 5. Accuracy of the information collected through their own research 83.7% of the respondents rate the rating 4. Timeliness of information collected through their own research 67.4% of the respondents rate the rating 4. Completeness of the information collected through their own research the majority of respondents, 66.3% of them rated 4, while the reliability of such information 77.2% of respondents rated 4. The form of information obtained through their own research 53.3% of respondents rated 4, and 42.4% rated 5. Rating 4, 46.7% of respondents evaluate the availability of information collected through their own research, 43.5% assess the availability of such information by rating 5. Compatibility of information collected through own research 62% of respondents rate it by rating 4. Security of information collected through their own research 62% of respondents rate it by a rating of 4. nom 4 is rated by 77.2% of the respondents.

From the above, it can be concluded that the highest number of respondents rate these factors of the quality of business information collected through their own research with an overall average score of 4.

4.5. QUALITY OF BUSINESS INFORMATION COLLECTED FROM OTHER SOURCES

Out of 92 Croatian exporters surveyed, only one in their export business does not use business information on foreign markets collected from other sources of information (Table 5). Fifty percent of respondents rate the relevance of business information collected from other sources as 3, and 47.8% as 4. The accuracy of information gathered from other sources is 50% rated by 4, and 48.9% by 3.

Table 5: Quality assessment of export information business information collected from other sources

RATING	No rating		1		2		3		4		5	
	f	%	f	%	f	%	f	%	f	%	f	%
Relevancy	1	1,1	0	0	0	0	4	50,6	5	47,8	4	11,1
Accuracy	1	1,1	0	0	0	0	4	45,9	4	50,0	0	0
Timeliness	1	1,1	0	0	0	0	5	55,8	5	39,6	0	0
Completeness	1	1,1	0	0	2	22,2	7	79,9	1	10,0	0	0
Reliability	1	1,1	0	0	0	0	6	66,3	3	33,0	0	0
Form	1	1,1	0	0	1	11,1	3	34,8	3	58,0	0	0
Availability	1	1,1	0	0	0	0	2	28,4	3	63,5	0	0
Compatibility	1	1,1	0	0	1	11,1	6	68,9	2	23,2	0	0
Safety	1	1,1	0	0	0	0	7	78,3	1	19,0	0	0
Validity	1	1,1	0	0	0	0	3	33,3	3	66,7	0	0

Source: Research results of the author

Timeliness of information collected from other sources was rated by 59.8% of respondents as 3, and 39.1% by 4. Rating 3, the integrity of business information

collected from other sources was evaluated by 85.9% of respondents, while the reliability of such information was evaluated by 66.3% of respondents. grade 3. The form of business information gathered from other sources is rated by 63% of respondents. Grade 4 assesses the availability of business information gathered from other sources by 68.5% of respondents. The percentage of compatibility of business information collected from other sources rated 3 is 73.9%. The security of business information collected from other sources is rated by 78.9% of respondents by a grade of 3. The validity of business information collected from other sources is rated by 65.2% of respondents, and 33.7% by 3.

The highest number of respondents rated these factors of quality of business information collected from other sources as an overall average grade of 3.

5. INFLUENCE OF PERCEPTION OF BUSINESS INFORMATION QUALITY ON EXPOSURE PERFORMANCE

There is no major difference between the overall average quality score of business information from individual information sources. Respondents rate the quality of business information only obtained from market research agencies by an overall average score of 5, and the quality of business information collected from other sources by an overall average score of 3, while the quality of business information obtained from export aid institutions, economic associations and their own research with an average grade of 4.

There is a statistically significant negative correlation between the growth of exports of the surveyed enterprises in the period 2014-2016 and the assessment of their own competitive position of enterprises in the foreign market ($r = -, 570, p < 0.01$), the use

of business information collected by research agencies market ($r = -, 228, p < 0.05$) and the use of business information collected through our own company research ($r = -, 245, p < 0.05$). From the above it can be concluded that respondents who do not use business information originating from market research agencies and do their own research during their export business do not see an increase in export business.

The direct correlation between the total income of the surveyed companies and profits ($r =, 386, p < 0.01$) and the value of exports ($r =, 878, p < 0.01$) was mentioned earlier. There is a statistically significant negative correlation between the total income of the respondent companies and the assessment of their own competitive position in the foreign market ($r = -, 218, p < 0,05$), and the use of business information collected from economic associations ($r = -, 206, p < 0, 05$). The correlation between the total income of the surveyed enterprises and the use of business information obtained from market research agencies ($r =, 341, p < 0.01$) and the use of business information from other sources of information ($r =, 249, p$) also proved to be statistically significant. < 0.05).

The higher the value of exports, the higher the profit of enterprises ($r =, 238, p < 0,05$), but the profit of the surveyed companies was statistically significantly negatively correlated with the use of business information collected from export assistance institutions ($r = -, 321, p < 0.01$).

The value of exports of the surveyed enterprises is statistically significantly related to the use of business information collected from market research agencies ($r =, 331, p < 0.01$), as well as to the use of business information collected through other sources of export market information ($r =, 371. p < 0.01$). The surveyed companies with higher export values make more frequent use of business information

collected from market research agencies and other sources of business information.

6. DISCUSSION OF RESEARCH RESULTS

Investigating the importance of quality business information for exporters wanted to test the hypothesis: The success of exports is proportional to the use of quality business information on the export market. Considering that the ratings of certain factors of business information quality in the opinion of respondents mostly range from 3 to 5, with 5 being the highest grade, therefore the differences in individual grades are relatively small, so there are no big differences between the overall average grade of business quality information from individual sources of information. Respondents rate only the quality of business information obtained from specialized market research agencies with an overall average score of 5, and the quality of business information collected from other sources of information with an overall average rating of 3, while the quality of business information obtained from export assistance institutions, economic associations and their own research 4. On the basis of this, it can be concluded that the highest quality business information on the export market, according to the opinion of the exporters examined, is provided by specialized market research agencies. This is understandable given that market research agencies work for the client / client of the business information and seek targeted information tailored to the client. In order to attract and retain customers, they want to be better than their competitors, and it is in their interest to provide quality business information that their customers will be happy with.

The quality of business information obtained from export assistance

institutions, economic associations and their own research is evaluated by Croatian exporters from the tested sample with an overall average score of 4, which makes it impossible to further rank these sources of business information according to the quality of business information they provide.

Respondents who frequently use market research agencies also make frequent use of other sources of business information, and have seen an increase in exports between 2014 and 2016. Respondents who frequently gather business information through their own research also frequently use other sources of business information, and their exports have increased in the observed period.

7. CONCLUSION

In support of the hypothesis, the conclusion is that respondents who do not use business information obtained from specialized market research agencies and do their own research during their export business do not record an increase in export business. The surveyed companies that have higher export values more frequently use business information collected from market research agencies. Given that respondents rate the quality of business information obtained from market research agencies and export market information collected through their own research higher than the quality of business information collected from other sources of information, it can be assumed that the quality business information obtained from market research agencies and collected by their own research is prevalent in the use of business information for export operations, and business information collected from other sources of information serves as ancillary to exporters. This research focused on the users (recipients) of business information on the export market. However, the perception of the quality of business information from a supplier's standpoint and from that of an information consumer may be different. It

would be interesting to investigate export market information providers and their perceptions of the quality of business information, since discrepancies in the perceived quality of business information between users and suppliers of information can be crucial in improving the quality of export information business information. It is to be expected that this research also provided suppliers (sources) of business information on the foreign market with an overview of the perceived quality of the information they provide and pointed out guidelines for improving the quality of that information.

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HARMONIZATION OF BIH LEGISLATIVE REGULATIONS OF THE EUROPEAN UNION

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Summary: Harmonization of domestic legislation with EU legislation is the biggest challenge for BiH in the EU integration process and is one of the many criteria that BiH needs to meet in order to join the EU. The process of legal harmonization and adoption of European standards entails comprehensive internal reforms, a general recovery of the system, stronger economic development and more intense foreign policy action. On its path to EU membership, BiH must align its legislation with 100,000 pages of EU legislation. Alignment of national legislation with EU legislation is not a simple rewrite of the law, but implies its adaptation to local conditions. With the provisions of the Stabilization and Association Agreement, BiH has undertaken to align its national legislation with EU legislation. The complexity of the legal system of Bosnia and Herzegovina stands out as one of the fundamental challenges in the harmonization process. As an expression of the country's willingness to meet its obligations and respond to the challenges of EU integration, the governments of potential candidate countries are adopting and adopting an Integration Program that defines and elaborates on the goals and objectives of EU accession, develops policies, reforms and measures to implement them. BiH is the only country that has not developed an Integration Program on its European path. In the process of BiH integration and approaching the EU as a whole, the key role belongs to the Directorate for European Integration of BiH as a permanent body of the Council of Ministers of BiH.

Keywords: *acquis* harmonization, *acquis communautaire*, European integration, Bosnia and Herzegovina, Directorate for European Integration

1. Introduction

In the process of Bosnia and Herzegovina's integration into the European Union, there are numerous criteria that our country needs to meet in order to reach its ultimate goal - first to become a candidate country and then to become a member of the European Union. Among other things, it is necessary to proceed with the adoption of the *acquis communautaire*. Harmonization of domestic legislation with EU legislation represents the biggest challenge for BiH in the EU integration process. Successful harmonization of legislation and implementation of harmonized regulations are the most important prerequisites for further steps towards EU membership.

On June 16, 2008, Bosnia and Herzegovina signed the Stabilization and Association Agreement, which is the first formal contractual relationship between BiH and the EU. By signing the SAA, Bosnia and Herzegovina has undertaken the obligation of gradual harmonization of legislation. The SAA entered into force on 1 June. 2015. godine. The process of harmonization of BiH. Legislation with the *acquis communautaire* represents the most complex and time-consuming process facing us in the process of Euro-integration, but also a process that requires additional costs. It is a process that never really ends due to the fact that the *acquis*

communautaire¹³ is constantly evolving, requiring the participation of a large number of professionals of different profiles who are expected to be familiar with domestic legislation, techniques of domestic law writing, as well as European Union legislation. Alignment of national legislation with EU legislation is not a simple rewrite of the law, but implies its adaptation to local conditions. With the Stabilization and Association Agreement, BiH is primarily committed to harmonizing legislative provisions relating to the internal market and trade, and later to other parts of the *acquis*. One of the fundamental challenges in the harmonization process is the complexity of the legal system of Bosnia and Herzegovina. Namely, a large number of EU regulations is in the competence of the entities (according to some statistics as much as 70%), which speaks in favor of the fact that it is a very demanding and time-consuming process, especially for entities that are required to adopt a large number of EU regulations. Harmonization of legislation is not only about transposing parts of the *acquis* into domestic law, but applying such harmonized regulations in a way that guarantees citizens legal certainty. This aspect is particularly important in Bosnia and Herzegovina because a single EU legal act can potentially be transposed into one or more regulations at one or more levels of government.

The heads of the coordination process at the level of the Federation of Bosnia and Herzegovina are the line ministries, each within its own competence. In addition to the text of the regulations, the ministries are obliged to submit to each regulation harmonized with EU regulations appropriate tables, on the basis of which the Directorate for European Integration assesses whether and to what extent a specific regulation is in line with EU regulations.

¹³The term *acquis communautaire* is of French origin and is interpreted as the overall legal heritage of the European Community. Since the

At the level of the Federation of Bosnia and Herzegovina there is no official database through which it is possible to determine the exact number of regulations that have been taken over from the regulations of the European Union. However, harmonization at the level of the Federation of Bosnia and Herzegovina has so far been carried out gradually, in line with the commitments and priorities assumed.

According to the Constitution of the Federation of Bosnia and Herzegovina there are certain areas in which the Federation has exclusive competence, but also in areas where the federal authorities and the cantons exercise the competence jointly or separately, or the competence is exercised by the cantons with the coordination of the federal authorities. Also, according to the Constitution of the Federation of Bosnia and Herzegovina, the cantons have all the powers not explicitly entrusted to the federal government, which implies the complexity of transposing EU regulations at the level of the Federation of Bosnia and Herzegovina, and above all the division of the *acquis communautaire* and its transposition into national legislation.

The process of harmonizing the regulations of Republika Srpska with the *acquis* commenced in 2007. More than 1500 laws and regulations have passed through the harmonization process since 2007. The Ministry of Economic Relations and Regional Cooperation has been designated as the coordinating body for this process, and within each line ministry the persons responsible for harmonizing regulations have been designated. The procedure for harmonizing the regulations of the Republika Srpska with the EU *acquis* is governed by the Government Decision on the procedure for harmonizing the legislation of the Republic of Srpska with the *acquis communautaire* and Council of

entry into force of the Treaty of Lisbon, the word *communautaire* in the meaning of the Community is no longer used.

Europe¹⁴ legal acts of 2011. An integral part of the Decision is the Methodology for harmonization of the legislation of the Republic of Srpska with the *acquis communautaire*, which aims to provide the necessary assistance to processors and proposers of regulations in transposing Union legislation into the domestic legal system, and to serve as a guiding tool for solving problems arising from the harmonization process legislation.

The Ministry of Economic Relations and Regional Cooperation monitors the implementation of the Decision and reports to the Government of the Republika Srpska and the National Assembly of the Republika Srpska on the most significant results achieved in the field of transposition of the *acquis communautaire* and Council of Europe legal acts, as well as on any problems identified in the legislative alignment process.

2. Acquis communautaire

One of the fundamental legal and political principles of European integration is the *acquis communautaire*. It covers a set of legal norms and court decisions binding on all EU Member States. Each country wishing to accede to the European Union must accept the founding treaties and other content derived from the treaties and align its legislation with the *acquis communautaire*. The *acquis communautaire* is, in fact, an accumulation of all European Union law from its inception to the present day. The EU legal framework consists of¹⁵:

- A. Primary Legislation - Founding and Accession Treaties;
- B. International law, customary international law and general EU legal principles;
- C. Secondary legislation;

- D. Court of Justice case law;
- E. Negotiations, political and other commitments undertaken by the Member States.

Secondary legislation consists of legal acts adopted by the EU institutions, in accordance with the competences assigned to them by the Treaty on the Functioning of the EU, and includes *regulations, directives, decisions, recommendations and opinions*. Unlike regulations, directives and decisions that are legally binding acts, recommendations and opinions are not binding. Regulations oblige Member States both in terms of the results they produce and in the form and methods of implementing the act itself. Directives are binding on the results to be achieved, but leave the Member States the freedom to choose the form and method of application, a feature that makes them different from regulations. Decisions are referred to a specific Member State, a legal or natural person, and relate only to the individuals covered by the decision. Recommendations and opinions are legally non-binding acts, which the courts take into account when considering decisions in individual cases, especially if they help to interpret other national or EU legislation.

For the purpose of negotiations between the candidate countries and the European Union, all the *acquis communautaire* is divided into thematic chapters. For the fifth enlargement of the European Union (10 members that joined in 2004), the entire *acquis* was divided into 31 chapters. For the accession negotiations of Bosnia and Herzegovina, other candidate and potential candidate countries, the *acquis* is divided into 35 chapters. These 35 chapters relate to the following¹⁶: freedom of movement for goods, freedom of movement for workers, right of establishment and freedom to provide services, freedom of movement of

¹⁴RS Official Gazette, No. 46/11

¹⁵ Fleschner, S, Grubešić, N, Šabanović, A, *Priručnik za izradu obrazloženja pravnih propisa*, Sarajevo: "Dobra knjiga" d.o.o, 2013, str. 25.

¹⁶https://hr.wikipedia.org/wiki/Pravna_ste%C4%8Devina_Europske_unije

capital, public procurement, company law, intellectual property rights, competition, financial services, information society and media, agriculture and rural development, food security, veterinary and phytosanitary surveillance, fisheries, transport policy, energy, taxes, economic and monetary union, statistics, social policy and employment, entrepreneurship and industrial policy, trans-European networks, regional policy and coordination of structural instruments, justice and fundamental human rights, justice, freedom and security, science and research, education and culture, environment, consumer and health protection, customs union, external relations, foreign, security and defense policy, financial control, financial and budgetary provisions, institutions, other issues.

The governments of potential candidate and associate countries of the European Union, as an expression of the country's willingness to fulfill its obligations and respond to the challenges of EU integration, adopt and adapt an Integration Program. It is a strategy document that sets out and elaborates on the goals and objectives of the EU accession process. They set out a plan for meeting the membership criteria and a plan for aligning domestic legislation with that of the European Union. It can be characterized as a fundamental guide for all levels of government and a planner for harmonizing domestic legislation with EU legislation. They elaborate in detail the policies, reforms and measures for their implementation, and may include projected budgets for the implementation of the Program. BiH is the only country aspiring to join the European Union without a National Integration Program, which

results in the absence of the EU Acquis Commitment Program (NPAA).

3. Harmonization, methods, techniques and instruments of legislative alignment

In the process of BiH integration and approaching EU membership as a whole, the key role belongs to the Directorate for European Integration of BiH (DEI). The DEI has been established as a permanent body of the Council of Ministers of BiH whose role, rights, obligations and competences in the integration process are defined by existing substantive and formal regulations.^[17] This institution, called the BiH Directorate for European Integration, has been in existence since March 2003. In the period 2001/2002. The DEI was a special ministry - the Ministry for European Integration of the Council of Ministers of BiH. The Directorate provides expert and technical support regarding European integration and is directly responsible to the Chairman of the Council of Ministers of BiH. The responsibilities of the DEI are^[18]:

- Coordination of activities on alignment of BiH legal system with EU law;
- Checking the compliance of draft laws that are in line with EU legislation;
- Coordination and monitoring of the implementation of decisions adopted by the institutions and bodies of the BiH administration, entities and the Brcko District of BiH regarding all measures required in the European integration process;

¹⁷Law on the Council of Ministers of BiH (Official Gazette of BiH, No. 30/03, 42/03, 81/06, 76/07, 81/07, 94/07 and 24/08), Article 23, Law on Ministries and other administrative bodies, Official Gazette of BiH, no. 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09 and 103/09, Article 18; Decision on the Directorate for European Integration, Official Gazette of BiH, No. 41/03,

Articles II. and III; Rules of Procedure of the Council of Ministers of BiH, "Official Gazette of BiH", No. 22/03, Article 6, Paragraph 3, Article 12, Article 31 f

¹⁸Manual for Harmonization of the Regulations of Bosnia and Herzegovina with the EU Regulations, <http://www.dei.gov.ba/dei/documents/compliance/default.aspx?id=3959&langTag=en>

- Participation in legal activities or in the drafting of laws and guidelines relating to activities undertaken in the European integration process;
- Acting as the main operational partner of the EU institutions in the PSP;
- Establishment and maintenance of functional cooperation with ministries and other bodies of BiH administration as well as with entity governments on issues of strategy and policy of integration, legal harmonization and coordination of assistance.

The process of European integration requires a comprehensive adaptation of policies, the institutional framework and the legal system to meet European standards in all areas. The process of legal harmonization and adoption of European standards entails comprehensive internal reforms, a general recovery of the system, stronger economic development and more intense foreign policy activity in areas that affect the dynamics of relations between Bosnia and Herzegovina and the European Union. Bosnia and Herzegovina on its path to EU membership must align its legislation with 100,000 pages of EU *acquis*. The Directorate for European Integration (DEI) coordinates all coordination activities. All proponents of legal regulations in BiH, before submitting a normative act for consideration to the Council of Ministers, are required to submit it to the Directorate in order to determine the degree of compliance with the *Acquis communautaire*.

Harmonization, ie harmonization of legislators, implies a uniform harmonization of the laws, regulations and administrative provisions of the Member States with the *acquis* in order to regulate EU-wide social relations. Differences in the laws of the Member States are eliminated

through *unification, harmonization and coordination*.

The unification establishes a single legal regime whereby national rules are replaced by EU regulations in those areas where the EU has exclusive competence. The main instruments used for unification are regulations.

Harmonization is the process of aligning Member States' legislation with the objectives set out in EU directives. This entails the obligation to transpose and incorporate the relevant provisions of the relevant directive into national law.

Coordination stems from certain EU legal acts that require the coordination of activities and the exchange of information, as well as the conclusion of agreements between Member States on specific issues. The decision on the procedure for harmonization of the legislation of Bosnia and Herzegovina with the *acquis communautaire* obliges the regulators and the Directorate for European Union¹⁹ to fully monitor the harmonization process, from drafting of the legislation to the stage of adoption and adoption of amendments to the regulations in the legislative bodies. The objective of this decision is to ensure the preconditions for the proper alignment of BiH legislation with the EU *acquis*, to monitor the process of harmonization and reporting on regulatory compliance, as well as the consistent use of professional terms when translating BiH legislation into English. The Decision establishes an obligation to develop harmonization instruments in the process of drafting / drafting regulations harmonizing the legislation of Bosnia and Herzegovina with the *acquis*. Instruments for harmonization of BiH legislation with the *acquis* are:

- Compliance Table, and
- Declaration of Conformity.

¹⁹ Official Gazette of BiH, No. 75/16

The following indications are used to indicate the degree of compliance of the legislation with the *acquis*²⁰:

- Fully aligned,
- Partially aligned,
- Mismatched,
- Non-transferable.

In fulfilling its obligation during the harmonization process, Bosnia and Herzegovina is required to align its legislation with both directives and regulations, and other relevant legislative decisions. It is necessary to mention that by admission to the Council of Europe on April 24, 2002, she accepted the high values promoted by this body in the field of protection of human rights, parliamentary democracy, the rule of law and awareness-raising on European identity, on which it is obliged to harmonize its legislation. and Council of Europe documents. Legal documents adopted by the Council of Europe are conventions, which are crucial for the legal cooperation of Member States in the fields of fundamental rights and judicial cooperation.

Harmonization of rights is achieved through negative and positive harmonization. Negative harmonization implies strict prohibitions contained in the Treaty of Lisbon²¹ and other EU legal acts, such as the abolition of all tariff and quantitative restrictions on trade, the prohibition of customs duties on imports and exports, the prohibition of any discrimination of any kind (based on sex, racial or ethnic origin) origin, religion or belief, disability, age or sexual orientation). Positive harmonization is the process of harmonization through the adoption and

implementation of legal acts or harmonization measures. The most important ways of legal alignment are the maximum and minimum harmonization and the principle of mutual recognition. Maximum harmonization is a detailed and complete editing of a particular area (regulations on food, products dangerous for life and human health, cosmetic and pharmaceutical products). Minimum harmonization establishes a minimum of legal regulation, which enables Member States to prescribe stricter standards than those prescribed by EU legal acts (consumer and environmental regulations). The application of mutual recognition means that one Member State recognizes the rules of another Member State. Examples of mutual recognition are the areas of freedom of movement for goods, freedom of movement for workers, etc.

There are three main alignment techniques:

- Transposition (verbatim takeover) - implies the transcription of EU regulations into national legislation, literally word for word. The transposition ensures the full and correct fulfillment of the obligations imposed, which may result in the use of terminology which is unknown or does not correspond to the terminology in the national legal system.
- Rephrasing - involves assuming the essence of the obligation arising from the directive and allowing the omission of those parts of the text that are not relevant and leaving the freedom for EU Member States to act in accordance with national law.

²⁰ Decision on the Procedure for the Harmonization of the Legislation of Bosnia and Herzegovina with the *Acquis Communautaire*, Official Gazette of BiH, No. 75/16, Annex I, Harmonization Instruments - Section F

²¹ The Treaty of Lisbon (also the Reform Treaty), the full name of the Treaty of Lisbon amending the

Treaty on European Union and the Treaty establishing the European Community, is an international treaty signed in Lisbon on 13 December 2007 with a view to addressing further institutional functioning Of the European Union. The treaty entered into force on 1 December 2009, after having passed the ratification process in all EU Member States.

- Referral - Only in cases where the directives are very precise and where they relate to technical issues. It implies listing the provisions of a specific regulation in the annexes of domestic regulations.

4. European Commission Technical Assistance in Harmonization of Laws - TAIEX

TAIEX stands for Technical Assistance and Information Exchange Unit of DG Enlargement in the Commission. The aim of TAIEX is to provide short-term technical assistance to the new Member States, Candidate Countries and Western Balkan countries for the purpose of approximation, application and enforcement of EU legislation.

There are three basic forms of assistance provided under TAIEX:

- Thematic seminars on specific issues of EU law and its implementation,
- Targeted study visits to EU institutions or organization of workshops,
- TAIEX Progress Editor.

The TAIEX progress editor is a software program created as a means of sharing information on EU legislation and national programs adopted in the legislative alignment process, with the aim of providing beneficiary countries with a database of EU legislation to facilitate the process of harmonization and monitoring of progress.

In this program, the information is contained in three categories:

- EU measures (EU legislation),
- National measures (harmonizing regulations)
- Translations of EU legislation.

The program is considered useful for both the EU Commission and the beneficiary countries.

5. The importance of the *acquis* in the EU membership negotiation process

By signing the SAA, BiH has entered into a contractual relationship with the EU, which has undertaken a number of commitments with the aim of obtaining candidate status and starting accession negotiations. The provisions of Article 70 of the SAA stipulate the obligation to align existing and future BiH legislation with EU legislation. In 2011, the BiH Council of Ministers adopted the Decision on Instruments for Harmonization of the Legislation of Bosnia and Herzegovina with the *Acquis communautaire* of the European Union^[22], which explains the importance and role of harmonization instruments. First of all, the comparative view determines:

- The actual degree of compliance,
- The process of harmonization of BiH legislation is followed, and
- The basis for establishing the necessary database on harmonized regulations is being created.

Comparative presentation also plays a special role in the future of so-called screening, that is, assessing the compatibility of national legislation with EU legislation conducted by the European Commission and the candidate country for EU membership. Compliance assessment is the basis for bilateral negotiations, and a positive assessment of meeting the legal criteria for EU accession facilitates the process and contributes to a better preparedness of BiH institutions for the negotiation process.

Screening is carried out separately for each negotiation chapter, and its duration by chapter depends on the scope and volume of the *acquis*. The opening of negotiations on a particular chapter begins the substantive phase of the negotiations, during which the conditions under which a

²² Official Gazette of BiH, No. 23/11;

candidate country will accept, apply and implement the *acquis communautaire* in that chapter are negotiated.

6. European Commission Progress Report on Bosnia and Herzegovina

The European Commission regularly reports to the Council of the European Union and the European Parliament on the progress made by the Western Balkan countries in the European integration process, appreciating the fulfillment of the Copenhagen criteria (Copenhagen criteria)^[23] and the conditions of the Stabilization and Association Process. The content of the Report includes a brief description of the relationship between the candidate countries and the European Union, an analysis of the country's political and economic criteria for membership, and an analysis of the country's ability to implement European standards, ie to gradually align its legislation and policies with the *acquis* in accordance with The Stabilization and Association Agreement. Progress is measured on the basis of decisions made, laws adopted and measures implemented.

The latest European Commission Report^[24] on Bosnia and Herzegovina for 2016 was published on 9.11.2016. and relates to the

period from October 2015 to September 2016.

The European Commission (EC) report once again stated that no progress had been made in implementing the decision of the European Court of Human Rights (ECHR) in the cases of “Sejdić and Finci”²⁵ and “Zornic v. BiH”^[26] and that the BiH Constitution remained discriminatory, as they were demonstrated the ECHR's decisions in the above cases and also in the “Pilav”^[27] case. More work is needed to address human rights and minorities. Some progress has been made, in particular with the adoption of amendments to the Anti-Discrimination Law. However, the strategic, legal and institutional framework, as well as the framework for strategic policies on respect for human rights, still need to be significantly improved. The report emphasizes the improved mutual cooperation of parliaments and notes that progress has been made in adopting legislation that meets the priorities stemming from the Reform Agenda. Regarding the functioning of the executive, the Report welcomes the continuity of work on the Reform Agenda, the effective cooperation of the state and entity levels in its implementation, the adoption of the Action Plan for its implementation, and the adoption of documents in line with the reform priorities. In relation to the work of

²³ The Copenhagen criteria are the rules that define which country is eligible to join the European Union. In 1993, following the request of former Communist countries for EU membership, the European Council adopted three main criteria that candidate countries must meet if they wish to become members: economic, political and legal criteria.

²⁴ European Commission Report on Bosnia and Herzegovina 2016, http://www.dei.gov.ba/dei/media_servis/vijesti/default.aspx?id=17656&langTag=en-BA

²⁵ Sejdić and Finci v. Bosnia and Herzegovina (Applications no. 27996/06 and 34836/06 of the European Court of Human Rights) is the name of a court case conducted from 2006-09. before the European Court of Human Rights in Strasbourg, following the suit of Derv Sejdić and Jakob Finci,

against Bosnia and Herzegovina, who were prevented from being elected to the Presidency of Bosnia and Herzegovina and the House of Peoples of Bosnia and Herzegovina as members of national minorities.

²⁶ Azra Zorić complained about the violation of human rights because, although she is a member of the Social Democratic Party, she cannot be elected to the House of Peoples of BiH unless she declares herself a member of a constituent people.

²⁷ Dr. Ilijaz Pilav, as a surgeon in Srebrenica in 2006, could not run in the general elections for a member of the BiH Presidency from Republika Srpska, because only Serbs from this entity are eligible, as Bosniaks and Croats in the Federation have the exclusive right. When he had exhausted all possibilities of protecting his own suffrage in BiH, he addressed the court in Strasbourg.

the Constitutional Court, the problems of non-implementation of the Constitutional Court's decisions were noted. The European Commission's report notes some progress in the legal framework for financing civil society organizations and developing mechanisms for the cooperation of institutions with civil society, noting that there is still no single framework for effective cooperation and complete transparency of funding. The evaluation of public administration reforms emphasizes that public budgets continue to be adopted in a non-transparent manner, without citizen participation and without adequate budget execution reporting. It was positively estimated that the 2016 budgets were adopted on time (except in the Brcko District), ignoring the fact that they were adopted in an emergency procedure. The European Commission assessed the continued presence of political pressure on the judiciary, but no specific case was mentioned. According to the Report, the judicial system of Bosnia and Herzegovina has reached a certain level of preparedness and some progress has been made in terms of accountability and integrity, with the Action Plan for the implementation of the Justice Sector Reform Strategy 2014-2018. has yet to be adopted. Although some acts in the area of the fight against corruption have been formally adopted, there has been no real progress in this area. The European Commission has also made a number of recommendations for improving activities aimed at gaining EU membership.

7. Conclusion

BiH state institutions will have to align their laws with EU law. The bearers of the establishment of new legal provisions must be state institutions. The EU has prioritized reforms in BiH in the areas of public administration, judiciary, police, military and education. Key constitutional and legal changes relate primarily to human rights. The current BiH Constitution allows for the violation of human rights and freedoms,

especially regarding the election of members of the BiH Presidency and the election of members of the House of Peoples of the BiH Parliament. Overall obligations in the field of constitutional reforms and legislation indicate the necessity of adopting various laws, regulations and regulations in order to harmonize BiH's legal system with the EU legal order in various fields of trade, intellectual property, competition, public procurement, elimination of all forms of discrimination, etc. . The development and implementation of the Integration Program would effectively put an end to a number of political "conflicts" over competencies between the state and entities, as well as between federal and cantonal authorities.

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APPLICATION OF PROGNOSTIC MODELS OF BUSINESS ANALYSIS IN BUSINESS DECISION MAKING

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Summary: In today's uncertain business environment for business management, making business decisions is a big challenge. The basic information it uses in the decision-making process is the accounting information that is incorporated in the financial statements. In order for the financial statements to be useful for decision making, it is necessary to do an analysis of the financial statements on the basis of which we can evaluate the quantitative and qualitative characteristics of the business of the company. The forecasting models of business analysis are a late assessment of business performance as well as a forecast of future business. The information we get from using these models serves management and all interested users to make decisions. In this paper, we will apply the BEX model, which was primarily developed for the Croatian market, and the Altman Z-score model, which is widespread, to the telecom sector in BiH. The aim is first of all to obtain business results and a forecast of future business and after that to make a comparative analysis of the results of these two models.

Keywords: business decisions, financial statements, forecasting models of business analysis, BEX model, Altman z-score model

INTRODUCTION

The need for external financial reporting lies in the fact that the users of financial reporting are diverse categories of market participants such as existing investors, employees, creditors, customers, governments and their agencies and the public at large. Such financial statements are addressed to external users, which in this way gain the ability to assess exposure to real risks in their relationship with a particular company or potential risks should they enter into a business relationship with it. The set of financial statements includes: balance sheet, income statement, statement of cash flows, statement of changes in equity and notes to the financial statements. Based on the analysis of these reports, the end users make business decisions ie. whether to invest or not. The forecasting models of business analysis are a late assessment of business performance as well as a forecast of future business. The information we get from using these models serves management and all interested users to make decisions.

1. APPLICATION OF PROGNOSTIC MODELS TO THE FINANCIAL STATEMENTS

Forecasting models were created more than 40 years ago and are the most used in highly developed market economies. They are based on accounting data and / or financial statement data and are used to evaluate business performance and assess bankruptcy threats. We have very little use of these models in our country.

Given that corporate failure results mainly stem from internal

considerations such as inefficient management, undercapitalization, and excessive borrowing, and only a small portion comes from external influences, many authors have engaged in the use of ratio analysis as an analytical technique during their research and scientific work. bankruptcy forecasts of the company.[²⁸

The approach to problem solving starts with the assumption that the data in the financial statements are credible and objective, because only in this way external and internal users will be satisfied with the assessment of business performance for a given period and be able to make adequate business decisions.

In our work we will use two prognostic models, one is the Altman Z-score model that calculates the risks of the business operations of the company[²⁹ and the other is the BEX model, which was primarily developed for the Croatian market as the work of the author prof. dr. Ph.D. Vinko Belak et al. Ph.D. Zeljane Aljinovic Barać[³⁰.

2. METHODOLOGY AND DEFINITION OF SELECTED PROGNOSTIC MODELS

The forecast for the future is based on the BEX index and the Altman Z-score model for the sampled three largest telecom companies in BiH for 2014, 2015 and 2016. The methods of ratio analysis are used in the part that assesses the general condition of the sampled companies in the telecom sector, which are later correlated with the time periods to which they apply and the different models. In addition to the quantitative, this paper also performs a qualitative analysis based on the obtained results, which represents the main roadmap for the management of the company and

²⁸ Petković Đ., Hajnrih J. (2012)

²⁹ Altman, E.I., Financial Ratios, Discriminant Analysis and the Prediction of Corporate

Bankruptcy, Journal of Finance 23, 1968, p.189-209

³⁰ Belak V., Aljinović Barać Ž. (2008). Tajne tržišta kapitala. Zagreb: Belak doo

other interested users for future business decision making.

Business excellence model - BEX index appeared in economic-financial theory in 2008 as the work of the author prof. dr. Ph.D. Vinko Belak et al. Ph.D. Željane Aljinovic Barac. This model is intended to analyze the business performance of Croatian listed companies, but has subsequently received confirmation from non-listed companies or is about to enter. It is based on financial ratios calculated on the basis of the accounting information in the financial statements that is readily available to anyone interested in the analysis. A special advantage of this model is that it also contains an entirely new indicator of financial strength, based on the ratio of theoretically free money from all activities, which is a gain plus depreciation and depreciation and cover of total liabilities of that money. The application of this forecasting model is possible to evaluate the business performance of an enterprise in all similar capital markets. Considering that the market in BiH is similar to the market in Croatia, the intention was to test its application on the selected sample in this research paper. According to Belak V., Aljinović Barac Ž. (2008) The BEX index shows and measures business excellence in two dimensions as current and expected business success. They have developed the following formula:

$$\text{BEX} = 0,388 \text{ ex}_1 + 0,579 \text{ ex}_2 + 0,153 \text{ ex}_3 + 0,316 \text{ ex}_4$$

$$\text{ex}_1 - \text{profitability} = \frac{\text{EBIT}}{\text{Total assets}}$$

$$\text{ex}_2 - \text{value creation} = \frac{\text{Neto dobit}}{\text{Proprietary capital} \times \text{price}}$$

$$\text{ex}_3 - \text{liquidity} = \frac{\text{Working capital}}{\text{Total assets}}$$

$$\text{ex}_4 - \text{financial strength} = \frac{5 \times (\text{Profit} + D + A)}{\text{Total Liabilities}}$$

BEX INDEX	RANG POSLOVNE IZVRSNOSTI	PROGNOZA ZA BUDUĆNOST I PREPORUKE ZA UPRAVLJANJE
Veći od 6,01 4 god. uzastopno	Svjetska klasa	Poduzeće posluje s vrhunskim rezultatima što se može očekivati i ubuduće ako uprava nastavi s unaprjeđenjima.
Veći od 6,01	Kandidat za svjetsku klasu	Poduzeće posluje izvrsno što se može očekivati i ubuduće ako uprava nastavi s unaprjeđenjima.
Između 4,01 i 6,00	Izvršno	Poduzeće posluje izvrsno što se može očekivati i ubuduće ako uprava nastavi s unaprjeđenjima.
Između 2,01 i 4,00	Vrlo dobro	Poduzeće posluje izvrsno što se može očekivati i ubuduće ako uprava nastavi s unaprjeđenjima.
Između 1,01 i 2,00	Dobro	Poduzeće posluje dobro, ali se poboljšanje može očekivati samo ako uprava pristupi unaprjeđenjima.
Između 0,00 i 1,00	Granično područje između dobrog i lošeg	Poduzeće ne posluje zadovoljavajuće. Potrebno je čim prije pristupiti ozbiljnim unaprjeđenjima.
Manji od 0,00 (negativan)	Loše	Ugrožena je egzistencija poduzeća. Potrebno je žurno pristupiti restrukturiranju i unaprjeđenjima, inače je velika vjerojatnost stečaja.

Table 1. Business Performance Assessment - BEX index

Source: presentation by prof. dr. Željane Aljinović Barac, Business Performance Assessment Model and Management Based on Cash Flow Indicators, p. 25

The first model to begin applying the multivariate approach to calculating business risk was Altman's Z-score model. Unsuccessful businesses are expected to have financial ratios different from those of financially sound businesses. The Altman model also defines the threshold on which a financial institution makes its decision. The research conducted by Altman was made on a sample consisting of 33 failed and 33 successful businesses. The following formula has been developed:

$$Z = 1,2X_1 + 1,4X_2 + 3,3X_3 + 0,6X_4 + 1X_5$$

$$X_1 = \frac{\text{Working capital}}{\text{Total assets}}$$

$$X_2 = \frac{\text{Retained earnings}}{\text{Total assets}}$$

$$X_3 = \frac{\text{Profit}}{\text{Total assets}}$$

$$X_4 = \frac{\text{Market value of equity}}{\text{The carrying amount of liabilities}}$$

$$X_5 = \frac{\text{Sales revenue}}{\text{Total assets}}$$

$Z > 2.9$ company operates well, stable, in "safe zone"

$1.23 < Z < 2.9$ company operates in "gray zone"

$Z < 1,23$ company operates in "problem area"

There is also a custom Z-score model but for non-listed companies. Since the sampled companies in this paper are listed on stock exchanges in BiH then we will use this model.

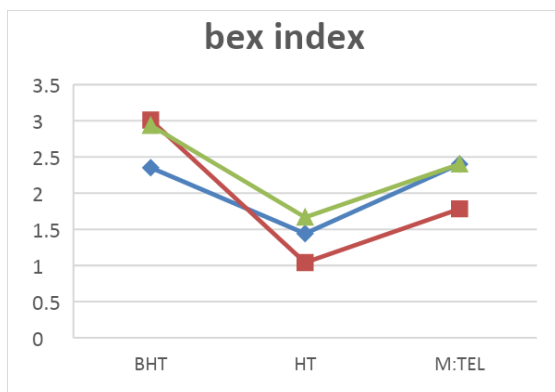
Based on the calculated Z-score model, the probability of bankruptcy can be calculated using the following formula:

$$P = 1 - \frac{ez}{1 + ez}$$

2.1. RESULTS OF THE RESEARCH

After collecting the necessary data from the financial statements of the three largest telecom operators in BiH (BH Telecom, HT Mostar and M: tel), for the last three years (2014, 2015 and 2016), we obtained results for BEX index and Z-score model presented in the following graphs.

Graph 1. Overview of the BEX index for the telecom sector in BiH from 2014 to 2016



Source: Author's calculation based on data collected from annual financial statements

The BEX index values for BH Telecom range from 2.35 to 3.01, which is in the "very good" business, that is, the company performs well, which can be expected in the future if management continues to improve.

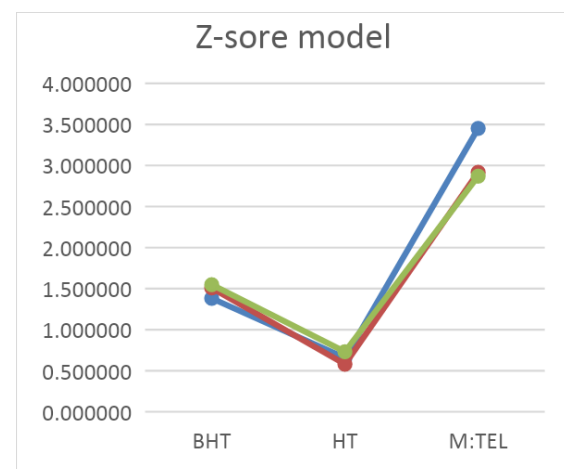
The BEX index values for HT Mostar range from 1.04 to 1.66, which belongs to the rank of "good" business, ie the company operates well, but improvement can only be expected if management approves the improvements.

The BEX index values for M: tel range from 1.78 to 2.4, which is on the border between "good" and "very good". Given that it had more than 2.4 for two years then we will conclude that it is in the "very good" rank.

According to these results, all three telecom operators are doing well, but they still need a lot of upgrades to reach "excellent", "world class candidate" or "world class" rankings. In 2015, only BH Telecom experienced an increase in the value of this index, while in others the index value fell. If you rank them according to this index then BH Telecom performs best, then M: tel and last in the list is HT Mostar.

The following chart shows the values obtained according to the Z-score model.

Figure 2. Overview of the Z-score model for the telecom sector in BiH from 2014 to 2016

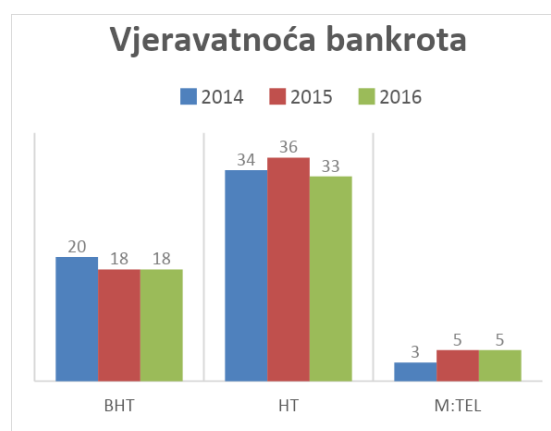


Source: Author's calculation based on data collected from annual financial statements

The obtained Z-score model values for BH Telecom range between 1.38 and 1.54 which means that the company operates in the "gray zone", for HT Mostar they range between 0.58 and 0.73 which means that the company operates in "problem area", ie there are financial difficulties for M: tel, they range between 2.87 and 3.45 which means that the company is operating well or is in the "stable zone". According to this model, M: tel performs better than BH Telecom in contrast to the results of the BEX index. HT Mostar has financial problems, as evidenced by the fact that in recent years they have acquired a negative image in terms of business transparency, as well as by expressing a negative audit opinion, which means that their financial statements do not present truthfully and fairly on all relevant issues the status of assets and liabilities. So we cannot take the calculated values for these two models as relevant.

Also, based on the obtained values of the Z-score model, we also calculated the probability of bankruptcy of these companies, which is presented in the following chart.

Chart 3. Bankruptcy probability of telecom sector in BiH from 2014 to 2016 based on Z-score model



Source: Author's calculation based on data collected from annual financial statements

M: tel has a minimum probability of going bankrupt in the coming period as the calculated probabilities range between 3% and 5%, while with BH Telecom the probability ranges between 18 and 20%, with HT Mostar the highest probability of bankruptcy, ie ranging from 33 to 36%.

When comparing the results of these two forecasting models, we can conclude that in the case of the telecom sector they give approximately the same results. The results for BH Telecom and M: tel are optimistic, low in bankruptcy, but it takes a lot of improvement and commitment from management to reach "excellent", "world class candidate" or "world class". HT Mostar is significantly behind in business for these two companies, index values indicate their problems in business and when it is taken into account that their financial statements are not transparent, they must make strong steps and improvements in order not to go bankrupt in the future.

3. CONCLUDING CONSIDERATIONS

Good quality financial statements are a prerequisite for company growth. The information contained therein is used to make relevant business decisions. The quality of these reports is a key factor in minimizing the risk to business-financial decision-making by management on the one hand and external users on the other. The new role of professional accountants in ensuring the quality of financial statements arises from the consequences of poor quality financial statements that are quantified by the costs of a criminal, repressive, and subsequent, corrective nature.³¹ However, there are far greater consequences of a qualitative nature, such as the loss of the acquired reputation and reputation of not only professional accountants, but of management and businesses as a whole.

Through the presented research part in the paper, we can conclude that these two models ie. The BEX index and the Altman Z-score model provide similar forecasts for the telecom sector in BiH as a whole. All three companies are far from world-class but M: tel has a minimum probability of bankruptcy. Also, HT Mostar's results are the worst for both models, which is confirmed by negative audit reports.

Applying forecasting models can greatly help us in making business decisions, ie whether to invest or not if we are investing. As an investor, we can easily get the information we need, that is, the financial statements, on the assumption that they meet the qualitative characteristics required by the financial reporting standards. The

application of these models in BiH is not sufficiently represented, which is understandable given that the financial market is poorly developed.

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MATHEMATICAL MODEL ON TRANSPORT NETWORKS

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Abstract: A mathematical model describes a system using a series of sets, equations, variables that describe relationships and relationships between them. The system is an abstract entity, which we believe has no interaction with the environment but is isolated and exists as an independent entity. Usually, the system is defined by the mathematical relations between input and output quantities. The variables in the model represent some of the features of the system. They can be input, output, independent, dependent, state variables and random variables. Most often, mathematical functions are used for modeling, and we optimize the parameters by approximating or interpolating a curve. Mathematical modeling is recognized as the process of applying mathematics to a real system for the purpose of verifying the necessary information. It is important to emphasize that modeling does not have to solve the problem, but is likely to shed light on the problem and clarify the observed situation. The application of mathematical model and programming tools aims to reduce the possibility of such problems occurring and solving them if they do occur. The model is a closed transport problem. It is also shown in the software package matlab one transport problem and approximately solved.

Keywords: Transport model, open and closed model, mathematical model

1. Transportation problem

Solving the transportation problem on the transportation network gives you an optimal way of transporting between multiple supply centers and demand centers. The supplier center has its own capacity and the demand center has its own level of demand. For example, a supplier center may be a specific distributor, and the demand center may be the end user or the customer. The transport routes between the two centers have different unit transport rates, and the solution to this problem is to achieve the best possible solution for transport between nodes. In order for the solution of the problem to be optimal, two conditions must be satisfied and the demand on the network must be satisfied and the other is to do so with minimal transport costs.

Of course, first you need to find a decent solution, and then an optimal one. Methods such as: the least cost method and Vogel's approximation method are used to determine the initial solution. The optimal solution is implemented using the relative cost method.

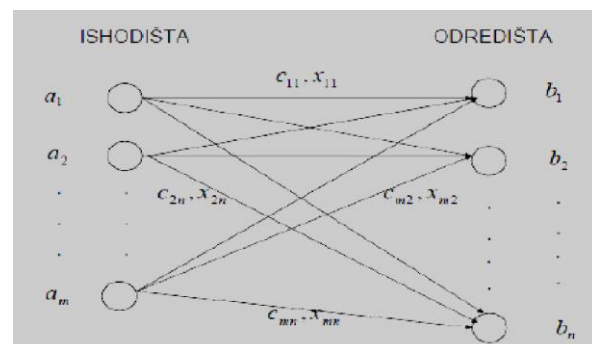


Figure 1. Schematic representation of the transport problem.

Figure 1, shows a diagram of a transport problem, transporting between different points of origin (am) and destination (bn), where C_{ij} denotes the unit cost from the origin to the destination j , and X_{ij} the transport quantity from the origin and to destination j .

A mathematical model of a closed transport problem

The transport problem is the problem of the linear programming of the $m + n$ equations with $m \cdot n$ variables. The system contains $m + n - 1$ independent equations, which implies that the solution must contain $m + n - 1$ variable values is degenerate. In order for the transport model to be properly represented by a mathematical model, it must be formulated, that is, mathematically set. The function of the target of the decision variable of that constraint needs to be specified. The mathematical model is represented by the transport problem between the origin and the destination j , as shown in Figure 1. Given that the closed system, demand is then equal to supply, which could be mathematically written as follows:

$$\sum_i a_i = \sum_j b_j$$

Setting up a transport problem:

- Total obtained from the point of origin and is a_i , where $i = 1, 2, \dots, m$ (m-number of points of origin)
- The total demand from destination j is b_j where $j = 1, 2, \dots, n$ (destination n-number)
- c_{ij} = the cost of transporting a unit of goods from its origin and to its destination j , for $i = 1, 2, \dots, m$, and $j = 1, 2, \dots, n$.
- X_{ij} = quantity of goods to be translated from the origin and to the

destination j for $i = 1, 2, \dots, m$, and $j = 1, 2, \dots, n$.

Goal Function:

- $\min Z = \sum_{i=1}^m \sum_{j=1}^n c_{ij}x_{ij}$, the min prefix is in front of the function because the minimum total transport cost is required.

Source restriction:

- $x_{11} + x_{22} + \dots + x_{1n} = a_1$
- $x_{m1} + x_{m2} + \dots + x_{mn} = a_m$
- $\sum_{j=1}^n x_{ij} = a_i, i=1,2,\dots,m$ - the sum of demand for goods at destination j is equal to the supply of origin i .

Destination limit:

- $x_{11} + x_{22} + \dots + x_{m1} = b_1$
- $x_{1n} + x_{2n} + \dots + x_{mn} = b_n$
- $\sum_{i=1}^m x_{ij} = b_j, j=1,2,\dots,m$ - the sum of the supply of goods at the origin i , is equal to the demand of the destination j .

Overview of mathematical model:

- $\min Z = \sum_{i=1}^m \sum_{j=1}^n c_{ij}x_{ij}$ - objective function
- $\sum_{j=1}^n x_{ij} = a_i, i=1,2,\dots,m$ - restriction
- $\sum_{i=1}^m x_{ij} = b_j, j=1,2,\dots,m$ - restriction
- $X_{ij} \geq 0, za i = 1, 2, \dots, m i j = 1, 2, \dots, n$ - decision variable.

2.1 Program code in matlab

Input part of the code:

```
% Troubleshooting with
maximum flow rate using
minimal theory of cost-
cutting
Flow = sparse ([1 1 1 2 3 3 4
5 6 6 6 7 7], [2 3 4 7 2 6 5
8 2 5 8 6 8], [4 2 3 2 3 1 2
1 4 3 4 2 3 ], 8.8);
```

```
[M, F, K] = graphmaxflow
(Flow, 1.8);
% M is the maximum throughput
of the product
% F is the flow on each line
% K is the minimum cut (result shown in
matrix)
view(biograph(F, [], 'ShowWeights', 'on')) % Broj prikaza
set(h, Cvorova(K(1, :)), 'Color', [1 0 0]);
```

The output, that is, the approximation of the solution is shown in the figure:

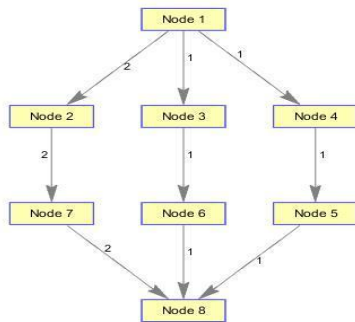


Figure 2. Outline of the path between the transport node with the maximum flow rate and the minimum cost.

2.2 Example of a mathematical model of a closed transport problem

Suppose a particular chain of stores has 3 warehouses and 4 showrooms. Warehouses (starting points) will be marked with I1, I2, I3, while exhibition spaces (destinations) will be marked with O1, O2, O3, O4. If warehouses have goods to fill 2, 6 and 7 trucks a day and showrooms can sell 3, 3, 4 and 5 trucks a day, it is necessary to create a driving plan so that the goods are transported from the starting point to the destination as soon as possible time. The time required for a particular truck to move from its starting point to its destination is expressed in minutes and is given in the table. [7]

Destinations Originations	O ₁	O ₂	O ₃	O ₄
I ₁	20	11	15	13
I ₂	17	14	12	13
I ₃	15	12	18	18

Table 1. Time required for the truck to move from its origin to its destination [7]

It is now necessary to set up a mathematical model for this transport problem, which will help to solve the problem mathematically, with the help of various methods of solving transport problems.

If the goods demanded are equal to the amount of goods that can be delivered then this problem is called a closed transport problem.

Let x_{ij} be the quantity of goods transported from the warehouse, ie the starting point I_i , to the showroom, ie the destination O_j . Let the transport of goods from origin I_1 , which is the capacity of 2 trucks, to destination O_1 take 20 minutes, while transport from origin I_2 to destination O_2 takes 11 minutes, and so on. For the sake of clarity, a transport table is provided.

Destination s Origination s	O ₁	O ₂	O ₃	O ₄	Number of available trucks
I ₁	20 x_1 1	11 x_1 2	15 x_1 3	13 x_1 4	2
I ₂	17 x_2 1	14 x_2 2	12 x_2 3	13 x_2 4	6
I ₃	15 x_3 1	12 x_3 2	18 x_3 3	18 x_3 4	7

Broj potrebnih kamiona					15
	3	3	4	5	15

Table 2: Transport table [7]

The transport problem is a linear programming problem (unit times are linear with respect to the number of trucks) and can be solved in many ways:

- simplex method or
- special methods for solving linear transport problems.

If we solved the simplex method, then the mathematical model for the given problem would look like this:

$$Z = 20x_{11} + 11x_{12} + 15x_{13} + 13x_{14} + 17x_{21} +$$

$$14x_{22} + 12x_{23} + 13x_{24} + 15x_{31} + 12x_{32} + 18x_{33} + 18x_{34}$$

With restrictions:

$$x_{11} + x_{12} + x_{13} + x_{14} = 2$$

$$x_{21} + x_{22} + x_{23} + x_{24} = 6$$

$$x_{31} + x_{32} + x_{33} + x_{34} = 7$$

$$x_{11} + x_{21} + x_{31} = 3$$

$$x_{12} + x_{22} + x_{32} = 3$$

$$x_{13} + x_{23} + x_{33} = 4$$

$$x_{14} + x_{24} + x_{34} = 5$$

We can solve this transport problem by special methods of solving transport problems. These methods can be classified into two categories:

- methods for determining the initial (basic) solution,
- methods for obtaining the optimal solution (created by improving the initial solution, ie the basic solution).

The methods for determining the initial (basic) solution include:

- north-west corner method
- least cost method
- Vogel's method

The methods for determining the optimal solution include:

- Stepping Stone Method
- Odds method or modified distribution method (MODI)
- Deployment method

The above methods for determining the optimal solution first check whether the initial basic solution is optimal or not. If the initial basic solution is not optimal, each of the methods is shown to move to a better basic solution, ie a basic solution that ensures the reduction of the total transportation costs. Thus, by solving the northwest corner method, we obtained the initial basic solution, ie the transport time is $Z = 249$ minutes. With the lowest cost method, the transit time is $Z = 207$ minutes, while Vogel's $Z = 199$ minutes. With the method of jumping from stone to stone the initial basic solution, ie time, transport $Z = 249$ minutes was improved to $Z = 199$ minutes. Also, with the MODI method we improved the initial basic transport time of $Z = 249$ min to $Z = 199$ minutes.

3. Concluding considerations

This paper presents a solution to the transport problem through a mathematical model. So, as we have seen, we have defined the input variables, constraints, and mathematical function. We have set constraints on the origin, destination. We then defined the objective function and then created a mathematical model. In a software solution in matlab in a couple of lines of code, we have presented a solution to the problem with maximum throughput and minimum cutting cost. The exit was Nodes or knots, and the trajectory of the minimum cost of transport costs. Also, by solving the example of a closed transport

problem, we have shown the results of several methods for solving transport problems.

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THE IMPACT OF GLOBALIZATION OF THE WORLD MARKETS AND ECONOMIC CRISIS ON THE START-UP AND DEVELOPMENT OF SMALL BUSINESSES IN BOSNIA AND HERZEGOVINA - COMPARATIVE ANALYSIS COMPARED TO AUSTRIA AND OTHER COUNTRIES OF THE EUROPEAN UNION

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Summary: In order to survive or develop their entrepreneurial activities, entrepreneurs must also undertake activities in the markets of other countries, thus globalizing economic activities. When entering the global market, an entrepreneur must choose the right strategy. Small and medium-sized enterprises aspire to have a good market and financial position in the market, and must respect all restrictions in today's global market. In doing so, they face various difficulties in their business, starting with consumer ethnocentrism and competitiveness in addition to transnational companies. Economic crises also have a major impact on the start-up or development of small and medium-sized enterprises in both BiH and the European Union. The consequence of the economic crisis is less capital in circulation, more expensive capital and stagnant entrepreneurial activity. It is certainly not the same to do business in a relatively unregulated market in BiH or in Austria and other European Union countries. The survey is an analysis of several factors that encourage or discourage entrepreneurs from starting or developing a small business, and by analyzing the answers we came to certain conclusions, which are the factors that most hinder the development of small and medium-sized enterprises.

Keywords: globalization, entrepreneurship, transnational companies, economic crisis, SMEs

Introduction

In most countries in the world, an increasing number of people are succeeding in making their dreams come true through their own businesses. The level of interest in entrepreneurship is very high across all age groups. Of those who start a business, 84% do it for the first time in their lives. This growth of entrepreneurial spirit is one of the most significant economic events in recent economic history. The economic crisis has a great impact on entrepreneurship. The crisis is primarily occurring in the financial sector, but it also extends its influence to many other parts of the economy. Small and medium-sized enterprises (SMEs) represent a leading force in the economic development of the country and thus strengthen the economy in many different ways. Entrepreneurs with their small businesses stimulate changes in the business environment through the process of creative destruction and are the largest source of innovation in the market. SMEs are the largest generator of new ideas and jobs and, thanks to the development of modern technologies, are increasingly contributing to the overall globalization of business.

The prosperity of SMEs from BiH, as well as those globally, depends on building competitiveness with the ability to gain competitive advantage in the domestic market, as part of the global market, and in the overall global market.

1. Importance and basic features of starting a small business

The term small business signifies the link between entrepreneurship and private ownership in the running of small and

medium-sized enterprises with the non-dominant position of any small business in its industry. There is agreement on the factors that predetermine the size of the business and the most commonly used factors to measure business size are³²:

1. Number of employees
2. Turnover generated - i.e. total revenue,
3. Company property i
4. Share capital.

These criteria can be viewed in relative terms, since size criteria vary by country and by the degree of development of those countries. Thus, we can conclude that a relatively small business in one developed country can be considered as a medium or large business in an underdeveloped country.

According to EU criteria, companies are classified into three categories³³:

- Micro enterprise (less than 10 employees; \leq € 2 million in turnover and \leq € 2 million in assets),
- Small business (less than 50 employees; \leq € 10 million in turnover and \leq € 10 million in assets),
- Medium-sized enterprise (less than 250 employees; \leq € 50 million in turnover and \leq € 43 million in assets)

In June 2003, Bosnia and Herzegovina signed the European Charter for Small and Medium-Sized Enterprises, on the basis of which the Federation of BiH harmonized the definition of SMEs with that of the EU.

The criteria are slightly different for Bosnia and Herzegovina and the business division looks like this³⁴:

- Micro enterprise (less than 10 employees; \leq 200,000 € per year of turnover and \leq 200,000 € of assets),

³² Čizmić, E., Crnković, K., Strategic Entrepreneurship, Faculty of Economics and Business in Sarajevo, 2012, p.112.

³³ European Microfinance Network: www.european-microfinance.org

³⁴ Federal Ministry for Development, Entrepreneurship and Crafts: Development of Small and Medium-Sized Enterprises in the FBiH, Engineering Bureau d.d. Mostar, 2008, p.12.

- Small business (less than 50 employees; \leq € 4 million in turnover and \leq € 4 million in assets),
- Medium-sized enterprise (less than 250 employees; \leq € 20 million in turnover and \leq € 15 million in assets).

The importance and specifics of starting a new business are multifaceted, but job creation and innovation are fundamental. From the perspective of job creation, the so-called "want it". The term "gazelles" is an American term for small, fast-growing companies that create a wealth of business opportunities. Gazelles are small and relatively young, high-tech enterprises that are able to provide the necessary capital. For most entrepreneurs, creating gazelles is a goal, not only for financial but also professional reasons.³⁵

The fact that speaks to the importance of SMEs and entrepreneurship is that in the last few years the European Commission has adopted several acts that facilitate the start-up and operation of small and medium-sized enterprises in terms of their organization and tax obligations.

When it comes to starting new businesses, we have three types of start-up businesses:

1. Self-Employed Enterprises,
2. Businesses established for hobby or entertainment and
3. Entrepreneurial enterprises.

In line with the data collected on the conditions for starting a small business, in 2006 the Council of Europe requested that Member States make every effort to encourage new entrepreneurs to start new businesses. Measures were requested to reduce the number of days, that is, the time required to register a new business, which should not exceed one week.

Entrepreneurship and small business have been in the main focus in recent years for

many reasons and it is already quite clear that they represent the main driving force for economic growth and development of society. Small business will in the future appear as an alternative to large businesses in most business sectors. Developed countries have embraced entrepreneurship and small business as important determinants in the development of their economic policies.

2. Entrepreneurship and small business in Bosnia and Herzegovina

Although entrepreneurship is very important, especially for countries aspiring to EU accession, it is also quite neglected in Bosnia and Herzegovina. In BiH, the state has traditionally assumed responsibility and provided large employment through large industrial and agricultural plants. Several factors, such as the post-war crisis, incomplete privatization and unresolved property and legal relations, increasing competition, have led to a decline in production and employment and, consequently, to the decline of a large number of enterprises. The adjustment of an outdated and sluggish Communist economy to the new market principles of the world economy has created an increase in the unemployment rate and the loss of a significant number of jobs. The old and big industrial giants by which BiH was recognized in the former Yugoslavia and the rest of the world were completely destroyed and did not have the potential for revitalization.

Entrepreneurs face various problems and difficulties in running their businesses because of the lack of initiative at all levels of government. For example, we can point out that the process of registration of a legal entity in BiH requires 54 days.³⁶ Most of

³⁵ Adapted from: Kuratko, F., *Entrepreneurship: Theory, Process and Practice*, Southwestern Cengage Learning Center, USA, 2008, p.19.

³⁶ OECD: *Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans: The SME Policy Index 2007.*, 2008., p.65.

the responsibilities for social, economic, educational and industrial development in BiH are in the hands of the Entities. At the entity level, there are ministries in charge of entrepreneurship development, namely the Federal Ministry of Development, Entrepreneurship and Crafts and the RS Ministry of Economy and Regional Development. In the same field, several regional development agencies operate as a small business start-up service, and they cooperate with entity ministries as bodies to assist entrepreneurs.

As a state, BiH has committed itself by signing the European Charter for Small and Medium-sized Enterprises (SMEs) to implement various activities aimed at enhancing entrepreneurship.

The population of BiH in its perception has a very low level of entrepreneurial activity and currently the option of "being an employee - preferably on the budget of some level of government" is more popular with people than the entrepreneur. This is due to the fear of failure and insufficient willingness to take risks.³⁷

In 2012, BiH was ranked 125th in the world by business benefits out of a total of 183 observed world economies. Data on costs, number of days and procedures for starting a business, BiH is ranked 162nd country in the world, making it one of the countries with the most complicated procedure for starting a business.

It should be emphasized that part of this negativity is also created by the evident differences in approach and level of development between the two entities and the Brčko District. At this time, BiH is going through a phase of intensive reform of legal legislation in the field of economy. This reform aims to create a more favorable business environment for starting and developing businesses.

2.1. SMEs in Austria and other EU countries

A carrier of a large volume of economic activities in the EU, including in Austria, is an entrepreneurship, which makes an important contribution to the dynamics and innovation of economic development in the medium and long term. We have over 20 million small businesses in the EU, 99% of which are micro, small and medium-sized businesses. According to a report by an independent research organization over the 5 years (2002-2007), the number of micro, small and medium-sized enterprises in the EU increased by 11%, while the number of large increased by 4%.

In Austria (EU), according to EUROSTAT data, the absolute majority of 92% is made up of micro-businesses employing less than 10 employees according to the official nomenclature of the European Charter for Small and Medium-sized Enterprises. From this we can conclude that microbusinesses are the most represented in the economy of Austria and other EU countries.

The sectors most popular for starting small businesses in Austria and the EU have been identified as follows: service sector, R&D sector, computer and information systems sector and real estate sales sector.

In Austria, most entrepreneurs decide to start in the services sector. 2006 Microbusiness with 8 employees in 2007 it grew into a microbusiness with 12 employees, so the number and structure of the company changed.

Austria together with all EU countries in 2000. signed and adopted the European Charter for Small and Medium-Sized Enterprises, which positions small businesses as key to employment and as the basis for developing business ideas. This Charter has its own principles of operation, namely:

1. Entrepreneurship education and training,

³⁷Umihanić, B., Tulumović, R., Arifović, M., Simić, S., Spahić, E., Recession reduced entrepreneurial

activity in BiH, Global Entrepreneurship Monitor, Harfo-graph d.o.o. Tuzla, 2010, p.27.

2. Cheaper and faster start-up,
3. Better legislation and regulations,
4. Acquisition of business skills,
5. Improving online access for small businesses,
6. Better use of the benefits of the single market,
7. Tax and financial policy - access to finance,
8. Strengthening the technological capacity of small businesses,
9. Successful e-business models and cutting-edge support for small businesses and
10. Stronger and more efficient representation of small business interests at Union and national level.

In addition to the European Charter for Small Businesses, a very important document in the field of entrepreneurship support in Austria is the Lisbon Strategy of 2000³⁸. The Lisbon Strategy aims to create the world's most competitive economy based on knowledge, skills and sustainable growth, with more quality jobs and greater and more significant involvement of women in entrepreneurial activities.

At the level of Austria and the EU, the care of micro, small and medium-sized businesses has been taken over by the European Commission, which is responsible for developing programs and implementing a comprehensive policy of EU Member States in the field of entrepreneurship. The European Commission is making great efforts to provide additional funding for employment in small businesses, as well as to form and build business incubators and clusters.

According to Flash Eurobarometer³⁹ surveys, around 20% of EU businesses belong to the gazelle category, which means they have grown more than 20%

annually for 3 consecutive years. Over the next two to three years, about 13% of businesses expect revenue growth of over 20%.

In Austria, the percentage of small and medium-sized businesses that expect annual revenue growth in the next two to three years goes up to 60% and is close to Norway and Poland. In other countries, the EU varies and goes up to 20% in Latvia and 17% in Malta.

That is why in 2008, the European Commission (EC) strongly supported the initiative to further strengthen the sustainable growth and competitiveness of SMEs by adopting a special document called the Small Business Act (SBA).

The SBA defines principles, provides guidance and best practices in the field of SME support and entrepreneurship. It places the needs of SMEs first in order to strengthen their potential for job creation and strengthen competitiveness within the single market. A key element of the SBA is the "Small Think First" principle, which should be included in decision-making at all levels in the EU and in national policies. builds on the Lisbon Strategy (2000-2010), which defines the framework for establishing SME development policy.

The strategy defines 3 priorities⁴⁰:

1. Smart growth means enhancing knowledge and innovation, improving the quality of education, research, technology transfer with full use of ICT, and improving conditions for access to R&D funding,
2. Sustainable growth involves building a more efficient, sustainable and competitive economy by using resources more efficiently and formulating an industrial policy for the globalization era;

³⁸ Lisbon European Council Summit of March 2000 At which EU leaders stressed that by 2010, the EU should become the most competitive knowledge-based economy in the world - one of the EU's strategic goals

³⁹Standard-Eurobarometer- <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/eurobarometer/> (pr.: 13.02.2012.)

⁴⁰ Zečević M. (2005), International Business and Management, Evropski univerzitet, Beograd

3. Inclusive growth means strengthening employment and education policies, social protection systems, increasing social responsibility within the business community.

The priorities identified are in the function of increasing employment, strengthening research and innovation, education, reducing gas emissions and enhancing energy efficiency and reducing poverty.

2.2. Entrepreneurship in times of economic crisis

The economic crisis has a great impact on entrepreneurship. The crisis is primarily occurring in the financial sector, but it also extends its influence to many other parts of the economy. Production growth has stopped in many industries and in many countries. The implications of the financial crisis on entrepreneurship through the three identified components are very important: the views, activities and aspirations of entrepreneurs. A crisis can have different effects on different stages and types of entrepreneurship, which can result in positive and negative trends in entrepreneurial activity.

The economic crisis can, to some extent, stimulate innovative entrepreneurship. The times of economic crisis are often used to implement business change. For example, the first US supermarket opened at the beginning of the Great Depression. Economic downturns more fuel future-oriented economic activity than economic activity that prolongs established routines. The fear of failure is also greater because the implications for failure are greater. There are several alternative job market opportunities for those who will not be able to make their business stable. The issue of availability of funding is particularly important for entrepreneurs planning to start a new business.

The static component of entrepreneurship is important for maintaining economic stability. Governments can look for ways to

help existing businesses and sustain large and important companies, but they can also help the small business sector survive. The fact is that the existence of a large number of small businesses is conditional on the needs of large businesses.

The challenge for all authorities is to provide assistance and sustain those companies that have good potential for successful business for the long term. While established businesses are important for maintaining stability, early stage entrepreneurship is important for creating the dynamics of economic activity in a crisis-hit economy.

3. Globalization of the world market

Most economists in the world, when talking about globalization, claim that it is a positive natural phenomenon that can produce winners and losers economically. Globalization means developing strategies based on a worldview as one entity that can do business the same way. The word globalization is derived from the English language (globes).

Experts believe this is an inevitable, technology-driven process that enhances trade and political relations between people in different countries

The driving forces behind globalization at the macro level are:

- Trade liberalization between countries, within the region and trade blocs,
- strong trend of deregulation of traditional state monopolies, financial services,
- expanding communication capacity and consumer homogeneity; and
- expansion of technological applications worldwide.

Global corporations see the whole world as one market. They locate their operations and resources in different parts of the world. Global corporations offer global products tailored to local needs and strive to become a world leader in the sale of

certain products. The reason why corporations decide to become global corporations is to strive to secure a leading position in sales of a particular product in the world market in a highly competitive environment. Globalization is focused on maximizing global profits while also threatening the quality of life on the planet, especially in underdeveloped countries. Regardless of the negative aspects of globalization, its emergence should be accepted as a challenge to the opportunities it offers in economic development and growth. SMEs will only be able to grow in the global market if they are driven by capable and innovative managers or management. Some of them will also connect with international companies, thus more successfully integrating into the global market.

3.1. Characteristics of multi and transnational companies (MNC, TNC)

Multinational companies can take advantage of business opportunities in many different countries. It benefits them from being able to establish production capacities in the countries where their products can be produced most efficiently and effectively. MNCs with operations spread across the globe sometimes have access to natural resources and materials that may not always be available to domestic companies.

Although many companies aspire to become global, only a few have succeeded. This requires the development of products considering the world as a single market. Strategic decisions need to be taken into account throughout the world, while tactics must be tailored to the national and local environment.

TNCs are treated as locomotives of economic growth in less developed

countries. The solution to the problem of economic growth and development is seen in attracting TNCs to underdeveloped and transition countries. Within the so-called. The Washington Consensus has created rules of the game that allow or prepare the ground for TNC's economic ubiquity in countries around the world.

When we talk about TNCs as the engines of economic growth of less developed countries, we start from the following assumptions and expected positive effects⁴¹:

1. TNCs bring new and much needed capital to the host country
2. they bring new technology
3. increase employment
4. contributing to increased exports and opening up the country to the world

A particularly interesting and inaccessible aspect of the TNC's operations is the transfer prices (the prices at which business operations are carried out within a TNC system). They can be well above or below world prices. The TNC can easily show internal business interaccounts, if it suits it, and thus avoid paying taxes in the host country.

International companies are engaged in business transactions that exceed national frameworks. These transactions involve the transfer of goods, services, technology, managerial knowledge and capital to other countries.

It is considered that a TNC strategy is global if the company simultaneously respects the global understanding of the world market and competition, knows its competitors well, has control of all transactions in the world, behaves in the style of a "global player" which means flexible, adaptable and innovative. It also participates in high-tech industries, distributes its own production in the most profitable places, coordinates its activities

⁴¹ Šahman, E. (2014): Master Thesis, *Finansijski i tržišni aspekti poslovanja preduzetničkih organizacija – komparativna analiza posl. BiH u*

odnosu na Austriju, Sarajevo, Ekonomski fakultet u Sarajevu, p.81-84.

with adaptable and cutting-edge information technology, integrates all organizational units into a single accounting system, and production, commercial and specialty branches into a single management network and has a steady growth companies and business diversification.

4. Analysis of factors that impede entrepreneurship - the main reasons why one does not start their own small business - survey

The research with the question which were the most common factors that discouraged people from starting an entrepreneurial venture included a total of 80 entrepreneurs, 54 entrepreneurs and companies from BiH and 36 from BiH who do business outside BiH in Austria or the EU.

Table 1. Aggravating factors for entrepreneurship development⁴²

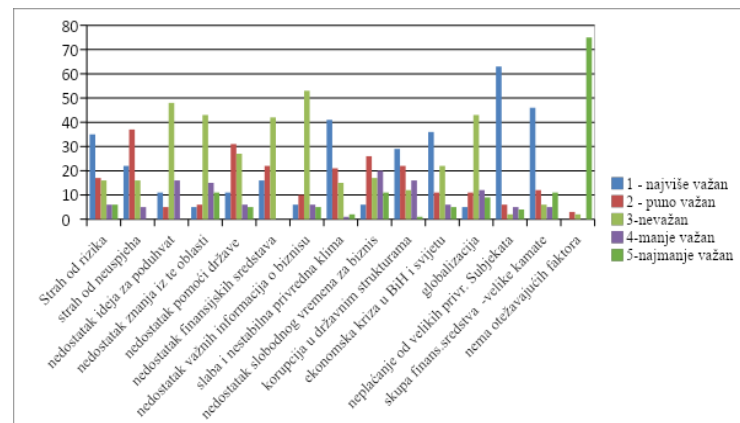
	1-most important	2-very important	3-not important	4-less important	5-least important
Fear of risk	35	17	16	6	6
Fear of failure	22	37	16	5	0
lack of venture ideas	11	5	48	16	0
lack of knowledge in the field	5	6	43	15	11
lack of assistance from states	11	31	27	6	5
lack of funding	16	22	42	0	0
lack of important business information	6	10	53	6	5
weak and unstable economic climate	41	21	15	1	2

⁴² Šahman, E. (2014): Master Thesis, Finansijski i tržišni aspekti poslovanja preduzetničkih

lack of free time for business	6	26	17	20	11
corruption in state structures	29	22	12	16	1
economic crisis in BiH and the world	36	11	22	6	5
Globalisation	5	11	43	12	9
non-payment from large business entities	63	6	2	5	4

expensive financial assets - heavy interest	46	12	6	5	11
there are no aggravating factors	0	3	2	0	75

Graph 1. Aggravating factors for entrepreneurship development



CONCLUSION

In order to sustain and grow a small business in the market for goods and services, it is necessary for SMEs to introduce new qualities of products that consumers have not known before. This can be achieved by introducing a new method of production, ie by increasing labor productivity, a more favorable price of the product is achieved. Given the globalization of the market, SMEs can

organizacija – komparativna analiza posl. BiH u odnosu na Austriju, Sarajevo, Ekonomski fakultet u Sarajevu, p.123-128.

develop in such a way that they open up new markets for their operations, that is, a market in which a particular branch of production has not so far entered the country of entry, regardless of whether the market previously existed or not.

By operating in the global market, SMEs can use new sources to procure their raw materials or products and thus become more competitive in the market with a better price for their product or higher profits at the same other cost of production. Entrepreneurship is seen as one of the mechanisms that helps mitigate the effects of the crisis and reverse it, as it reallocates resources in a way that replaces the new potential with destroyed economic activity.

Transnational corporations, global strategic teams and alliances are the bearers of new development trends. The trend of globalization and at the same time localization are processes facing the future. Not to be involved in these new trends, to lock ourselves into our own criteria of efficiency and effectiveness within a nation-state is the choice of economic and overall lag.

In recent years, the role of entrepreneurship in BiH's economic development has become particularly relevant, but the pace of reform in the SME sector has been limited due to problems with complex administration, incoherent regulations at various levels of government and, of course, poor coordination of levels of government.

Due to these complicated procedures, BiH is less attractive for starting a business than other countries in the region, but to change this, it is necessary to unify country-wide business procedures and popularize the development of small and medium-sized enterprises.

An incentive for the development and support of small and medium-sized enterprises requires the existence of state regulations and the existence of business incubators. In addition to all these

activities, BiH must systematically work on improving the business environment for entrepreneurship development and attracting investors.

The development of SMEs in Austria and the EU is assisted by the European Association of Craftsmen, Small and Medium Enterprises (UEAPME), brings together employers from the European craft industry, trade and SMEs and represents the interests of 81 member organizations consisting of national federations of small and medium-sized enterprises, European branch federations and other associate members involved in the SME sector.

UEAPME aims to ensure that the interests of craftsmen and SMEs are taken into account in all laws that affect them. These include economic and fiscal policy, internal market policy, legal affairs and R&D policy. UEAPME analyzes the role of SMEs in the European economy as well as the challenges they face

By analyzing a survey conducted on a group of entrepreneurs, we can conclude what are the aggravating factors when starting a small business. Non-payment from large companies, ie uncertainty in financial operations, economic crises in BiH and the world, weak and unstable economic climate, expensive financial resources, fear of risks and failures, etc. are the most important factors hampering the start-up and development of an entrepreneurial venture.

A large number of respondents (around 50%) said that globalization is not so important for starting a small business, which can be explained by the fact that at the first moment when starting an entrepreneurial venture, the entrepreneur does not think about the global market, but develops products and services in order to survive in the local market. and with a relatively small volume of production. Only later does he think about the global market and about expanding production, that is, when he stabilizes his business and tries to find more favorable raw materials and increase the demand for his product.

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KNOWLEDGE AS A KEY RESOURCE OF COMPETITIVE ADVANTAGE

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Summary: The hypothesis is that in order to realize a competitive advantage based on knowledge, it is necessary to articulate the mission, vision and appropriate strategy and to determine the key activities of the company on the basis of them. They must be systematically supported by all business processes. The functioning of the core activities depends on a number of elements, in our opinion knowledge is crucial for creating new added value. Knowledge as a resource should be stored and new ones collected, and its generation within the enterprise, which is most often done in R&D departments, is necessary. These processes can only be successfully completed by competent staff. In this respect, it is necessary to articulate a policy of recruiting suitable talented staff. Experts need to be motivated appropriately and different tools and knowledge sharing and teamwork encouraged. This is accomplished with the help of an appropriate organizational culture to better say value systems. At the same time, a system of continuous professional development of employees that can take place inside and outside the company should be developed. Continuous generation of new practical knowledge and skills enables a successful policy of marketing new products or innovations. It is innovation that is better at saying new products and services, deciding to achieve sustainable competitiveness in the modern economy. Profitable functioning of the company's core activities is not only possible without the launch of new products and services, but also the continuous innovation of production and other processes.

Keywords: knowledge, competitive advantage, innovation, new added value

INTRODUCTION

Large corporations in the world often market several thousand different products and services. One consequence of such a business policy is a complex organizational architecture with many intertwined processes. This organizational complexity makes it difficult to manage, slows down business processes, which ultimately results in reduced productivity. Moreover, too much structural diversification leads to a loss of focus on core business processes that generate the bulk of value added. At the same time, the rational use of organizational resources is drastically reduced, which ultimately results in a decrease in competitiveness. In this way, it is not possible to stimulate the generation of knowledge necessary for the development of new products and services, and the assumptions for articulating effective learning processes are lost. We can also see such organizational relationships in many smaller companies. The scientific methods of analysis and synthesis, the method of concretization, the method of classification, and the methods of description and compilation have been applied in the paper.

1. Managerial models

1.1. Business reengineering

Managers have various management tools at their disposal to correct these organizational relationships with a view to making more rational use of organizational resources, including knowledge, to increase productivity and ultimately realize a sustainable competitive advantage. During the 1990s, reengineering was popular in the business world as a management tool that accelerated the decision-making and functioning of other business processes. Business reengineering is a business model that integrates processes with the help of

multifunctional teams, thus eliminating the separation of organizational units and their almost completely autonomous operation. This model concentrates on processes rather than the formal organizational structure that has been popular as an approach since the time of Max Weber and his bureaucratic model.

"Processes that have undergone reengineering are based on cross-functional teams of authorized workers, which will always be an abnormal phenomenon in traditional, functional, hierarchical organization,"⁴³ noted Michael Hammer and James Champy. They advocate the abolition of the traditional hierarchical organization, which, as an organizational model, was dominant for most of the 20th century. Therefore, it is not surprising that the subtitle of their book "Company Reengineering" is "Business Revolution Manifesto". By insisting on processes rather than formal structure, they created the basic preconditions for the affirmation of knowledge and competences as fundamental elements of value generation.

Process management focuses on competencies and knowledge and integrating them into the corporate value chain whereby multifunctional teams have insight into overall business policy and realize complex projects. This includes the dispersion of power within the organization, which is a prerequisite for autonomous teamwork. In doing so, there are certain problems characteristic of the project structure, one of them being, for example, the mutual communication of experts of different profiles in multifunctional teams. In contrast, the bureaucratic organization insists on division of labor and simple work operations, external control, and the perception of the business unit depends on the position on the hierarchical scale. Only

⁴³ Hammer, M, Champy, J., (2004), *Reinženjering tvrtke*, Zagreb: MATE d.o.o.; p.180

top-ranked executives are comprehensively familiar with business processes and policies.

1.2. Outsourcing

In the mass industry, up to the 1960s, the concept of vertical integration dominated. It is a business model that has insisted on a vertical connection that, for example, ranged from extracting raw materials through production to marketing the final products to the end customer through its own trading network. This orientation required the engagement of a workforce of different profiles and increased production costs, which reduced productivity. Oligopolistic market relations facilitated the operation of such a model, which was most visible in the oil industry, and there were frequent attempts to collude sales prices.

However, over time, competition becomes more intense and globalization processes further exacerbate them. Improving productivity and ultimately competitiveness requires a focus on core processes performed by the top experts. This requires a focus that is blocked by engaging in supportive processes that are not of greater importance for value creation. As a result, such processes begin to be outsourced to the core businesses and can provide top quality and competitive pricing. This is one of the reasons for the concept known as outsourcing.

Outsourcing is applied for a number of reasons, such as enhancing the positive effects of reengineering, realizing business excellence, eliminating process-related managerial difficulties, improving corporate focus on core processes, reducing operational costs and reducing risk⁴⁴. Externalization of individual production processes enables, among other things,

⁴⁴ Burkholder, N., (2006), *Outsourcing*, New Jersey: John Wiley & Sons, Inc.; p. 49-50

access to a workforce with specific and top-notch knowledge that is more cost-effective to outsource. This enriches the business ecosystem of the company and creates the conditions for continuous improvement of competitiveness.

1.3. Slim production

Lean production today is an extremely popular method of increasing competitiveness. This concept is also process-oriented and is a specific version of process thinking and process management. All organizational processes seek to eliminate time-givers and minimize organizational levels. In doing so, systematic attention is paid to the value creation flow that extends to suppliers and distributors.

To realize the maximum value from the available organizational resources, it is necessary to determine the target costs that will enable this⁴⁵. Knowledge is a resource that permeates all processes and organizational units whose value is not diminished by use but grows. In addition to knowledge, this managerial template emphasizes the importance of experience and prescribed protocols of conduct that enable the accomplishment of work tasks in the shortest time.

The concept that preceded this model, which James P. Womack and Daniel T. Jones rely on, is just-in-time production originated in Japan. The timely production model eliminated raw material, semi-finished and finished goods warehouses, thereby increasing productivity and ultimately accelerating profit realization. The operation of these production methods requires the establishment of a quality control system that was not taken into account until the 1960s.

⁴⁵ Womack, J., Jones D., (2003), *Lean Thinking*, London: Simon & Schuster UK Ltd ; p. 35

1.4. A learning organization

It is a meaning-making concept that is also process-oriented, with special attention paid to the learning process, ie the exchange of knowledge and skills. A learning organization is an appropriate structural form of action in a dynamic environment that requires constant adaptation and correction of its own functioning based on others' and its own mistakes. This creates the preconditions for the effective functioning of innovation processes.

Particular attention is paid to individual learning and networking of individuals with diverse but compatible knowledge and skills. However, it should be emphasized that this individual knowledge and experience is directly linked to the realization of strategic and operational organizational goals⁴⁶. In this way, individual learning is transformed into a strategic process and enables effective adaptation to market challenges.

Thus, learning becomes one of the fundamental organizational processes that significantly contributes to the creation of new added value. Therefore, investing in human resources is no longer treated as a cost that is characteristic of the mass industry, and it is considered an investment. This should be accompanied by innovative processes whose generator is talented individuals, without which it is almost impossible to achieve sustainable competitiveness in the modern economy better tell the new economy. The learning organization develops specific organizational values that stimulate risk-taking, knowledge sharing and affirm trust as one of the key components of organizational relationships.

2. Planning

2.1. Mission

It is a document that summarizes future business. Today, it is increasingly difficult to formulate long-term pursuits of a particular business, as not only breakthrough innovations are becoming more common, but also completely new technologies and scientific disciplines are emerging, such as genetic engineering, biotechnology, robotics, nanotechnology, biomedicine and artificial intelligence.

The mission of an oil company such as Royal Dutch Shell is to search for oil, produce, process and sell oil as well as a wide range of petroleum products from diesel to chemicals. However, the intense pursuit of alternative and renewable energy sources as well as the development of fusion technology will call into question Royal Dutch Shell's core business. A possible answer to these challenges, or threats, is for this corporation to become involved in the development of these new energy production technologies.

Therefore, the mission must be subject to adjustments and sufficiently broadly defined so as not to miss market opportunities. In the case of Royal Dutch Shell, the mission of the corporation should be focused on the production and delivery of energy, without regard to its specific phenomena, such as solar or nuclear.

On the other hand, the mission of the police is to ensure the security of citizens and the military to safeguard the established order and sovereignty of each state. This mission will be realized in about twenty years with completely new technological means, such as humanoid robots, but it will not affect the content of the mission of these civil services.

⁴⁶ John, S, (2009), *Strategic Learning and Leading Change*, Oxford: Butterworth-Heinemann; p. 45-46

2.2. Strategy

The strategy is a military term and refers to the comprehensive planning of the possible action of the enemy, which determines both the preparation of the response to these threats and the planning of the conquest of enemy territories. The business vocabulary, especially the marketing one, is full of military terms because the mass economy was based on a market battle and even customer contact was treated as a front line. In the new economy, the importance of cooperation and joint ventures, which take many forms and are often realized by direct market competitiveness, has grown dramatically, which was unthinkable only a few decades ago. The main reason for cooperation and fiercest market competitors is the generation of new insights necessary to market new products. For example, several billion US dollars are needed to develop next-generation drugs, which is difficult for even the largest pharmaceutical corporations.

The dictionary describing relations in the new economy is also changing, and military terms are being abandoned and concepts in biology are increasingly used. Today, for example, the term business eco-system or intelligent organization has already become popular. Business organizations are understood to be living organisms that, through intelligence, are better able to tell knowledge evolutionarily and adapt to a dynamic environment. In such a business ecosystem, cooperation such as clusters and alliances is dominant in order to survive and develop together, although it should be emphasized that the market struggle has not disappeared but is taking place in a completely new context.

Today's business strategies must primarily focus on gathering and generating new

insights. For this reason, universities, research institutes and business organizations are increasingly strategically linked. These efforts greatly facilitate modern information technologies that enable the rapid exchange of information, the formation of databases and business platforms, but also the collaboration of experts on a global scale in real time.

Benchmarking is one of the methods focused on internal activities, functions and operations with the aim of their continuous improvement⁴⁷. This managerial tool collects data and information from the organizational environment, which makes modern information technologies drastically easier, and at the same time enables computers to perform complex analyzes in a short time. A similar role is played by business intelligence, which systematically collects useful and meaningful information. These and other similar strategies have become a business imperative today.

In doing so, the information collected must be current and allow for timely and profitable action that will ensure earnings for all stakeholders⁴⁸. In the new economy, it is necessary, among other things, to systematically monitor the results of the latest scientific research, as they find practical application at increasingly short intervals. Therefore, information and knowledge should be treated as strategic resources managed through appropriate strategies and management models.

2.3. Policy

Policies define the area within which to make decisions, ensure consistency of decisions with goals, and we would add

⁴⁷ McNair, C.J., Leibfried K., (1992), *Benchmarking*, New York: John Wiley & Sons, Inc; p. 1

⁴⁸ Friedman, G., et.al., (1997), *The Intelligence Edge*, New York: Crown Publishers, Inc; p. 50-51

with strategy and mission^[49]. Modern companies, especially in the high-tech segment, must have comprehensive and well-developed methods of generating knowledge and new insights. Practice has shown that no company is able to independently produce all the necessary knowledge for organizational development, which must be specified in documents that will allow defining operational policies in order to eliminate this weakness.

Thus, many companies are articulating acquisition policies in the R&D segment as a component of realizing sustainable competitiveness. Internet companies, which are a specific component, and in some ways a trademark of the new economy, are no exception. Some analysts call the new economy the Internet economy, and we are witnessing the emergence of a number of huge Internet companies such as Google and Amazon. A characteristic of the new economy, that is, the Internet economy, is the fragility or vulnerability of the Internet organizational colleges, as they can be threatened by the original idea of a teenager, which can be realized without major financial investments. One of the Internet giants Facebook is also pursuing a policy of downloading original ideas that have the potential to become a strong market competitor. For example, Facebook managers in 2012 bought Instagram for \$ 1 billion, which at the time employed only 13 employees. Identical reasons prompted them to buy WhatsApp, a \$ 19 billion messaging platform, in 2014. At the time, WhatsApp had 450 million users and employed more than a modest 55 people⁵⁰. In these business transactions, Facebook managers did not buy technology, but above all ideas that managed to attract a large number of users with their originality and quality. Generating new ideas in the

Internet economy can be relatively easy to turn into a big business, since they usually do not require large human, financial and material resources at first.

3. Human resources

Our hypothesis is that articulating managerial models, planning and defining a mission, strategy and policy in a new economy must first and foremost be based on knowledge and key competences. It is a platform for recruiting creatives and professional staff who need to be involved in the processes of continuous learning, improvement and innovation. We believe that this applies to all employees in the company who must at all times be aware of the strategic orientation of the company, which implies the openness of communication channels or the complete information of all employees. Only in this way can a company be competitive in the new economy.

In this context, we point to a relatively simple fact, as pointed out by David Hutchens, who says: "Organizations learn only when people learn. And when people choose to learn, they embark on a journey that will never lead them to a specific destination. True, on this journey, they embrace new ways of working and acting, and more importantly, new ways of living and looking at reality - changing worldviews⁵¹. Please note that this journey can only be realized with the help of sophisticated methods of motivation and work engagement that enables them to self-confirm.

Today, business practice and scientific analysis have proven beyond doubt that the generation of new insights and ideas requires highly talented individuals and

⁴⁹ Weihrich, H., Koontz, H., (1994), *Menadžment*", Zagreb: MATE d.o.o.; p. 123

⁵⁰ Keen, A., (2017), *Internet is not the answer*, Zagreb: Naklada Ljevak; p. 134-135

⁵¹ Hutchens, D., (2011), "Outwitted wolves: a deeper insight into the story", *qLife*; No.1, Vol. III; p. 75

creatives. Members of this segment of the workforce are also referred to as players because they represent an elite capable of continuously creating new economic value through creativity, so recruiting them is better to say recognition is an essential prerequisite for the successful functioning of the basic processes of an enterprise in the new economy. They are a critical point in realizing the sustainable advantage of both David J. Collins and Michael G. Rukstad⁵². Creators also require the articulation of a specific organizational structure, and we believe that the pattern of the network is appropriate for affirming new organizational relationships characterized by creative chaos.

Such a way of evaluating knowledge and human potential has not existed in Croatia until recently. As an example, we refer to St. Marusic's book "Human Resources Management", which, when analyzing human resources, does not mention talented individuals or creatives but uses an egalitarian dictionary that averages employees and differentiates them primarily based on formal education and work experience. Such a way of treating the workforce has been prevalent until recently in our literature but also to a great extent in foreign literature⁵³. With the development of the creative industry, which is today a respectable economic factor, and with the growing importance of innovation, terms such as talents, elite workforce or A players are increasingly used in professional terminology.

The concept of elite or selected individuals works in business practice. So, for example, Steve Jobs viewed himself as a special, chosen, enlightened individual. Walter Isaacson states: "Although Jobs's style was demoralizing, he was also strangely

inspiring. The original Mac team taught me that five-plus players like to collaborate with each other and are not happy about accepting four-figure work.⁵⁴ "In other words, above-average talented individuals like to cooperate with one another and do not like to cooperate with less talented employees.

4. Culture

Effective generation or management of knowledge, in addition to the defined documents for their development and application, including the articulation of a stimulating organizational culture or value system. The broader social context also influences the formulation of corporate values but may not be crucial. In doing so, the new economy requires the affirmation of some new principles and mechanisms of motivation

Knowledge management, as well as its creation and sharing, takes place in informal organizational relationships. It is essential to eliminate all forms of external control and to strengthen confidence at all organizational levels and units. Managers become coaches who lead employees who are fully committed to the business, with an organizational culture that stimulates them⁵⁵. Encouragement of creativity is often implemented through play, which, as a motivational mechanism, is extremely important for young generations.

The new economy in terms of workforce is characterized by the diversity of better said belonging to different cultures, religions and age groups, which ensures different aspects of looking at a specific problem, which is often the trigger for creativity and innovation. Collaboration and the exchange of knowledge and experience must be

⁵² Collis, D., Rukstad, M., (2008), "Can You What Your Strategy Is?", *Harvard Business Review*, Number 4, Volume 86; p. 87

⁵³ Marušić, S., (2001), *Human Resources Management*, Zagreb: Adeco d.o.o.; p. 116-117

⁵⁴ Isaacson, W., (2011), *Steve Jobs*, Zagreb: Europapress Holding; p. 124

⁵⁵ Munro-Faure M., Munro-Faure, L., (1996), *The Success Culture*, London: Pitman Publishing; p. 162

imperative and should be systematically encouraged, as well as lifelong learning, better said training that must become intrinsic personal values. The value system should motivate entrepreneurship and take risks, and any failure should not be penalized. Failure must become the object of study in order to identify its causes and eliminate it in the future.

CONCLUSION

The new economy, called various terms such as innovative economics or the internet economy, operates on new principles that are still in the initial stages of practical development and theoretical elaboration. Practice has already confirmed that knowledge is a pivotal component of realizing sustainable competitiveness in the new economy and must therefore be subject to strategic reflection to ensure all necessary conditions for its development. In this respect, creativity and appropriate organizational architecture are of great importance. Therefore, the basic hypothesis was confirmed because the paper established that in order to realize a competitive advantage based on knowledge, it is necessary to articulate the mission, vision and appropriate strategy, and on the basis of them it is necessary to determine the key activities of the company. They must be systematically supported by all business processes. The functioning of the core activities depends on a number of elements, in our opinion, knowledge is crucial for creating new added value. For the time being, this practice is most successfully implemented in developed countries, so it is essential to systematically analyze their business practices.

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LEGAL FRAMEWORK FOR IMPLEMENTATION OF EU LAW IN THE FIELD OF CONSUMER LAW

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Summary: One of the main policy areas of the European Union and a key element of the internal market is a consumer protection policy that protects consumers' security and economic interests, while keeping in mind Bosnia and Herzegovina's aspirations to join the European Union, harmonizing consumer protection standards in Bosnia and With standards in the European Union, with the impact of competition law on consumer protection, it is a serious step towards creating a competitive market economy and achieving EU membership. A high level of consumer protection is one of the goals that Bosnia and Herzegovina strives for in its path towards EU accession. In this direction, activities have been initiated to harmonize regulations, not only in the field of product safety, but also in the area of protection of consumers' legal and economic interests. In order to ensure consumer protection, BiH has adopted several legal acts, the most important in this area being the Law on General Product Safety and the Law on Consumer Protection of BiH.

Keywords: BiH Consumer Law, European Union, consumers, economic development

I INTRODUCTION

The European Union is a community of Member States based on common interests, institutions and legal instruments of the Member States: a single currency, a common defense policy, cooperation in all areas of life and work.⁵⁶ Creating a single economic space is one of the most important economic preconditions for joining the European Union. Particular attention should be focused on three areas: improving the competitive environment within BiH, improving consumer rights and improving product safety and the free movement of goods.

Consumer protection law is beginning to be intensively developed in BiH legislation by signing the Stabilization and Association Agreement between Bosnia and Herzegovina and the European Union and their Member States.

The said agreement stipulates that the parties will cooperate with the aim of aligning consumer protection standards in Bosnia and Herzegovina with the same standards in the European Union. Effective consumer protection is necessary to ensure the proper functioning of a market economy, and this protection will depend on the development and efficiency of the administration to ensure market surveillance and law enforcement in the

⁵⁶ M. Bodiroža, European Union (Rome 1957 to Luxembourg 2008), Voice of Serbian Graphics, Banja Luka 2008, 19.

field. In an effort to bring consumer protection in Bosnia and Herzegovina closer to European Union consumer protection standards, in 2006 the Parliamentary Assembly of Bosnia and Herzegovina adopted a new version of the Consumer Protection Act. This Law is one of the regulations that started the process of implementation of EU directives in the field of consumer protection in the legal system of Bosnia and Herzegovina, which transposes European standards of behavior on the market, both in terms of information and consumer protection itself. Its adoption is a good step to provide comprehensive and systematic consumer protection. It is extremely important for the consumer who is the weaker party to business transactions to be fully aware of all the regulations, as well as to have them in one place. In this way, the Consumer Protection Act became a general consumer protection regulation. However, its adoption does not end the protection process, especially since changes in the field of consumer protection are ongoing. It is therefore a long-term process based on monitoring existing solutions and landscaping non-regulated areas.

1. Consumer protection in Bosnia and Herzegovina

Consumer protection as an EU policy was introduced by the EU Treaty and aims at protecting the health, safety and economic interests of consumers, as well as promoting the consumer's right to information, education and organizing with a view to safeguarding common interests. Consumer protection involves developing legislative practices and other measures, integrating consumer interests into other European policies, complementing Member States' consumer protection policies, and strengthening consumer organizations and their active participation

in the decision-making process⁵⁷. Since then, a large number of acts have been adopted in the European Union for the protection of consumer rights, and bearing in mind that the basics of Bosnia and Herzegovina's internal and external policies are based on the fulfillment of conditions for full EU membership, the Stabilization and Association Agreement states that The Parties will cooperate with a view to aligning consumer protection standards in Bosnia and Herzegovina with the same standards in the Community, and that effective consumer protection is necessary to ensure the proper functioning of a market economy. Thus, in an effort to bring our country's consumer protection closer to the standards of consumer protection in the European Union, Bosnia and Herzegovina has begun to create a legislative framework for consumer protection in BiH, as well as unique institutional structures for its effective implementation, in order not only to prepare for to ensure a level playing field in the single market, but also to ensure consumer confidence in a competitive internal market with adequate protection and effective enforcement of the law, regardless of the location of the consumer or other business entity. The Law on Consumer Protection in Bosnia and Herzegovina is one of the regulations that started the process of implementation of EU directives in the field of consumer protection in the legal system of Bosnia and Herzegovina, and most of the EU consumer regulations implemented in BiH law came into existence at the time when changes in EU consumer policy. The Consumer Protection Act passed is a general regulation for the area of consumer protection, which, by defining the framework of the consumer protection system, regulates relations between consumers, manufacturers and retailers in the territory of Bosnia and Herzegovina. In addition to this Law, there are a number of

⁵⁷ S. Kurtić / S. Otuzbir / R. Kadrić, Principles and Organization of the European Union, Travnik

International University Faculty of Law Travnik, Travnik 2015, 140.

other laws related to consumer protection that apply to relationships and cases in the field of consumer protection that are not regulated by this Law, such as the Food Law, the General Product Safety Act, and the relevant provisions of the law that obligations in Bosnia and Herzegovina are regulated. The fundamental goal of consumer policy in Bosnia and Herzegovina is to continuously improve the quality of life of all citizens of Bosnia and Herzegovina, and to promote consumer health and safety, and to achieve this, it is necessary to ensure the rule of law, democracy and civil society through the implementation of the developing goals. ensure further harmonization of legislation with European Union legislation, create the conditions for efficient resolution of perceived problems in the field of consumer protection, work to raise consumer awareness of their real position on the market, provide support to consumers in the exercise of their rights, establish interconnection of all consumer protection carriers, strengthen cooperation and exchange of information, strengthen the position of consumers in the market and raise awareness of consumers in relation to their rights and role in the market economy, improve consumer information, establish different forms of consumer consultation and education, to protect the health and safety of consumers, and to improve the provision of information and public awareness of consumer rights in BiH, through the planning of promotional activities at all levels and the promotion of media activity.⁵⁸ In order to realize the stated goals of the consumer protection policy in Bosnia and Herzegovina, the Law on Consumer Protection lists the entities responsible for the implementation of the policy, ie consumer protection in Bosnia and Herzegovina, of which we highlight the following:

- Ministry of Foreign Trade and Economic Relations of BiH - Department for Market Surveillance, Consumer Protection and Competition
- Inspection Bodies in FBiH, RS and BD BiH
- Institution of the Ombudsman for Consumer Protection in BiH

1.1. Ministry of Foreign Trade and Economic Relations of BiH - Department for Market Surveillance, Consumer Protection and Competition

The Department for Market Surveillance, Consumer Protection and Competition, within the Sector for Economic Development and Entrepreneurship of the Ministry of Foreign Trade and Economic Relations of BiH, performs tasks related to the drafting and implementation of laws and other regulations related to consumer protection; gives expert opinions on consumer protection; implements activities related to harmonization of BiH legislation with EU legislation in the field of consumer protection; cooperates with the relevant EU consumer protection authorities; proposes and monitors the content of the projects of the EU program from its competence; performs professional tasks related to the work of the Consumer Protection Council of BiH; analyzes and monitors the situation in the field of consumer protection; provides expert assistance to consumer protection organizations in the implementation of projects; cooperates with governmental and non-governmental consumer protection providers and other stakeholders; performs other tasks within its competence. A consumer advisory service has been set up within this department, to which individuals and legal entities can contact, and to seek advice on consumer protection.

⁵⁸ State Annual Program for Consumer Protection of Bosnia and Herzegovina for 2015, Official Gazette of BiH, No. 50/15, p. 6

1.2. Inspection Bodies in FBiH, RS and BD BiH

The special laws on inspections in the FBiH, RS and Brcko District of BiH regulate the performance of inspections, the organization of inspectorates, the management of these bodies, the rights, obligations and responsibilities of inspectors and other issues relevant to the functioning of inspections. When conducting inspections, inspectors apply the provisions of a wide range of legal regulations that regulate in a certain way the area of consumer protection. A significant step towards protecting consumer rights was made by introducing a system of complaints and complaints from citizens by telephone, as a direct link between consumers and inspectorates. Inspection on citizens' applications related to the violation of their rights takes priority. If the purchased product is of poor quality, no invoice or guarantee has been issued, the price of the product has not been properly highlighted or other rights guaranteed by the Law on Consumer Protection in BiH have been violated, consumers can turn to market inspections:

- Federal Inspection Directorate of FBiH
- Republic Inspection Administration of RS
- Inspectorate of Brcko District of BiH⁵⁹

1.3. Institution of the Ombudsman for Consumer Protection in BiH

The Institution of the Consumer Protection Ombudsman in BiH in the system of consumer rights protection is an independent institution established with the aim of promoting good and efficient implementation of consumer protection policy. The Ombudsman represents the interests of consumers in all business

sectors, makes recommendations, guidelines and other individual and general legal acts. It is authorized to issue instructions for termination of activities contrary to consumer legislation, to initiate proceedings before the competent court in cases of damage in the name of protecting the collective interests of consumers. It should be emphasized that the institution operates in general, ie. in terms of general consumer interest. This means that the Ombudsman will not take measures to resolve individual disputes. The role of the Ombudsman institution is to protect and strengthen the position of consumers in society. The scope of activities mainly covers the following: resolving consumer complaints, providing information to consumers organized in associations and the Association of Consumers of BiH, and educating them, cooperating with the media on all consumer issues, product safety, product quality, and environmental impact. The Ombudsman also participates, as an intervener, in discussions with sectoral regulatory bodies to protect the economic interests of consumers. If it is necessary to protect collective rights of consumers in contractual relations with providers of goods and services, that is, to respond to systematic violations of consumer rights, consumers can turn to: the Institution of the Ombudsman for Consumer Protection in BiH. The Law on Consumer Protection in Bosnia and Herzegovina, as a basic law of the Ombudsman Institution, prescribes the obligations and powers of the Ombudsman and at the same time regulates relations between consumers, manufacturers and traders in the territory of Bosnia and Herzegovina. Consumer protection law is largely aligned with the *acquis*.

⁵⁹ Consumer Protection in BiH, http://annt.gov.ba/za_potrosace/FAQ/default.aspx?id=2980&langTag=bs-BA, (20 November 2017)

1.3.1. Obligations of the Institution of the Ombudsman for Consumer Protection in BiH

- provides information on consumer rights and obligations and supports consumer associations in their activities;
- monitor or propose activities related to the consumer-to-consumer relationship, as regulated by the law and regulations governing obligations or any other law;
- investigates ex-officio market activities or ex officio complaints and coordinates its activities with entity market inspections;
- make decisions and take other actions in cases of consumer complaints or breaches of good business practices;
- issue guidelines or recommendations on specific standard conditions or activities applicable in specific business sectors or applied by specific economic operators;
- recommends the use of certain contract terms in contracts used in specific business sectors;
- negotiate with representatives of certain trade associations the contract models applicable in specific business sectors;
- proposes and initiates consumer dispute resolution by applying alternative dispute resolution mechanisms;
- contacts with the BiH Ombudsman Institution on common problems, in particular on services of general interest or public services;
- proposes to the Consumer Protection Council and the BiH Council of Ministers the necessary improvements to the Consumer Protection Act, and contributes to

the direction and effectiveness of consumer protection policies;

- explores the impact of other government initiatives on consumer protection.⁶⁰

1.3.2. Powers of the Institution of the Ombudsman for Consumer Protection in BiH

- issues instructions for the cessation of activities contrary to consumer law and summarizes those instructions to the court;
- initiate proceedings before a competent court;
- initiate proceedings before the competent court in cases for compensation of damage to the collective interest of consumers, in accordance with the provisions of this Law.⁶¹

1.3.3. Mission of the Consumer Ombudsman Institution in BiH

It will act to protect the interests of consumers and not resolve their individual disputes, which is the task and competence of other statutory and established agencies, administrations, institutions and inspectorates. Providing legal advice and suggestions to consumers is the responsibility and task of local Consumer Advice Centers (consumer associations), which are established and operating throughout Bosnia and Herzegovina. The Ombudsman Institution is managed by the Consumer Ombudsman and is empowered to issue instructions for the cessation of activities contrary to consumer legislation, to initiate proceedings before the competent court in cases of compensation for damage to the collective interest of consumers, in accordance with the provisions of the Law on Consumer Protection in BiH. The ombudsman institution has the task of protecting and strengthening the position of

⁶⁰Law on Consumer Protection in Bosnia and Herzegovina, Official Gazette of BiH, No. 271/06, Article 101.

⁶¹ Ibid., Article 103

consumers in society. The term consumer position refers to the consumer in various roles as a broad concept, and the attitude or interest of the consumer. Reinforcement means submitting changes that affect the position of consumers, identifying risks, drawing attention to consumer attitudes in social decision making in Bosnia and Herzegovina and internationally, and promoting one's own options for consumer action. The Ombudsman Institution seeks to ensure that there is a competition in which the most successful and efficient ones win, which is reflected in the higher supply, better quality and lower price of their products and services. In this way, consumers benefit from the choice of a wider range of products and services offered by a larger number of providers, at prices and quality that meet their needs. The Consumer Economic Interest Protection Policy requires the Ombudsman to be continuously focused on creating conditions to reduce barriers to economic development and further liberalize markets that have traditionally been closed to competition (telecommunications, energy, utilities, transport, etc.). The institution is committed to the effective enforcement of consumer rights protection under their current regulations and to the creation of a consumer-friendly society.

2. Future harmonization of BiH legislation with the EU in the field of consumer protection

EU enlargement is a term that describes the process of full membership of the new Member States and is one of the most important EU policies. The objectives of EU enlargement policy are to increase security, stability and prosperity on the European continent.⁶² The essence of accession negotiations is to align Community national legislation with the *acquis communautaire*, which must be

achieved by the time of accession to the candidate country. Aligning the legislation, regulations and procedures of a country with the *acquis communautaire* is the most complex and time consuming part of the entire integration process. The entire *acquis communautaire* for the accession negotiations with the EU candidate country since 2005 is divided into 35 negotiation chapters. The process is carried out separately for each chapter of the negotiations, and the candidate country is expected to demonstrate whether it will be able to fully adopt the *acquis communautaire* by chapter and reconcile the differences observed, or request a transitional period for full adoption and implementation after full membership. .

2.1. Chapter 28. Consumer and health protection

Chapter 28 is divided into two sections and addresses consumer policy and public health policy. The EU consumer protection *acquis* regulates the safety of consumer goods and the protection of consumers' economic interests in a number of individual sectors. They include a general financing framework and rules governing consumer protection at EU and Member State level, including prohibition measures and access to justice, with measures to improve cooperation between Member State authorities. The harmonization of consumer protection rules aims to remove obstacles in the market and allow for an integrated economic space so that services and goods can circulate to the same standards of safety and quality and that consumers enjoy a high level of protection for their rights. The implementation of European consumer protection standards will enable BiH consumers to enjoy the same rights as European consumers. This means a greater degree of product safety in the market, and thus better protection of

⁶² S. Kurtić / S. Otuzbir / R. Kadrić, Principles and Organization of the European Union, Travnik

International University Faculty of Law Travnik, Travnik 2015, 140.

consumer health, protection of consumer rights when purchasing products and services on the market, as well as an overall increase in the quality of life. In this way, the consumer becomes the regulator of economic development and thus directly influences the business policy of businessmen, encourages competitiveness and creates a stimulating environment in the market. BiH is aware that the implementation of European standards in the context of consumer and health protection will provide greater consumer confidence, strengthen their role in the market arena and provide greater care for their interests in future policy making. The EU public health acquis covers measures related to the general funding framework and measures to regulate this area. It also regulates issues related to tobacco control, communicable diseases, blood, tissues and cells, mental health, prevention of drug abuse, health inequality, nutrition, reduction of the harmful effects of alcohol, cancer screening, healthy environment, as well as prevention of injuries, promotion of safety and the European Rare Disease Action. Through a common consumer protection policy, and through regulation and supervision in the area of consumer protection, a greater degree of product safety will be enabled in Bosnia and Herzegovina, and thus better consumer protection, as well as a general improvement in the quality of life. This reduces healthcare expenditures, that is, the cost of treating injuries and illnesses caused by the use of untested products. The development of an out-of-court dispute resolution system in this area is burdensome for the courts, and the work of the Consumer Protection Association contributes to strengthening consumer influence. If EU rules are not properly implemented, consumers can seek legal protection. This requires better cooperation between EU Member States. Litigation can

be expensive and time consuming, especially if it is conducted outside your home country. To encourage out-of-court settlement, the Commission has developed ways to resolve conflicts that are cheap or free. Among them is the online dispute resolution system, which will start operations in 2016. Another way to seek legal protection for consumer problems involving multiple EU Member States and to inform about rights is through the Network of European Consumer Centers, under providing free consumer advice and support to EU residents who purchase goods and services from traders from other EU Member States.⁶³

II CONCLUSION

In most countries, legal instruments for consumer protection are constitutional provisions, consumer laws, special laws, so-called consumer protection laws and individual laws governing market behavior. Preparing to join the European Union and align domestic legislation with European Union law should lead to a greater degree of consumer protection. Bosnia and Herzegovina will open Chapter 28 on its European path and bring consumer law into line with EU law. The aforementioned chapter is divided into two parts and refers to consumer policy and public health policy. The aim of harmonizing consumer protection rules is to remove market barriers and create an integrated economic space so that services and goods can circulate with the same standards of safety and quality, so that consumers enjoy a high level of protection for their rights. The common policy of consumer protection, through regulation and supervision in the field of consumer protection, will enable a greater degree of product safety, and thus better consumer protection, as well as a general improvement in the quality of life.

⁶³ Consumers, http://www.europa.eu/european-union/topics/consumers_en, (20 November 2017)

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ANALYSIS OF THE CRISIS IN AGROKOR - ECONOMIC AND LEGAL CONSEQUENCES ON THE REGIONAL MARKET WITH A SPECIAL FOCUS ON BOSNIA AND HERZEGOVINA

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Summary: Irrational expansion of the trading network, poor economic valuation and excessive borrowing are the causes of the problem. The Agrokor business, the Todoric family, led by its founder, Ivic Todoric, was based on undisciplined lending of money in the market. Agrokor was rapidly expanding in Croatia and the region without control and control, so costs were rising, while traffic was falling as they took over the Mercator chain. Much investment was spent on the acquisition of Mercator, which failed to generate profits as expected by Agrokor. Agrokor's liabilities to investors and suppliers amount to around 5.6 billion euros. Agrokor easily borrowed without asking for costs and interest, while credit institutions were excessively exposed to credit risk. The Croatian Financial Services Supervisory Agency (HANFA) did not prevent the quotation of shares and bonds for Agrokor companies, and the Croatian National Bank (CNB) did not recognize the huge amount of false 1.3 billion euros with which the Croatian monetary system was drilled. Agrokor has a loss above the capital level of about 2 billion euros, while its total debt is about 7 billion euros and is not final. In BiH, Konzum's debt to suppliers exceeds € 150 million, which is many times more than its stock, which means that the money has already come out of BiH and has been used in Agrokor to repay loans.

Keywords: Agrokor, Bosnia and Herzegovina, debt, claims, crisis, consequences, extraordinary administration, lex Agrokor

1. Introduction

Agrokor Group is the largest private company in Croatia and one of the largest companies in Southeast Europe with a consolidated total annual revenue of EUR 7 billion and almost 60,000 employees, comprising companies in the retail, food, agriculture and other sectors.

In addition to companies from Croatia, the Agrokor Group is comprised of companies from the region associated over the past few years; from BiH, Serbia, Hungary and Slovenia. Agrokor has more than 70 companies in its group, and in addition, in the last few years, 30 new non-visible companies have been established, which serve to cover the illiquidity of existing ones, as well as to transfer money from one country to another because they are registered in multiple states.

Agrokor, which was founded in 1976 by Ivica Todoric, has grown unstoppably as a company for more than 30 years. As a small family-owned flower production and sales company, Agrokor has grown into a leading food and trading group in the region, thanks to a clear business vision, strict strategy and thoughtful investment. But the coup began with the acquisition of Slovenian Mercator in early 2014, and he acquired the purchase money, which cost 544,000,000 euros, through a loan from Russia's Sberbank. At the end of 2016, serious problems arose with paying money to suppliers. As of March 31, 2017, Agrokor had a total debt of KM 10.67 billion, of which KM 6.47 billion to banks and other financial institutions, interest debt of KM 105.6 million, bills of exchange issued 1.95

billion KM and debt to suppliers 1.63 billion KM.

The crisis that hit Croatia's largest company, Agrokor, reflects not only on suppliers and workers, but also on the overall economy of the countries in which it operates. Debt to suppliers in the Federation of BiH as of March 31 was KM 130 million. In April 2017, the Croatian government takes over the business and appoints Antu Ramljak as the head of Agrokor.

2. Emergence of Agrokor Problems - Causes of the Crisis

Irrational expansion of the trading network, poor economic valuation and excessive borrowing are the causes of the problem. Agrokor's business, the Todoric family led by Ivica Todoric, was based on undisciplined lending of money in the market. Agrokor was rapidly expanding in Croatia and the region without proper control and control, so costs were rising, while traffic was falling as they took over the Mercator chain. Much investment was spent on the acquisition of Mercator, which failed to generate profits as expected by Agrokor. Agrokor's total assets at the end of 2016 were worth EUR 5.6 billion, while total liabilities amounted to EUR 7.4 billion, in other words, Agrokor's liabilities exceeded the value of assets by about EUR 2 billion.

According to audit reports, several hundred million euro of hidden liabilities such as loans were found. The loans were recorded as cash in the books, with revenues "pumped up" to approximately € 500 million. A total of € 212 million went to the loans and they were shown in the books as cash. Agrokor easily borrowed without asking for costs and interest, while credit institutions were excessively exposed to credit risk. The Croatian Financial Services Supervisory Agency (HANFA) did not prevent the quotation of shares and bonds for Agrokor companies, and the Croatian National Bank (CNB) did not recognize the

huge amount of fraudulent bills in the amount of EUR 1.3 billion. Bills of exchange were used as a means of embezzlement. Suppliers who received Agrokor bills to settle their receivables discounted them from financial institutions to get cash. When it appeared that there was no coverage in the account of the issuer, that is, the drawer - Agrokor - and the money was circulating in the form of cash or deposits between banks, the monetary system of the Republic of Croatia was de facto punctured.

The most important problem, according to the reports of the Agrokor extraordinary administration, concerns more than half a billion hidden euros, and about 300 million perverted balances where loans are recorded as capital and income. Significant amounts of loans from several banks, such as Splitska, Zagrebačka, Sberbank and a number of others, have been hidden, up to a total amount of about 400 million euros. In addition to hiding over half a billion euros in liabilities, Todoric also made extensive loans to himself, displaying these loans as cash in the firm's account. This type of business model is about transforming personalized costs into corporate, tax deductible expenses. Agrokor was lending money to itself, distributing millions of loans, which were not repaid, without any measures or sanctions being taken by the Croatian National Bank.

In recent years, Agrokor was unable to repay loan installments, and resorted to using money from suppliers it did not pay for goods, and as of the last day of 2015 owed suppliers 2.4 billion euros. He directed that money to pay the loan installment and interest.

3. Agrokor in Bosnia and Herzegovina

The Agrokor Group is present in BiH through 9 subsidiaries of which a part of these companies was founded directly by Agrokor d.d. Zagreb, and some of them by

Croatian subsidiaries Agrokor d.d. Zagreb, of which the most significant are "Sarajevski kiseljak d.d.", "Zvijezda d.o.o. Sarajevo" and "Ledo d.o.o. Sarajevo". Agrokor companies in BiH have significant stakes in BiH market and employ close to 5200 workers, among which the most important employer is Konzum d.o.o. Sarajevo with about 4600 workers. The crisis of the Croatian Agrokor also spread to Bosnia and Herzegovina and caused certain negatives such as:

- The impossibility of bh. Agrokor companies to pay suppliers in a timely manner,
- At the end of 2016, Agrokor Group companies in BiH owed about KM 318 million, of which debt to domestic suppliers amounted to KM 170 million,
- The largest debtor is Konzum d.o.o. Sarajevo, one of the leading retail chains in Bosnia and Herzegovina.

In Bosnia and Herzegovina, Konzum's debt to suppliers is in excess of KM 300 million, which is many times more than stocks, which means that the money has already come out of BiH and has been used in Agrokor to repay the loan. In recent years, debt to suppliers has not been settled and its arrears are on average over half a year. After this deadline, aware that Konzum will not settle their obligations, suppliers resort to compensation, but then they are offered some uncompetitive stocks that they cannot sell and have nothing to sell.

After the announcement of the affair in Agrokor, there is less and less goods on the shelves of Konzum in BiH. The assortment was halved and distorted, the suppliers reduced their deliveries to Konzum to a

minimum, and some discontinued the supply so that the turnover dropped by about 40%, resulting in an immediate surplus of 40% of the workers. In such a situation, Konzum will not be able to withstand wages, the losses will increase steadily, and the gloom will increase.

Domestic suppliers are not settled on their old obligations, while Konzum will endeavor to settle obligations to Sarajevo Kiseljak and Leda, which are registered as domestic companies in BiH under the pretext of settling domestic suppliers, thus pumping money towards Croatia.⁶⁴ When doing a deeper analysis, it is evident that Konzum does not pay the indirect tax liabilities but uses them as input VAT, and the suppliers who had to pay the same VAT when invoicing did not receive money from Konzum and the question is whether they are able to settle their tax obligations.

In addition to the negative consequences that have already occurred in Bosnia and Herzegovina, based on the current situation, the following negative consequences can be predicted⁶⁵:

- Transfer of capital from Agrokor BiH companies to companies from Croatia, which could lead to a weakening of the BH state. Agrokor companies,
- Property pledge bh. Agrokor companies to meet the obligations of the founders,
- Loss of employment in Agrokor companies in BiH,
- Complete liquidity of BH. Agrokor companies and their bankruptcy,

⁶⁴ We know that Tush had a similar affair a few years ago, and his debts were 15 times smaller than Konzum, but great damage was done. Many small companies have been shut down, as have many jobs, but only in the Federation of BiH. Tush owned two companies Tush Stores and Tush Properties. Obligations were recorded at the Tush Store and all real estate was registered at Tush Properties. RS made a decision that it was a related party because Tush is the owner of both companies and that Tush

Real Estate cannot sell real estate without settlement of obligations, so they did not allow the sale of real estate until all liabilities in RS were settled, so that the money from the sale of real estate could only go to suppliers. In the FBiH, Tus was released to sell real estate, and debt to suppliers of KM 19.6 million remained outstanding.

⁶⁵ Lex Agrokor / Lex Mercator: Legal Implications / Impact on BiH Market and Other South East European Regional Markets

- Sale of shares and / or assets of BH. Agrokor companies under adverse conditions,
- Inability to settle claims from suppliers from BiH,
- Endangering the continuation of supplier business,
- Weakening of overall financial flows and the state of public revenues in BiH

To avoid complete collapse, it is necessary to take over Konzum BiH urgently. The model for solving this problem is similar to that of ten years ago when Konzum acquired VF⁶⁶. If this does not happen quickly Konzum in BiH will go bankrupt. Much of the money from BiH has already been pumped to pay off interest and loans. Part of the property is not registered at all at Konzum but at a third company registered outside BiH, and a large part of the property is leased.

In recent days, we have witnessed the "alleged" return of the Mercator brand instead of Konzum. It is important to point out that both Mercator and Konzum are part of the same Agrokor group, and that this is no longer the old Slovenian Mercator that had an enviable range and one of the best offers and services on the market before being bought by the Agrokor concern. The move seeks to do a marketing gimmick and create a legal misconception that debts to suppliers are not settled.

4. Lex Agrokor and other legal solutions that protect countries in the region

Unlike countries in the region, which are adopting legal solutions to protect domestic suppliers, BiH authorities are not responding adequately.

Croatia has adopted the Law on Extraordinary Management in Companies of Importance for the Republic of Croatia, nicknamed "Lex Agrokor", which is valid only in the territory of Croatia, with the aim of protecting Croatia's large suppliers of Konzum such as Podravka, Kraš, Saponia, Kandit et al., And also a large number of small suppliers and agricultural producers.

Slovenia has also passed the Lex Mercator⁶⁷ law to protect its suppliers. Lex Mercator was created as a result of the adoption of Lex Agrokor and is formally valid for all companies of crucial importance that have a great impact on the economic, social and financial stability of the country (6000 employees, and whose net sales revenues amount to EUR 1 billion). Due to the expressiveness of the adoption of the law, it is evident that it was adopted with the aim of protecting Mercator from the possible harmful influence of Agrokor as a majority shareholder.

Serbia and Montenegro also responded quickly and set conditions for the protection of their markets, in which Agrokor has direct or indirect participation in 17 Serbian companies. Serbian regulations prohibit Serbian companies from providing financial support to foreign companies. Foreign Exchange Law prohibits Serbian-

⁶⁶ According to this model, the new company ie. the buyer takes over the objects, equipment, goods and workers, and Konzum continues to exist as a legal entity, and it will retain all obligations towards suppliers that will be settled from the sale. In this way, workers would remain in their workplaces and suppliers would be regularly settled and the situation would be stabilized.

⁶⁷ A law that would appoint a temporary extraordinary member of the board of directors of private companies with more than 6,000 employees and whose solvency is compromised, seeking to prevent possible negative effects on the spill-over of the crisis over Agrokor, which owns the Slovenian Mercator chain.

based companies from granting cross-border⁶⁸ financial loans, as well as providing guarantees and other collateral, so that there is no exposure of Serbian companies to Agrokor's creditors on this basis. Agrokor creditors who have enforceable court decisions made in any jurisdiction could require enforcement on Agrokor property in Serbia, provided that such a decision is previously recognized by a court in Serbia. Agrokor's assets in Serbian companies related to shares and stakes may serve as a means of settling Agrokor's creditors.

Only Bosnia and Herzegovina does not respond adequately, with debt to suppliers amounting to about 95% in the FBiH and 5% in the RS. No specific regulation was adopted in BiH to prevent the negative effects of the crisis. The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina has sent the Information on the Consequences of the AGROKOR Crisis on the BiH Economy, adopted by the Council of Ministers of BiH. In addition to the regular mechanisms of control over the legality of the work of legal entities, there are specific protection mechanisms provided for by individual regulations in BiH. The Law on Foreign Direct Investment in BiH⁶⁹, the Law on Foreign Exchange⁷⁰ and the Law on Profit Tax⁷¹ provide that the payment of profits to the founder can be made only if all tax liabilities, as well as all other obligations on taxes and contributions, and claims of workers from employment relationships to protect public income and workers' claims. However, first of all, it is necessary to accurately determine the state of Agrokor in

BiH, and to conduct intensive and continuous monitoring of the work of Agrokor in BiH, especially in terms of control of transactions with the founders, as well as the dynamics of settlement of obligations towards suppliers. The remedies available to Agrokor suppliers in Bosnia and Herzegovina are⁷²: obtaining the means of securing claims, eventual compensation, initiating bankruptcy proceedings against the debtor, if the debtor is Agrokor himself d.d. Zagreb or its affiliate with headquarters in Croatia and filing a claim with the competent court in Croatia.

On April 6, the Law on Extraordinary Management in Companies of Systemic Importance for the Republic of Croatia, known as Lex Agrokor, was passed, according to which the administrator has full management rights with the permission of the creditor council, which houses representatives of creditors, bondholders and suppliers. This law essentially has all the provisions of the Bankruptcy Law procedure, and some of the provisions of the Bankruptcy Law apply directly, but it clearly states that it is forbidden to initiate bankruptcy. The law prohibits the settlement of mortgagors, primarily mortgage creditors, and even suspended the right of exclusive and distinct settlement of creditors. It is also forbidden to settle on the basis of bills of exchange and similar authentic documents. This applies in particular to Article 40 of this Law, on the basis of which the Government Commissioner is not obliged to settle the obligations on maturity, nor does the priority have to settle the obligations arising from loans taken or securities issued, but

⁶⁸ Cross-border loan, ie foreign currency loan with a bank guarantee in the country, cross-border loan, direct borrowing of foreign companies

⁶⁹ Law on Foreign Direct Investment Policy in Bosnia and Herzegovina Official Gazette of BiH no. 17/98 and three Amendments to the Law on Foreign Direct Investment Policy in BiH published in the Official Gazette of BiH no. 13/03, 48/10 and 22/15)

⁷⁰ Law on Foreign Exchange (FBiH Official Gazette 47/10)

⁷¹ Law on Corporate Income Tax of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of Bosnia and Herzegovina), No. 15/16 of 26.2.2016.

⁷² Lex Agrokor / Lex Mercator: Legal Implications / Impact on BiH Market and Other South East European Regional Markets

that is why the Government Administrator is empowered to pay, at his own discretion, when and how he wants obligations to related parties in Agrokor. The bodies of extraordinary administration proceedings under this Act are the court, the extraordinary commissioner, the creditor council and the advisory body.

Lex Agrokor mentions that the Extraordinary Commissioner can take on a new loan to continue his business, which he did and borrowed Agrokor for a further EUR 480 million and plus EUR 50 million in merchandise with refinancing. **The roll up loan agreement**, signed on June 8, 2017 between Agrokor, lenders and loan agents, contains a number of provisions that give these lenders full authority in managing the Lex Agrokor process. Under this roll up model, Agrokor will have to repay 1.06 billion euros, that is, it will have to repay one euro of old credit for every euro of a new loan. The roll up loan provides that the bank will also receive a new loan to transfer a certain amount of the old loan into seniority.

5. The aftermath of the Agrokor crisis

The guild of the current situation of Agrokor will first and foremost be paid by workers who will lose their jobs both in Croatia and in Bosnia and Herzegovina. Serbia will solve the problem of Agrokor internally and will not allow the measures for the rehabilitation of Agrokor to be transferred to Serbia. Due to the overall economic and political situation in BiH, the consequences will primarily be borne by employees for layoffs and pay cuts, which will also make business difficult. There will be a restructuring of the group, whose formation was not based on scientific and market assumptions, so that all companies that did not belong to Agrokor will be

eliminated. Agrokor's property portfolio⁷³ consists of 200 companies and 80 companies, 40 of which are operating companies and the rest have no operating business and as such are likely to go into liquidation.

Economic growth could be lower than expected, precisely because of the crisis that will spread from Agrokor to suppliers and banks and adversely affect employment in Croatia, credit activity and investment. The negative consequences of the Agrokor Group crisis may mean a slower pace of personal consumption and investment activities in the coming years.

Firms have yet to make reservations, which will soon be reflected in their business results, and then more cautious running their business, which will then have repercussions on the entire economy. This is just the beginning, and the real consequences will be apparent at the beginning of the new year when the settlement of debt-trust relations and the restructuring process begin.

5.1. The consequences of the Agrokor crisis on the citizens of the Republic of Croatia

In the biggest corporate crisis in Croatia that hit a company that accounted for 15% of domestic GDP, employees of that company were the first to hit, about 60,000 of them, most of them, about 45,000, in Croatia. Should Konzum take over, part of the jobs are expected to disappear. Some of these people will find jobs in other retail chains, some will retire and some, if no work, could become part of the eviction statistics. Other Agrokor companies do not have as much competition in the market, so the opportunities for their workers to find new jobs are less. This means a greater cost to the state for their care and less income from contributions and income taxes.

⁷³ A portfolio is a set of financial assets, made up of various financial instruments (securities) that an individual or company owns.

The crisis in Agrokor showed all the weaknesses of the Croatian agricultural and food industry, which, for years leaning on Konzum, did not seek a second path to consumers. Tens of thousands of small Agrokor suppliers will be forced to think about other chains or other types of products and even markets outside Croatia, for which they do not have a network built. Although all current estimates suggest that the impact of the Agrokor crisis on the domestic economy is about 0.3% this year, the outcome of the aforementioned problems will show how strong that impact will be in the coming year. There is a possibility of a decrease in production, which in turn necessitates an increase in imports and a decrease in the number of jobs. The consequences of such a situation could jeopardize Croatia's economic growth, as well as budget revenues, on the basis of taxes and contributions for pension and health insurance. Less budget revenue can also mean new budget savings, which means less money for education, health, pensions, social programs, or some new taxes to overcome some new crises.

The Croatian National Bank (CNB) and the Government of the Republic of Croatia expect banks to increase their cost of provisioning due to exposure in Agrokor, which may mean lower profits than banks. Banks are feeling this consequence now, because of the stricter laws, they have to put risky placements in reservations immediately. For many banks this has already caused serious losses. According to available CNB data, in the first nine months of this year, banks' profits in Croatia decreased by about 47% compared to the same period last year. The decline in bank profitability was mostly influenced by the risks associated with Agrokor and its affiliates, which caused the banks to raise provisions, that is, to increase the cost of value adjustments to company placements. Also, the number of banks operating at a loss increased.

At the end of September, half of the banks in Croatia (13 out of 26) operated at a loss. The loss is related to the deterioration of the credit rating of the Agrokor Group and related parties.

If, following the implementation of Lex Agrokor, a portion of the creditors, led by Sberbank, go to court, this could further jeopardize the budget. To this end, the Government of the Republic of Croatia would have to hire lawyers, which would incur huge costs. However, if the lawsuits do not end well for the state, in that case they will receive damages that will amount to hundreds of millions of euros. Paying those damages again means less money in the budget. Such judgments could in the future also negatively affect the Croatian credit rating, and its deterioration means more expensive interest rates on debt, and again less money for budget expenditures. Although Croatian pension funds, most of the workers' money, were invested in government bonds, some went to Agrokor's companies. A bad outcome would also mean lowering the savings value of future retirees.

6. Emergency Management Restructuring Plan for Agrokor

Agrokor extraordinary management is 30.10.2017. presented its plan, vision and potential to the Group companies announcing debt relief by 70%. According to Agrokor's sustainability plans and business plan until 2020, significant restructuring of the Retail Group within the Agrokor Group was announced, continued growth of key indicators of the Food group, capitalization of previous strategic investments in the Agriculture group, and sale of other non-core values, while Agrokor's employees will be moved to core business. The major changes will be subject to retailing made by Mercator, Konzum, Velpro, Tisak and business in Bosnia and Herzegovina.

The settlement proposal will deal with different types of claims and in different

procedures. Financial creditors will have to write off on average 60 to 70% of their receivables, with some write-offs as high as 90% or more and some as 50%. This procedure violates the protection of property rights, as some creditors may write off claims in a higher percentage than others. In other words, for example, 50% of their accounts receivable will be written off to financial creditors who have stronger credit insurance (for certain assets of Agrokor and its companies, real estate or shares). Those creditors who have weaker claim insurance or have no insurance (such as Russia's Sberbank) may have to write off up to 80 or 90% of their claims.

The plan envisages reducing the size of the business, eliminating unfounded business and focusing on restructuring. In order to reduce the debt of € 7.5 billion, Agrokor plans to sell a number of companies outside its core business, e.g. travel, catering, energy, etc.

7. Potential solutions

A continuous system of borrowing and financing of extensive development in the business of Agrokor is required to be sensible. This is a process called “**downside**” in the economy, that is, reducing the volume of operations, especially in those parts that are not highly profitable or are at a loss, as is the case in Serbia. A large number of firms of a productive character will have to sell themselves to service their loans.

One solution to avoid the worst-case scenario for Agrokor is to recapitalize⁷⁴, ie to convert 50% of all bank and supplier claims into capital to recapitalize Agrokor. For example, banks convert from their claims, which is about four billion euros of loans, into capital two billion and thus acquire ownership in Agrokor, and reduce the interest on the remaining debt to 2 to

3%. The suppliers would be paid 50% of the receivables and the remaining 50% would receive the shares. Another possible solution is that the value of the stock rises over time. Creditors would get their money back through the increase in the value of the shares, ie through their sale.

8. The outcome of the situation

The full outcome of Agrokor's situation will get an epilogue in court, as it is clearly a criminal offense of posting loans and loans in the value of assets, illegally spent funds, buying bonds and the like. At the same time, the judicial and business process, ie the restructuring of the group and the settlement with the creditors, are underway. Agrokor's extraordinary administration published a list of claims in early November. According to the tables published by the Commercial Court in Zagreb, the total amount of creditors 'and suppliers' acknowledged claims of Agrokor reached EUR 5.5 billion, while some EUR 2.1 billion was disputed. The main reasons for disputing claims were the conduct of legal proceedings in other jurisdictions, the unfounded existence of claims, as well as disputes related to the lease agreement. A quarter of the reported claims relate to Konzum and Tisak. The most recognized receivables relate to loans received, followed by securities liabilities, bills of exchange, and trade receivables. What gives complexity to this process are claims that are neither recognized nor contested but are recorded and have no voting rights. The London Court has decided to recognize the Emergency Management Act, which means that no lawsuit brought in London will be able to be prosecuted except as part of an extraordinary administration process. Therefore, all lawsuits brought before the British courts will be returned to the Croatian courts. This means that the

⁷⁴ The recapitalization represents an increase in share capital based on the second and each

subsequent issue of shares. By recapitalizing companies, they increase their share capital while earning cash from the sale of shares.

arbitration process will stop and that Sberbank will have to either return to court in Croatia or go to enforcement on assets in countries that have not recognized the law, namely BiH, Serbia and Montenegro. Thus, Sberbank in these countries could acquire assets worth around 110 to 150 million euros.

9. Conclusion

The solution to the Agrokor crisis is the most sensitive business, economic and political issue. And before the situation became a national problem no. 1, it could immediately be predicted that the state would attempt to nationalize Agrokor in some way. Although full nationalization has not been achieved due to EU regulations which make it impossible, the state has nevertheless entered into the management of Agrokor. Lex Agrokor was enacted, which is actually a soft⁷⁵ nationalization, the state taking control of one company. The whole process was initiated by the Law on Procedure of Extraordinary Administration. The Extraordinary Administration Act states that an extraordinary administration may end up in a settlement, bankruptcy, or the court interrupting the entire proceeding, which then implies that the owner resolves the problem. The best solution would be a settlement because all creditors, creditors and suppliers have a chance to collect their receivables only if the system operates, and it should be emphasized that most of the receivables from Agrokor are unsecured. Following the settlement of the creditors, they will have to move towards debt-equity swap in Agrokor as a whole, which will permanently change Agrokor's ownership structure and create legal and financial prerequisites for further restructuring. Creditors will decide on Agrokor's fate under the new Lex Agrokor legal solution,

which overlooks the decision-making process in accordance with the provisions of the Croatian Bankruptcy Law. The situation in Agrokor has caused a number of negative consequences in the Croatian economy, which are also reflected in the state of BiH. economy. First of all, indebted companies will slow down Croatia's GDP growth, and restructuring could be a risk factor for economic growth. The consequences will already be felt. Reduced staffing and wages, the vulnerability of the agricultural and food industries, reduced pension fund returns are just some of the negatives that result from the Agrokor crisis. The negative consequences of the Agrokor Group crisis may mean a slower pace of personal consumption and investment activities in the coming years. The impact of the Agrokor crisis is also manifested by the decline in bank profitability, ie. declining profits and losing business. In addition to the consequences that affect the citizens, the crisis in Agrokor has led to a reconstruction of government, and on the basis of the current situation, it is possible to predict the emergence of new negativities that can bring about the crisis in Agrokor.

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MODERN TRENDS OF EXTERNAL AND INTERNAL SEGMENT FINANCIAL REPORTING

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Summary: Segmental financial reporting is crucial for realizing the lasting competitive advantage of an entity. Modern business conditions require businesses to adapt and enhance the organization's business performance and specifics to survive in the market. In order to increase the efficiency of management and decision-making in large business entities, there is a need to divide or decentralize the business entity. These separate parts - segments produce results and significantly participate in the overall business of the entity to require separate information for each segment separately. Investigation of financial reporting issues by business segments is current, in contemporary business conditions, for external and internal users of financial statements. This paper will identify the term segment as well as the information required to be disclosed by business segment, in accordance with International Financial Reporting Standard 8 - Business Segments, which has replaced International Accounting Standard 14 - Segment Reporting. IFRS 8, in relation to IAS 14, introduced a correspondence between internally reported segments and externally reported segments, because everything that is relevant to internal users of information is considered to be relevant to external users as well. This contributes to a different approach in defining organizational units - business segments and harmonization of external and internal financial statements.

Keywords: financial reporting, decentralization, segments, IFRS 8 - Business segments, harmonization

INTRODUCTION

The financial statements are the result of the collection, analysis and processing of financial data. They are used by different stakeholders to improve understanding of the business of the company and to make timely and accurate business decisions, thereby reducing the risk of doing business. The qualitative traits that are expected from financial reporting for the entire entity are also expected from financial reporting by business segment. Segmental financial reporting is a specific form of financial reporting for the business entity as a whole, with a breakdown of the business entity and disclosure of information about business segments.

Segment reporting is governed by IFRS 8, effective 1 January 2009. Replacing IAS 14 and supplementing some of its deficiencies, such as segment information derived from financial statements of financial statements, and after introduction, from information used by managers to manage IFRS 8 only applies to entities whose business listed on debt or equity instruments on the stock exchange or on business entities that are in the process of applying to enter regulated markets. If an entity does not meet any of the above criteria, the information presented in the financial statements should not be called segment information. Financial reporting by business segments

must be timely and of good quality, as it provides greater chances to adequately assess the nature and financial effects of business activities of business segments and the entity as a whole by users of financial statements.

1. SEGMENT REPORTING FRAMEWORK

It is well known that International Accounting Standards are primarily intended for external users of accounting information, such as current and potential investors, government, government institutions, customers, suppliers, banks - creditors, citizens and others. Within the business entity, we come across a different management structure, and managers (top management, middle management and lower management) are emerging as the main users of accounting information.

The financial statements must be such that users can understand and use the information to make economic decisions. Detailed monitoring of business transactions measured through income, expense and asset value at different levels of reporting should meet the ever-growing demands for information. In this context, we also report on individual parts of a business entity, ie by segments.

Segment reporting is a significant area of financial reporting and is governed by the International Financial Reporting Standard 8 - Business Segments (IFRS 8), which replaced International Accounting Standard 14 - Segment Reporting. What were the requirements of IAS 14 and what has changed in segmental financial reporting by applying IFRS 8 in relation to IAS 14 is summarized in Table No.1.

Table 1: Overview of key differences between IFRS 8 and IAS 14

The essence of standards	IFRS 8	IAS 14
Who applies the standard?	Businesses whose debt or equity instruments are publicly traded, or which submit or are in the process of submitting financial statements to a regulatory organization for the purpose of issuing any class of instruments on the public market.	Businesses that publicly trade securities or are in the process of issuing securities in the public securities market.
What is a business segment?	Business activities that generate revenue and cause expenses, the results of which are regularly reviewed by the chief management and for which specific financial information is available.	Components based on business or geographic features, which participate in risk and return, which differentiate them from other components.
What business segment information is being reported?	Reported information is information that management uses to run a business.	Reported information is the financial information presented in the consolidated financial statements.

What are the metrics based on disclosure of business segments?	Business segment disclosures are based on management information that is reported to the parent management body.	Segment disclosures are based on IFRS compatible financial information.
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Source: Ivana Medved PhD Thesis, Improving Segmental Financial Reporting with Contemporary Cost Accounting Approaches, p. 50

This IFRS should be applied to⁷⁶:

(a) separate or separate financial statements of an entity:

(i) whose debt or equity instruments are traded in the public market (domestic or foreign stock exchanges or over-the-counter markets, including local and regional markets), or

(ii) who submits, or is in the process of filing, its financial statements with the Securities and Exchange Commission or other regulatory organization for the purpose of issuing any class of instruments in the public market; i

(b) the consolidated financial statements of the group with the parent company:

(i) whose debt or equity instruments are traded in the public market (domestic or foreign stock exchange or OTC, including local and regional markets), or

(ii) which submits or is in the process of filing consolidated financial statements with the Securities and Exchange Commission or other regulatory organization for the purpose of issuing any class of instruments in the public market.

It is also important to point out that this IFRS regulates who may not disclose

⁷⁶ Federation of Accountants and Auditors of FBiH, "International Financial Reporting Standard 8 -

information as segment information, which are entities that do not apply IFRS 8.

2. WHAT IS A BUSINESS SEGMENT?

Business segments are an integral part of a business entity that performs various business activities, generates revenue and requires expenses, and for which there is a need for special, separate reporting in the function of better information. The results of their business are analyzed by business decision makers with the purpose of allocating resources and evaluating the business.

So this is part of the subject:

- A. carrying out business activities from which it may generate income and expenses, including income and expenses relating to transactions with other constituent parts of the same entity;
- B. segment business results are regularly reviewed and reviewed by the business decision maker (CEO or board member most often, and may be a group of CEOs or others, therefore not necessarily management) of a business entity that otherwise makes business decisions, to make resource decisions to be segmented and evaluated for its business and
- C. for which separate financial information exists.

Every part of an entrepreneur can also be a business segment if they can generate income on their own, and there are costs and expenses involved. Parts of the business that are not currently earning revenue but expecting it in the future are also referred to as business segments.

IFRS defines the term "chief business decision maker" which actually means a

Business Segments", <http://www.srr-fbih.org/File/Download?idFi=269>

function and not necessarily a member of the management board. It is a function that allocates resources to the business segments of an entity and evaluate their operations. Often an entity's chief business decision maker is its CEO or board member, but it can also be a group of CEOs or others. However, this does not mean that a major business decision maker cannot be a manager of one or more business segments. The segment manager directly responds to the "top business decision maker" with him / her regularly to discuss:

- A. Business,
- B. financial results, and
- C. segment forecasts or plans.

Each business entity that is required to report by segment is required to report separately on the information of each business segment. It is also possible to merge two or more business segments within one entity but in different territorial areas or within one territorial area by business segment.

2.1. SEGMENT REPORTING

A business entity is required to report separately on the information of each business segment. Reporting quality by business segment requires the same qualitative characteristics that are expected from a quality official financial reporting of a business entity. An entity shall provide separate business segment information that meets any of the following quantitative restrictions⁷⁷:

- A. Segment revenue reported including sales to external customers and intra-segment sales or transfers is 10 percent or more of total revenue, internal and external, of all business segments.

- B. The absolute amount of segment profit or loss shown is 10 percent or more of the absolute value

- total reported profit of all business segments that did not show loss and

-shown the total loss of all business segments that reported the loss.

- C. Business segment assets are 10 percent or more of the total assets of all business segments.

If there are segments within a business entity that do not meet these quantitative thresholds for defining a reporting segment and they can be considered reporting segments if management is satisfied that information on all segments will be useful to users of the financial statements. The exact number of optimal reporting segments has not been determined, and if the number of segments is greater than ten, the entity should consider whether the limit of convenience is reached.

2.2. EXTERNAL AND INTERNAL SEGMENT FINANCIAL REPORTING

External segmental financial reporting involves reporting by profit centers, whose managers have the authority to decide the cost, revenue and result, meaning that they have complete business under their control, so it is understandable that they are controlled on the basis of profit results⁷⁸ and investment centers, in which managers have the authority to control and decide on costs, revenues and results, as well as the amount and type of investment, so their results are controlled by the rate of return or residual profit.⁷⁹ Segmental financial reporting in profit and investment centers is more complex than other areas of responsibility, as it involves reporting on profitability, that is, return on capital

⁷⁷ Federation of Accountants and Auditors of FBiH, "International Financial Reporting Standard 8 - Business Segments", <http://www.srr-fbih.org/File/Download?idFi=269>

⁷⁸ Bibuljica H., Neziraj E., (2013), Accounting for Managers, Pejë: Haxhi Zeka Center for Scientific Research and Science, p.100

⁷⁹Op. quotation, p.100

employed (borrowed funds). Financial reporting for profit and investment centers involves, first and foremost, measuring and disclosing the value of inventories, revenues, costs and results. Accordingly, a profit and loss account is prepared at the profit center and at the investment center a profit and loss account and balance sheet.

Internal segment financial reporting is applied to all identified narrow sections of a business entity and is not subject to official normative regulation, but is organized in accordance with the specific business circumstances and needs of the business entity. Internal reporting, formal and substantive, may be identical to formal external reporting, but also in a specific, tailored management need. Thus, in addition to investment and profit centers, internal segmental financial reporting also reports by areas of responsibility such as: cost centers, revenue centers, budgeted expenditure centers. It is possible to report at lower levels within a whole, by products, product groups, large customers, sales channels, markets, regions, etc. Financial reporting of the area of responsibility for internal needs typically involves different types of short-term reports on segment accomplishments and segment manager accomplishments.

Segment financial reporting goals are to meet the information needs of internal and external users of segment accounting information through:

- determination of (un) business success of segments and their contribution to (un) success of the whole business entity
- planning and control of costs, revenues, results, ie monitoring, above all, economy and profitability of segments
- motivating managers and employees to achieve the goals of the business entity through the achievement of the goals of the segments

- fulfillment of requirements related to communication and information between segments and / or segments and the top management of a business entity
- monitoring of the execution and the resulting deviations for the purposes of determining the responsibility for (un) success in the segment business and more.

IFRS 8 - Business Segments, defines the criteria by which business segments are identified, which segments are reported, how the segments are grouped, what information is disclosed, how profit or loss, assets and liabilities are reported, how the measurement is carried out. reconciling, revising previously published information, and how information about products and services, geographical areas and major customers is disclosed.

3. PUBLISHING INFORMATION FROM BUSINESS SEGMENTS

Publication is an integral part of the financial reporting process and is intended to be of good quality to the various users. An entity is required to disclose information that enables users of its financial statements to evaluate the nature and financial performance of the business activities of the business environment in which it operates.

Information to be disclosed when reporting on business segments:

1. General information,
2. Information on profit, loss, assets and liabilities, and then
3. Information on products and services,
4. Information on territorial areas,
5. Significant Customer Information.

Of the general information, the following should be published:

- A. the factors on the basis of which the entity determined its reporting segments, and
- B. the types of products and services on which each reporting segment generates its revenue.

From information on profit, loss, assets and liabilities, an entity is required to report the profit or loss and the value of the total assets and liabilities of each reporting segment. Also, an entity is required to disclose the following information for each reporting segment in the case of amounts included in the segment profit or segment loss indicator reviewed by the chief decision maker or regularly reported to him / her, although not included in the segment profit or segment loss indicator:

- A. revenue from external customers,
- B. income from transactions with other business segments of the same entity,
- C. interest income,
- D. interest expenses,
- E. depreciation of tangible and intangible assets,
- F. material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 Presentation of Financial Statements,
- G. the entity's share in the profit or loss of associates and joint ventures accounted for by the equity method,
- H. the cost of income taxes or income and
- I. material non-monetary items, except for amortization of tangible and intangible assets. As for interest income, an entity is required to report interest income separately for each reporting segment, unless most of the segment's income is comprised of interest. In doing so, the chief business decision maker relies primarily on net interest income to evaluate the business performance of the segment and make decisions about the resources

to be allocated to that segment. In this case, the entity may report the segment's interest income minus interest expense, which it is obliged to disclose. An entity is required to disclose the following amounts for each business segment if they are included in the segmental asset indicator reviewed by the lead business decision maker or regularly reported to them, even if they are not included in the segmental asset indicator:

- A. the amount of investments in associates and joint ventures accounted for by the equity method and
- B. amounts of increases in non-current assets other than financial instruments, deferred tax assets, post-employment benefit benefits, and rights arising from insurance contracts.

4. MEASURING ITEMS WITHIN THE BUSINESS SEGMENTS

The amount of each segment item that is posted is a benchmark that is presented to the lead decision maker so that he or she can make decisions about allocating resources to the segment and evaluate its business results.

Adjustments and eliminations made in the preparation of an entity's financial statements and the allocation of income, expense, profit or loss are taken into account in determining segmental profit or segmental loss only if they are included in the profit or loss indicator of that segment used by the chief business decision maker. Similarly, the Segment Report shows only those items of assets and liabilities that are included in the segment assets and segment liabilities indicators used by the chief business decision maker. If amounts are allocated to reported segmental profit, or reported segmental loss, segmental assets

or segmental liabilities, they are allocated reasonably.

If a major business decision maker uses only one indicator of profit or loss, assets or liabilities of that segment in assessing the operations of a business segment and in deciding how to allocate resources, segment profit or segment loss, then those assets and liabilities are reported by those indicators. If a major business decision maker uses multiple profit or loss indicators, assets and liabilities of a business segment, the reported indicators should be those for which management is satisfied that they are determined in accordance with the measurement principles that are most consistent with the measurement principles used in measuring the corresponding amounts in the financial subject reports.

An entity is required to explain segment profit or loss, segment assets and segment liabilities for each reporting segment and publish at least the following:

- A. the accounting basis for all transactions between the reporting segments,
- B. the nature of the differences between the profit or loss indicators of the reporting segment and the entity's profit or loss before tax or income and discontinued parts of the business,
- C. the nature of the differences between the reporting assets of the reporting segment and the assets of the entity,
- D. the nature of the difference between the reporting segment's liabilities and the entity's liabilities,
- E. the nature of the differences in the methods used to determine the reporting segment's profit or loss from prior periods and the possible impact of these changes on the segment's profit or loss indicator,

- F. the type and impact of each asymmetrically distributed item on reportable segments.

In order to properly measure items in the reporting segment, an entity is required to adjust each of the following items:

- A. total revenue of the reporting segment with the entity's revenue,
- B. total indicators of reporting segments with the profit or loss of an entity after tax (tax revenue) and discontinued business segments,
- C. the total assets of the reporting segments with the assets of the entity,
- D. total reporting segment liabilities with the entity's liabilities i
- E. the totals of the reporting segments that relate to any other material information published with the matching amount reported for the entity.

In the event of a change in the internal organizational structure that led to a change in the composition of the reporting segments, relevant information for earlier periods, including reporting periods within the reporting year, is restated unless available and the cost of preparing them would not be too high. In doing so, the availability of information and cost estimates are determined for each individual item for publication. Upon changing the composition of the reporting segments, the entity is required to disclose whether it has restated the related items in prior periods.

4. MEASURING BUSINESS PERFORMANCE OF ENTERPRISES AND SEGMENTS

Measuring the business performance of an enterprise from a management accounting perspective is the opposite of measuring an enterprise's performance from a financial accounting perspective. Financial

accounting views an enterprise as one organizational unit and generates a profit report for one business year, while management accounting views an enterprise as a business system composed of multiple segments and generates income statements for segments for monthly and quarterly periods. In the circumstances when monthly and quarterly management accounting reports are generated, the monthly enterprise-wide profit statement is actually a synthetic report (sum of all individual reports) of segment profit during that period.

Profit is a measure of return for business owners. Profit increases owner's equity and has a positive effect on other business metrics: liquidity, asset activity and indebtedness. However, the responsibility of segment management to profit at shorter intervals has some limitations. Restrictions relate to revenue and expense control options that are attributed to a segment of a liability center. The greater the degree of control, the greater the responsibility for the results achieved. One of the problems is that very little enterprise cost is solely influenced by one manager (eg raw materials and supplies are procured by central purchasing and cost is in production). Another significant problem in measuring performance at shorter intervals is due to the fact that some expenses are recorded and recorded only at the end of the business year, which can significantly affect the business results in December, and then these costs do not affect the January-November reports during the year. Costs that will be incurred only in December or exceptionally in a month during the year should be planned in equal monthly amounts with respect to past accounting periods.

CONCLUSION

The financial statements of the business entities present the basic information available to external users. This paper presents the role of reporting financial

information by segment, that is, the parts of a business entity that is characterized by some elements that make it part of a whole that requires separate reporting. The basic starting point for financial reporting on business performance by narrower business segments (segments) is the organizational structure of the company. Accordingly, the result is monitored and interpreted, first of all, by profit and investment centers and within them by other lower observation segments such as cost centers, revenue centers, and analytics by product, product group, etc., but also by other Observation aspects such as the largest and most significant customers, sales channels, market segments, etc.

However, in order to be treated by a business segment, it must meet certain criteria in terms of income and expenses relating to business events with other entities as well as constituents of the same business entity, whose performance is regularly monitored by the management or other competent body of the business entity for the purpose of evaluation. their business, both individually and for the entire business entity. Business segment can also be considered as activities that will only achieve appropriate results in the future.

The intent of creating business segments is in better quality reporting for business decision makers. It enables, first of all, internal users to better understand the internal results achieved in the previous periods as well as a more realistic approach to assessing the chances and risks in the budgeting and control phase of internal results. Also, segment reporting provides a better basis for judging the total results achieved in the business system as a whole.

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LEGAL AND ECONOMIC ASPECTS OF THE WESTERN BALKANS 'INVESTMENT IN THE EUROPEAN UNION

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Summary: One of the precedents for EU membership is Bosnia and Herzegovina. Some of the conditions that the preceding countries need to fulfill in order to join the European Union, from an economic and legal point of view, are both a guarantor of economic stability and respect for human rights. to achieve economic growth and competitiveness of enterprises. The legal aspect directly related to respect for human rights and fundamental freedoms in accordance with the European Convention on Human Rights and Fundamental Freedoms is the right to a trial within a reasonable time. Therefore, the motive of research in this paper is how to achieve economic and legal stability precisely because these are the conditions that the aspirant countries need to meet for EU membership. In this connection, the content of this paper should point to the notion of corporate governance as a system that enables the creation of a more favorable economic environment for enterprises and as such one of the positive examples that would eve From a legal point of view, the concept of the right to a fair trial will be defined as one of the segments of respect for the rights of the European Convention on Human Rights and Fundamental Freedoms. Respect for the right to a trial within a reasonable time is a basis for timely adoption. judicial decisions and in the interest of legal certainty.

Keywords: European Union, corporate governance, European Convention on Human Rights and Fundamental Freedoms, trial within a reasonable time.

1. INTRODUCTION

This paper analyzes the interest sphere of Bosnia and Herzegovina in the context of the position of one of the countries aiming to enter the European Union. (Hereinafter: EU). Namely, what is inevitable from this point of view is to define how it is possible to create conditions for entry of Bosnia and Herzegovina into this area. Therefore, in this paper there is a double analysis, both from the economic and legal point of view. When talking about the economic aspect, the emphasis is on achieving economic stability. stability in this context should be seen as the task of the precedent countries, which should be fulfilled in terms of how to achieve economic growth and competitiveness of enterprises. What must be defined from a legal point of view is to emphasize the importance of the European Convention on Human Rights and Fundamental Freedoms (hereinafter In this connection, the notion of the right to a trial within a reasonable time and its importance will be defined. Namely, this is precisely because it is a legal aspect directly related to respect for human rights and fundamental freedoms under the ECHR, the right to a trial within a reasonable time.

2. ECONOMIC STABILITY

One of the aspects of a satisfactory economic level for the EU candidate country is adequate economic stability. Namely, the eventual EU member states must also fulfill the task, which is to define the ways in which they can achieve visible economic improvement. economic prosperity should be manifested through the competitiveness of enterprises in the market and thus the realization of economically sound environment. As one of the new concepts in this context is corporate governance. This form of

enterprise has proven to be a positive example for achieving the purpose, that is, economic stability. it is possible to achieve competitiveness of companies in the market. The notion of corporate governance is a new term found in the territory of EU Member States.

3. CORPORATE GOVERNANCE

European documents mainly emphasize the importance of achieving the economic growth of the company. In fact, achieving the economic growth of the company makes them competitive with their positive economic status. Looking at some basic EU documents, it can be undoubtedly noticed that they are always emphasized in all as the most important goals related to the economic growth and competitiveness of EU businesses. These goals are sought to be taken in a serious way by the EU Commission competition system. and applying other regulations that are fundamental to creating a more favorable legal economic environment for EU companies themselves. In order to achieve this, within the corporate law system implemented at EU level, the most well-known forms of business operation are the following:

- The Societas Europa (European Company) and The European Economic Interest Grouping. In addition to these two forms, other instruments are foreseen, such as:
- The European Co-operative Society (The European Co-operative Society),
- The European Mutual Society,
- The European Association⁸⁰

Consequently, it is evident that one of the most important goals for the EU space is precisely the economic stability of enterprises through strengthening their

⁸⁰ Sadžak, M., parishioner, S., Kolenda, D., (2016), Corporate Governance-Global Perspective, Banja Luka: NUBL Banja Luka, University of

Herzegovina, Mostar, SYNOPSIS doo, Zagreb, SYNOPSIS d.o.o.Sarajevo, page two hundred and first

economic activity and globally. What seems to be an important goal is to find instruments that will enable such development of enterprises and thereby achieve their competitiveness and at the international level. It is precisely because of the intention of creating economic stability that the above instruments are defined. Namely, the mentioned forms of companies seek to facilitate business cooperation not only at the EU country level but also at the international level. that the EU space aims to create economically stable enterprises both in the territory of the EU countries and globally. This creates a positive picture for the EU space in the sense that Member States do not broadcast their economic stability in one space only, but their own positive influence they also operate internationally. By creating such an economically positive space, an economically sound environment, the intention of the Member States is to maintain such an economic environment. Therefore, it follows from the above that one of the conditions that is imposed on the countries that are candidates for EU membership is economically viable the stability of the countries which as members need to fit into such a space and continue such a sequence. Corporate governance systems are certainly systems that undergo certain transformations and are imposed by environmental trends. Having in mind the corporate governance system in the world and the EU, it can be said that he will continue to follow the globalization trends and processes that globalization carries.⁸¹

4. CORPORATE GOVERNANCE SYSTEMS

The EU is one unique area in which Member States have an obligation to abide by the rules in force in that area. In the

pursuit of the constant economic stability of both current and new member states, the economic stability of that common space is sought. operates both internally and internationally. In this regard, it is constantly working to find ways to maintain and improve the economic sphere. Bearing in mind that corporate governance has taken on the definition of global proportions, the EU is taking action accordingly. These activities are related to the actualization of the corporate governance system. This is because the said system has shown positive results in terms of economic growth and competitiveness of the company. The above has proved to be a positive example at the global level. Using and further developing corporate governance, the EU is following global trends and within those acts It effectively finds ways for economic development.

5. EUROPEAN CONVENTION ON HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

The ratification of the ECHR is a binding legal act for all signatories, including Bosnia and Herzegovina in this regard. The Constitutional Court of BiH, in making its decisions, refers to the human rights standards established by the Convention's safeguard mechanism in Strasbourg. In order for the protection to be effective and to ensure that the subsidiarity principle of the Convention is properly implemented, all domestic courts, municipal, cantonal, supreme or district, basic and supreme, should apply the European Convention on Human Rights in their daily work⁸². Namely, domestic legislation is originally bound to protect human rights guaranteed by the ECHR. This is because the positive interest in the proper application of the Convention is also viewed from the aspect

⁸¹ Sadžak, M, (2016), Corporate Governance-Global Perspective, Banja Luka, NUBL Banja Luka, University of Herzegovina, Mostar, SYNOPSIS d.o.o., Zagreb, SYNOPSIS d.o.o.Sarajevo.str 201.

⁸² Carss-Frisk, M, (2002), The Right to Property, Implementation Guide to Article 1, Protocol No. 1 to the European Convention on Human Rights, Council / Council of Europe.

of cost, which is an economic loss, related to disputes that end negatively in the Strasbourg court. ⁴¹The Conventions read as follows:

"If the Court finds that there has been a violation of the Convention or its Protocols, and if the legislation of the High Contracting Party in question allows only partial redress, the Court shall, where appropriate, determine fair compensation to the injured party." Thus, States which ratify the Convention automatically accept double an obligation under Article 1 and have an obligation that their domestic laws be compatible with the Convention.

6. RIGHT TO TRIAL WITHIN A REASONABLE TIME

When we talk about the right to a trial within a reasonable time then that right is related to the ECHR, that is, it relates to Article 6 paragraph 1 of the same. Namely, paragraph 1 of the ECHR stipulates that when deciding on a particular case in civil rights or obligations or on criminal charges, then everyone has the right to a fair and public hearing within a reasonable time, before an independent and impartial tribunal. When we talk about the right to a trial within a reasonable time, it is one of the fundamental rights protected by the Strasbourg court and the practice before it court is the most valuable source of law in this area.⁸³ Therefore, a trial within a reasonable time is an important segment in the context of the exercise of both civil rights and obligations, and of certain activities and in the context of criminal proceedings. A reasonable time is, in essence, a definite time, therefore a satisfactory time frame, within which a specific judicial decision should be rendered. acting in this way causes negative connotations in the context of the work of the courts, on the other hand, the inability of the party to exercise or defend its rights.

This leads to certain negative consequences in terms of financial compensation to the applicant. Namely, the filing of the Appeal before the Constitutional Court of BiH and the adoption of the same is the result of the finding of a violation of the right to a fair trial, which also causes certain consequences. In this context, the appellant may also be entitled to financial compensation for failure to reach a decision within a reasonable time, or a violation of the right to a fair trial.

From the reasoning of the decision of the Constitutional Court of BiH No. **AP-1724/16**

Several appellants appealed to the Constitutional Court for the length of the proceedings before the Municipal Court. The appeals were filed under number AP-1724/16, AP-4131/16 and AP-4471/16, AP-4510/16, all of which were filed under No. : AP-1724/16.

Appeal no. : **AP-1724/16** states that the application for enforcement before the Municipal Court was filed on 10 March 1997 without a decision on enforcement yet. According to the file, the proceedings have been ongoing for more than 19 years.

Appeal no. : **AP-4131/16** states that on the basis of the executive document, the motion for execution was filed on 06.03.2012, that on 15.12.2016 a decision on execution was issued against which an objection was filed, on which more has not been decided, the proceedings are still ongoing and have been ongoing for more than five years.

Appeal no. : **AP-4471/16** states that on 06.02.2012 a motion for execution was filed, based on a court settlement, for employment claims, and a decision on execution was issued on 21.03.2012. of 10.10.2013, the complaint was rejected and

⁸³Caric, S, (2008), The Right to a Trial within a Reasonable Time, Belgrade: "JP Official Gazette".

by letter of 17.10.2014, the bank was ordered to act on the decision on execution (in 2016, unsuccessfully). By the conclusion of 16.02.2017, it was ordered to check whether the executor has open accounts with other banks. The process takes more than five years.

Appeal no. **AP-4510/16** states that on 17.10.2013. An application for enforcement was filed on the basis of an executive document, the decision on execution was issued on 18.06.2015. on 04.11.2015. by decision, dismissed the executioner's complaint as untimely. 11.05.2016. The judge is responsible for deciding on the third person's complaint and the trial lasts for three years and six months.

The aforementioned applications are recorded under No. **AP-1724/16** as they all relate to the same legal issue. Considering the appeals submitted, the Constitutional Court concluded that the appeals in question met the requirements as to the admissibility of the right to a fair trial under Article 6 § 1 of the ECHR and the right to property under Article 1 of Protocol No. 1 to the ECHR.

In the present appeals, the violation of the rights referred to in Article 6, paragraph 1 of the ECHR was found. The Constitutional Court held that each appellant was entitled to compensation for the non-pecuniary damage suffered by the appellants for the violation of the said rights. , considered that each appellant was entitled to a non-pecuniary damage compensation, a compensation in the amount of KM 1,000.00, and decided to award the same compensation to all the appellants and that the same would be an adequate satisfaction. in the operative part of the decision, take effective measures to prevent violations of constitutional rights, or eliminate the consequences of violating them, both in the

case of the said appellants and in relation to all other persons in a relevant or similar situation. Therefore, failure to respect the right to a trial within a reasonable time represents a direct violation of the provisions of Article 6, paragraph 1 of the ECHR. Namely, Bosnia and Herzegovina has ratified the ECHR and thus it is directly applied in the domestic legal system. First of all, respecting these regulations, has a positive effect on the effectiveness of legal protection. The peculiarity of awarding a right to a right to a trial within a reasonable time is reflected in the fact that, where regulated, the court of the respondent state may also award the fee. In order for that fee to be accepted by the Strasbourg court, it is important that it appropriate and sufficient satisfaction for the violation of the right to a trial within a reasonable time. In determining the amount of compensation the court guides its practice in similar situations, whereby the arbitrator takes the length of the proceedings, its complexity, the number of prominent violations, the importance of the case to the applicants, the behavior of the participants in the proceedings and competent authorities.⁸⁴

7. FAILURE TO EXECUTE DECISIONS IN WITHIN A REASONABLE TIME

What is very important to note in the context of the right to a trial within a reasonable time is also to enforce a particular decision within a reasonable time. Here, it is also important to note certain circumstances created by the parties themselves in the proceedings, thus affecting the length of the court proceedings and not executing the decision. Namely, considering the right of one of the parties, that is, to exercise the same on the basis of the decision to be enforced, the fact of the right of the other party to participate in the proceedings cannot be neglected.

⁸⁴ Caric, S, (2008), The Right to a Trial within a Reasonable Time, Belgrade: "JP Official Gazette".

When talking about that party's participation in the proceedings then it should be stated that these second or third parties have the same rights as the claimant himself. It is precisely in these situations that circumstances arise that, in order to respect the principles of equality of all parties to the proceedings, affect the length of the proceedings themselves. This is reflected in the fact that each claim the parties to the proceedings should decide, each submission submitted to the other parties to the proceedings for review. they must have information about the status of the case and have a decision on their request. All these actions additionally affect the length of the proceedings. This is also due to the fact that the possibility of investing and remedies to the decisions is also present, thus making decisions of a higher instance. This may also be classified as a matter of complexity, and this is also defined by the numerous requests of the parties to the proceedings to be decided. The fact is that certain proceedings take a longer period of time beyond the trial within a reasonable time but in In some situations, the parties themselves influence the length of the proceedings by their actions.

7.1. The consequences of not making a decision within a reasonable time

Thus, the importance of making decisions within a reasonable time is one of the indispensable segments of the right to a fair trial as a guarantee of the right to timely judicial protection. An individual or more of them, as parties to a proceeding seeking to exercise their right, expect a resolution of the legal situation and a decision on the request they have made. The transitional timeframe for reaching a decision within a reasonable time leads to a finding of a violation of the right to a trial within a reasonable time. deadline. In this regard, the Constitutional Court of BiH has taken judicial notorious case law, which is evident through certain decisions of the

Constitutional Court. Namely, what can be observed in the content of the decisions of the Constitutional Court is the determination of the right to a certain financial compensation to the appellants. Therefore, the applicant who succeeds with the Appeal by the decision of the Constitutional Court is also entitled to financial compensation.

This monetary remuneration is essentially a sanction for inadequate treatment, which has a negative impact on the exercise of judicial protection through the guarantor of the rule of law. Compliance with ECHR standards is also avoided by national law. This is because the applicant who succeeds in the dispute is entitled to an additional compensation for the damage suffered as a result of the violation of the right to a trial within a reasonable time.

Therefore, in the context of reaching a decision within a reasonable time and the untimely exercise of its rights, it results in a negative connotation regarding the exercise of the right to judicial protection and thus a negative economic sign. Namely, the negative economic sign is also reflected by the compensation of damages in a certain amount of money.

8. CONCLUSION

Bearing in mind the affinity of Bosnia and Herzegovina for EU membership, since Bosnia and Herzegovina is a signatory to the Stabilization and Association Agreement, certain conditions for membership are necessary. Namely, some of the conditions that must be fulfilled for joining the EU are just satisfactory economic and legal segments. Achieving economic stability is possible through a corporate governance system. Such a system is broadcast in positive economic connotations across the EU. By applying this system it is possible to influence positive economic stability. Namely, forming a corporation creates a positive business environment that also operates on a global scale. The above has proven to be

a positive example used in the EU space, which in this way also follows globalization economic trends. On the other hand, therefore, from a legal point of view, one of the conditions to be fulfilled is compliance. ECHR. In fact, this paper provides an overview of the importance of trial. Therefore, timely decision-making enables interested parties to exercise their rights through a system of legal protection. The right and exercise of the right to a trial within a reasonable time allows for a positive presentation in the context of judicial protection, which is also subject to. Otherwise, sanctions may be granted by way of granting a certain Appeal before the Constitutional Court and a specific financial compensation to the applicants as a satisfaction that they did not exercise their right in a timely manner. This creates a negative environment from an economic point of view, in terms of the economic undermining of a country whose legal system has gone through the sphere of legal omission. The EU is a space that seeks to maintain both economic and legal stability. This is because of the reasons Š it is these countries that, upon entering the EU, should continue such a sequence in order for that target community to continue to function as such and thus to comply with the rules in the same. Therefore, the EU is a space that accepts new members under certain conditions for them, which should. In this connection, the motive for the research in this paper was, therefore, how to achieve economic and legal stability precisely because these are some of the conditions that the aspirants need to fulfill for EU membership.

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PATH OF BOSNIA AND HERZEGOVINA TO THE MEMBERSHIP OF THE EUROPEAN UNION

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Summary: The reform process in Bosnia and Herzegovina is proceeding at a slow pace, as is Bosnia and Herzegovina's progress in the context of a European country. "Step back and forth two" is the most common epilogue of BiH's path towards European integration. The reason for the slow progress is primarily due to the poor political situation in the country, ie the inability of political leaders to agree on key issues. The political (in) stability of the country is one of the bigger problems in BiH. The parties in power do not offer a solution or make significant efforts, but rather hinder its European path and slow down the integration process. There is no institution in BiH responsible for guaranteeing investments by foreign investors, making it one of the countries with the highest political risk. In addition to the complex political structure, the problem of corruption and the informal economy also present the burning problems of BiH that must be addressed. It is crucial for BiH to establish a single economic market space, that is, to harmonize legal regulations. Despite the many brakes that have emerged on BiH's path to the EU, some progress has still been made. On February 15, 2016, BiH submitted a membership application, which was accepted at a session of the EU General Affairs Council, and received a Questionnaire in December. Bosnia and Herzegovina is currently the only Western Balkan country with Kosovo to have no candidate status.

Keywords: Bosnia and Herzegovina, European Union, Acquis communautaire (EU acquis), European integration, Stabilization and Association Agreement, reforms and Reform Agenda, candidate status

Introduction

Bosnia and Herzegovina has the status of a potential candidate country for EU membership. In its path to EU membership, Bosnia and Herzegovina faces many economic and political problems. Bosnia and Herzegovina's progress in the context of a European country has been slow. "Step back and forth two" is the most common epilogue of Bosnia and Herzegovina's path towards European integration. Negotiations on a Stabilization and Association Agreement, the first step before submitting a membership application, began in 2005 and were initially expected to be completed by the end of 2007.

However, there has been a delay due to disagreements over police reform, for which The EU insisted that it be centralized independently of the entities in Bosnia and Herzegovina. It was not until February 15, 2016, almost a decade later, that the application for membership of the European Union was submitted, after all the conditions of the European agenda necessary to consider the application had been fulfilled. Then, on September 20, the request was accepted at the session of the General Affairs Council of the European Union and an order was sent to the European Commission to prepare the Questionnaire for BiH. This means that Bosnia and Herzegovina will answer a set of several thousand questions in the coming

period. Bosnia and Herzegovina is currently the only Western Balkan country with Kosovo to have no candidate status. Candidate status for BiH would mean a clear membership perspective and a strong impetus for reforms and democratic political forces. By meeting the political criteria, BiH would further consolidate democratic reforms on the path to building a functional state and strengthen the rule of law mechanisms, while harmonizing legislation would further its own standards in the area of economy and economy. With candidate status, BiH would have the opportunity to withdraw and use EU pre-accession funds, which should ensure faster development and support for reforms in key areas.

The country's political instability is one of the big problems in BiH. The parties in power do not offer a solution or make significant efforts, but rather hinder its European path and slow down the integration process. There is no institution in BiH responsible for guaranteeing investments by foreign investors, which is one of the reasons why BiH is on the list of countries with the highest political risk. Given the image that BiH has been following for years, it is not surprising that foreign direct investment has been diminishing year by year. Resources in BiH are dwindling because of poor government concern about them. Foreign investment is declining because of the volatile political situation and the current government's inability to specifically address the problems it has faced for years.

In addition to the complex political structure, the problem of corruption and the informal economy are also the burning problems of Bosnia and Herzegovina, which BiH must tackle.

It is crucial for BiH to establish a single economic market space, that is, to harmonize legislation at the municipal, cantonal, entity and state levels. As long as the market of Bosnia and Herzegovina or its economic space remains fragmented, with different rules in force and applicable in

different parts of the country, real freedom of movement within its borders cannot be achieved.

The question therefore arises as to how a country without its own internal market can be expected to integrate into the internal market of the European Union. The causes of this problem are mainly political in nature. This is additionally favored by the dysfunctional and extremely complicated Dayton structure of BiH. The single market, first of all, does not function within the Federation because of its cantonal divisions, and furthermore in other parts of the country, which implies that the single market in BiH is still under construction.

1. Advantages and disadvantages of EU membership

The benefits of EU membership are political, economic and social in nature. Membership means, first and foremost, the expansion of a zone of peace, stability and security, a contribution to faster economic growth and trade development and job creation, with the possibility of benefiting from Union funds, as well as a better quality of life. Of particular importance is the strengthening of the international reputation. The most important benefit for Bosnia and Herzegovina, as well as other candidate countries, is safe access to the vast EU market. EU membership brings with it market growth. Market expansion also brings greater opportunities for exporting goods and services to BiH. BiH would become part of the EU internal market, facilitating BiH exports. products to market with over 500 million consumers. In addition to access to the EU market, BiH would also have access to EU structural and other funds, which is also an additional incentive to strengthen the market system. The next benefit relates to the free movement, residence, work and education in other EU Member States, ie the free movement of people, goods, services and capital will be facilitated as the EU strives for free movement. BiH citizens will be

able to find employment in other Member States, while enjoying the same labor and social rights, the same tax benefits as the parent worker. Employment Opportunities BiH Citizens also mean increasing the number of quality jobs, as investments will increase. They will have at their disposal a EURES⁸⁵ network that acts as an intermediary between employer and worker in the EU market. Entrepreneurs are offered the opportunity to provide services in all Member States without a business establishment. They also get the opportunity to start a business. Students from BiH will be able to study under the same conditions as nationals of those countries. The number of visits to the country will increase, or tourism growth can be expected, as more and more people will get to know BiH, and it will be through tourism that the economy will reap the benefits. BiH citizens will have the right to vote and stand in the elections to the European Parliament. New EU member states saw faster GDP growth per capita than non-member countries. All EU accession member states achieved GDP growth. Most countries that have acceded to the EU, according to Eurostat⁸⁶ data, have recorded an increase in foreign direct investment. FDI will lead to the development of the energy market. EU membership also contributes to strengthening governments and better compliance with laws, improving investment opportunities, facilitating transfers and more. Within the EU, the problem of relations between developed and underdeveloped countries is intensifying. Developed countries should help developing countries because their lag

is blocking the further development of developed countries. These are contradictions between "old" and "new" EU members⁸⁷

It is certain that there are numerous and significant positive effects expected when BiH joins the European Union. The European Union makes it much easier for every potential Member State to join the Union with its funds. So is the process of becoming a member of the EU. The positive effects that would emerge for BiH by gaining EU membership are the following:⁸⁸

- With increased quality, competitiveness, peace and security, macroeconomic stability will be profiled;
- It will accelerate economic growth, technological development, scientific development and install modern technologies with lifelong employee education;
- European standards for currency and price stability, as well as realistic and up-to-date inflation control, will be established;
- Regional cooperation based on regional market, production and services will be ensured;
- Fiscal policy, tax policy, quality and quantity of production, as well as modern technologies and state-of-the-art education will establish a realistic and positive balance of coverage of imports by exports;
- Economic, market and political entity divisions, lack of reliable statistics, local interest and planning will also be overcome;

⁸⁵ EURES is a cooperation network aimed at facilitating the free movement of workers in 28 EU Member States, Switzerland, Iceland, Liechtenstein and Norway. The network consists of: the European Coordination Office (ECO), the National Coordination Offices (NCOs), EURES partners and EURES related partners.

⁸⁶ The Statistical Office of the European Communities (Eurostat) collects and publishes statistics from Member States, countries outside the

European Union and from international organizations in order to keep the institutions of the European Union informed and to monitor the effects of Community policies.

⁸⁷ Cengic, E, Bosnia and Herzegovina - The Road to the European Union, Sarajevo: BH MOST; 2010, p. 123.

⁸⁸ Kasumovic, M, Macroeconomic Effects of Bosnia and Herzegovina's Accession to the European Union, Tuzla: PrintCom; 2008, p. 197

- Innovation processes will be fostered, links between scientific institutions and access to all scientific, professional, educational, research and other programs of the European Union (eg Socrates, Erasmus, Aristotelos ...);
- Social problems will be addressed economically based on the standards and good experiences of the EU countries;
- Property rights, civil and liberally democratic, with economic sustainability and macroeconomic stability of Bosnia and Herzegovina will be realized;
- A quality internal and external economic strategy of Bosnia and Herzegovina will be built, while meeting the norms of transition parameters;
- General European standards on labor, production, ecology and wages will be established;
- Bosnia and Herzegovina will accept the common currency (Euro), that is, the nominal and real convergence criteria;
- A developing country such as BiH will intensify the exchange of services, knowledge and technology first in BiH, in the region and then in the Union. In particular, it will encourage the formation of joint ventures in the region for entry into domestic and foreign markets.

However, apart from the mentioned advantages, the accession to the EU has some **disadvantages**. One of the biggest is cost. When a country wants to become an EU member, it must accept all EU standards and norms. Standards mainly concern standards in medicine, technology, energy, manufacturing systems and more. Costs also occur with the modernization of industrial plants to meet European

standards, the cost of improving legislation and the like. EU costs mainly relate to the costs of standardization and adoption of standards, monetary policy, the cost of free movement of labor. BiH will have to pay into the EU budget. The crisis mechanism to assist the Eurozone countries could put an additional budgetary burden on the public finances of the BiH state. EU entry will further increase imports of agricultural products from other countries, which can cause problems for BiH. to farmers. It is to be expected that some companies that currently hold a privileged position in the domestic market will lose that position, which will bring short-term economic losses. "Buy homemade" will be a prohibited advertisement.

"BiH, as a state, does not have the capacity of institutions, ie the competences necessary for it to achieve full membership in the EU, which necessarily imposes the need to reconstruct state institutions and implement EU standards in their structure."⁸⁹

Some of the disadvantages of joining EU membership are as follows:

- The state is losing its independence,
- Others decide the state,
- National identity is being lost,
- National sovereignty is being lost,
- The EU is in crisis, affecting less developed countries more,
- Competitiveness will decline, domestic production will encounter difficulties,
- The earth is borrowing,
- Leaving the land of young educated staff,
- Due to the impact of the crisis, faster economic progress, increased trade and an inflow of capital cannot be expected.

The loss of cultural diversity is one reason cited as a lack of EU accession. I join the EU, the potential candidate country must

⁸⁹ Cengic, E, Bosnia and Herzegovina - The Road to the European Union, Sarajevo: BH MOST; 2010, op.cit., P. 130

adopt all the legal norms and standards of the EU, thus the state loses its independence, borrows and loses its national identity.

Many reconstructions are needed in Bosnia and Herzegovina, primarily state institutions, and therefore the Constitution, and only then will it be possible to get a clearer picture when it comes to Bosnia and Herzegovina as a future EU member state. Considering all the shortcomings and costs that EU membership entails, it should be noted that there are still more positives. Some of the many and key benefits of EU membership are: market expansion, greater opportunities for economic growth, peace and stability, greater chances for young people, more regular and regulated laws, capital inflows.

2. Steps on the Road to the European Union - Step by Step

The reform process in Bosnia and Herzegovina has been slow. The reason for the slow progress is primarily due to the poor political situation in the country, ie the inability of political leaders to agree on key issues. Despite the many brakes that have emerged on BiH's road to the European Union, some progress has been made.

2.1. Steps taken

First of all, the European Union recognized BiH as a state. Diplomatic relations between the EU and BiH have been established. In March 1999, the BiH Council of Ministers adopted a decision to launch the initiative for BiH's accession to the EU. The Stabilization and Association Process was then established as a new framework for EU integration preparations, including financial support measures for reforms. Significant steps include the European Integration Guidelines. Roadmap⁹⁰ including 18 conditions for the

start of negotiations on the Feasibility Study, ie on BiH's readiness to accede to the Stabilization and Association Agreement, adopted by the BiH Council of Ministers in March 2000. The Stabilization and Association Agreement between the European Community and its Member States and Bosnia and Herzegovina was signed on 16.6.2008. in Luxembourg. However, instead of accelerating the European path after the signing of the SAA, a complete blockade of movement towards the European Union occurred in BiH. The SAA entered into force only seven years after it was signed, specifically in June 2015. The Stabilization and Association Agreement is one of the most significant EU agreements, based on general principles based on the Copenhagen criteria (with Madrid annex), trade arrangements and political cooperation. The Stabilization and Association Agreement, among other things, defines for the first time the contractual obligation of Bosnia and Herzegovina to transpose the *acquis communautaire* into its legislation.

An important step in the path of European integration is the adoption of the Reform Agenda for Bosnia and Herzegovina in the period 2015-2018. The Council of Ministers of Bosnia and Herzegovina, the Government of the Federation of Bosnia and Herzegovina, the Government of the Republika Srpska, together with the Governments of the Canton, have recognized the need to urgently initiate the process of economic recovery and its modernization, with a view to strengthening, sustainable, efficient, socially just and stable economic growth, job creation, increasing and better targeted distribution of social benefits, and creating a sustainable and equitable social environment. Reforms should set the stage for negotiations on individual financial and technical assistance programs of international financial institutions and the

⁹⁰ The Roadmap is a document adopted by the EU Council of Ministers in March 2000, which sets out

political, economic and guidelines relating to respect for human rights, democracy and the rule of law.

EU. The main goals of the Reform Agenda are to increase growth and competitiveness, as well as macroeconomic stability. The reform agenda is presented through the following important areas:

- Public finance, taxation and fiscal sustainability,
- Business climate and competitiveness,
- Labor market,
- Reform of social protection and pensions,
- Rule of law and good governance,
- Public administration reform.

On February 15, 2016, BiH Presidency Chairman Dragan Covic submitted his application for EU membership, which was accepted in September of the same year.

2.2. Upcoming steps

The steps ahead for Bosnia and Herzegovina on its European path are opinions on the application for membership prepared by the European Commission, on the basis of which the European Council concludes on candidate status and the start of negotiations, as well as the decision on EU membership. However, prior to the opening of accession negotiations, it is necessary that the country applying for candidate status answers the questions in the Questionnaire sent to it by the European Commission. The questionnaire contains a detailed list of questions that follow the structure of the criteria for EU membership by its structure, the aim being to provide comprehensive insight into the political, legal, social, economic and administrative system of the country that applied for EU membership, and evaluate its compatibility with the system and values that exist in the EU and in EU Member States. After the country that wants to join the EU submits an application for membership to the EU Council, the European Commission submits a Questionnaire, and then invites

the EU Council to prepare an opinion (avis) on the application for membership. The questions are divided into several categories. The recently released census results will be a very important segment of BiH's response. The European institutions want information on the population in BiH, the buildings, the households in which the citizens live, the ownership of real estate (apartment, house, business premises, etc.). The questions from the Questionnaire also relate to information on the amount of weapons possessed by BiH, the state of crime in our country, the state of penal institutions and the number of prisoners. BiH will also have to answer the question about membership in other international organizations. Citizens' education and age are very important factors in the European Union. The EU is also interested in how old the children go to school, who prints school textbooks and by what criteria, how old we must be to pass the driving test. In the telecommunications segment, the number of mobile and landline phone subscribers, the ratio of women to men employed and other issues.

The next step in the EU accession process is the drafting of an avis opinion by the European Commission, that is, an opinion on the ability and preparedness of the country that has applied to meet the criteria for EU membership. Avis is done on the basis of a Questionnaire and more than thousands of questions sent to the applicant country, and the process itself takes about a year, but can take longer. The criteria to be observed are the so-called. Copenhagen and Madrid. In 1993, three criteria were defined in Copenhagen (the so-called Copenhagen criteria or the Copenhagen criteria) which must be fulfilled by any country wishing to become a full member of the European Union.

That are:⁹¹

⁹¹ Barac Z., EU Requirements in the Field of Tax Legislation with Special Reference to VAT

Harmonization, VIII International Reform Symposium in BiH - The Road to European Integration, Neum, 2007, p. 125.

1. **Political:** the stability of institutions that guarantee democracy, the rule of law, respect for human and minority rights, and acceptance of the Union's political objectives.
2. **Economic:** the existence of an efficient market economy and the ability of market factors to cope with competitive pressures and market laws within the EU.
3. **Legal:** Adopting the entire EU acquis. - At the Madrid European Council in December 1995, it was concluded that the implementation of all reforms (political, economic and legal) must be accompanied by appropriate administrative arrangements, thus establishing the fourth criterion (the so-called Madrid criterion), The fourth prerequisite for membership is:
4. **Administrative:** which means adapting appropriate administrative structures to ensure the conditions for gradual and harmonious integration (such as strengthening administrative capacity, creating an efficient public administration system to ensure an effective process of adopting and implementing the EU acquis).

If the country receives a positive opinion from the European Commission, the European Council decides to grant the candidate status to the applicant country. The step after gaining candidate status is to begin membership negotiations. Negotiations are actually a process of aligning the country's legislation with that of the Union, and the start of the negotiations depends on the political decision of the European Council. It can take several years to obtain candidate status and start negotiations. An example of this is Macedonia, which has had a candidate status for years due to a dispute with Greece.

2.3. Harmonization of BiH Legislation with EU Legislation - Takeover and Application of the EU Acquis

The *acquis communautaire* is one of the most important legal and political principles of European integration. The term refers to the overall rights, obligations and commitment to the Community. The *acquis communautaire* covers primary (founding treaties) and secondary law (legislation enacted by EU institutions; the case law of the Court of Justice), as well as international treaties, customary international law and general EU legal principles.

Every country applying for EU membership must be prepared to accept the *acquis* fully and be able to implement it. The terms and conditions for adopting and implementing the *acquis* are the content of the EU membership negotiations conducted by the candidate country with the Member States and for this purpose are divided into negotiation chapters.

The task of aligning legislation with EU law is also before Bosnia and Herzegovina, and until the EU *acquis* is fully accepted and BiH is not ready to implement it, it will not be able to accede to the European Union. By signing the SAA, Bosnia and Herzegovina has also accepted the obligation to gradually align its legislation. Harmonization of legislation, ie harmonization of legislation with the provisions of the *acquis*, is the most complex and time-consuming process in the process of Euro-integration. Successful harmonization of legislation and implementation of harmonized regulations represent the most important conditions for BiH's further steps towards EU membership. There are three institutions in charge of harmonizing regulations in Bosnia and Herzegovina:

1. Directorate for European Integration,
2. RS Ministry of Economic Relations and Regional Cooperation,
3. Federal Legislative Office.

The complexity of the BiH legal system is a fundamental challenge and an additional difficulty in the European integration process. According to the FBiH Constitution, there are certain areas where the Federation has exclusive jurisdiction. There are also areas where jurisdiction is exercised separately and through the joint action of the Federation and the cantons. There are areas in which the cantons have jurisdiction, but with the coordination role of the Federation, which implies the complexity of transposing EU regulations at the FBiH level.

The process of harmonization of the regulations of Republika Srpska is regulated by the Government Decision on the procedure for harmonization of RS legislation with the *acquis communautaire* and Council of Europe legal acts⁹². The Ministry of Economic Relations and Regional Cooperation monitors the implementation of the Decision and reports to the Government of the RS and the RS National Assembly on the significant results achieved in the field of transposition of the *acquis communautaire*, as well as on any problems encountered in the process of harmonization of legislation.

State institutions will also have to harmonize their laws with EU law, which requires the most time and costs the most. State institutions must be in charge of establishing new legal provisions, since the speed of BiH's accession to the EU depends on state institutions. For BiH to become part of the EU internal market, its institutions must adapt their legislation to the content of the White Paper, or about 100,000 pages of EU legislation, which exists as an EU legal legacy - *Acquis Communautaire*. BiH is required to establish a clear constitutional and legislative framework in order to protect civil rights and freedoms.

Key constitutional and legal changes relate to human rights. There is no comprehensive implementation of international conventions on human rights and freedoms in BiH. One reason for this is the incompatibility of BiH legislation with the European Convention on Human Rights. The overall commitments in the area of constitutional reform and legislation illustrate the need to adopt about 1200 different laws, regulations and regulations in order for BiH to harmonize its legal system with the EU legal order in various fields, especially in terms of structure, efficient functioning and decision-making.

After completing the questionnaire procedure and giving a positive opinion, negotiations will open. Upon the opening of negotiations, the so-called screening concerning the assessment of the compatibility of national legislation with Union law. This grading is done for each chapter and takes about a year. Upon completion of the negotiating chapter, all the conditions are fulfilled, followed by the signing of the Accession and EU Membership Agreement.

The chart provides a schematic overview of the steps taken within the framework of European integration, as well as those that are ahead of Bosnia and Herzegovina towards the achievement of the final goal, ie the acquisition of EU membership.



⁹²RS Official Gazette, No. 46/11

Graph 1: Steps on BiH's path to EU membership

3. Conclusion

Membership in the European Union is one of the main goals of Bosnia and Herzegovina. But on the path to membership, in addition to the accomplished ones, there are other obligations that he must fulfill. The membership application is a key event that marked the beginning of 2016 when European integration and BiH are concerned. Among the more significant, if not the most significant, step that BiH needs to fulfill is compliance with EU legislation, as well as its implementation. There are a number of positive effects of EU accession, which are primarily reflected in market expansion, access to EU funds, GDP growth and the application of European standards. The most significant benefits of EU accession are political, economic and financial in nature. EU membership means expanding the zone of peace and security, economic growth and increasing investment. Through EU membership, Bosnia and Herzegovina gets its chance for economic, legal, social, political and social progress and development.

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SYSTEM OF VIOLATION SANCTIONS IN THE REPUBLIC OF SERBIA

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Summary: Misdemeanor sanctions occur as coercive measures applied by the state as a representative of society towards the perpetrator of the offense and represent a reaction against the perpetrator for committing an offense that harms the society, that is, individuals or legal entities. Such a reaction is intended to prevent the offender from continuing to commit the offense in the future, as well as to influence other potential offenders to refrain from committing such acts. Although committing an offense violates or threatens the public order established by regulations, the application of sanctions does not, however, depend on the will of the injured individuals. The paper analyzes the system of sanctions that competent courts impose on individuals and legal entities as perpetrators of offenses. The subject of the authors' attention are the manner, conditions, duration and purpose of each of the prescribed sanctions in the law of the Republic of Serbia.

Keywords: offense, perpetrator, court, sanction, sentencing.

1. Generally about the concept and types of misdemeanor sanctions

Misdemeanor sanctions (Jovasevic, Miladinovic Stefanovic, 2017: 167-171) are statutory measures of social response against the offender applied by state authorities in order to protect the society, that is, its goods and values. They appear as coercive measures applied by the state as a representative of the society towards the perpetrator of the offense and represent a reaction against the perpetrator for committing the offense which harms the society, that is, individuals or legal entities (Mitrovic, 2006: 67-81). Such a reaction is intended to prevent the offender from continuing to commit the offense in the future, as well as to influence other potential offenders to refrain from committing such acts.

All misdemeanor sanctions have several characteristics in common (Jovasevic, 2011: 671-673). These are: 1) the application of sanctions is related to the existence of a misdemeanor, 2) the principle of legality as a basic principle of modern criminal law means that misdemeanor sanctions must be prescribed by law, 3) misdemeanor sanctions can be imposed only by the competent authority for conducting misdemeanor proceedings: a misdemeanor court, or an authority in a procedure determined by law, which enables the sanction to take into account the gravity and circumstances of the commission of the offense and the personality of its perpetrator, 4) misdemeanor sanctions have the character of coercion against the perpetrator of the offense, 5) all misdemeanor sanctions have the same purpose, namely citizens respect the legal system and do not commit any offenses in the future (Article 5 of the Law on Offenses⁹³ - PDO).

Misdemeanor law of the Republic of Serbia provides for several types of sanctions that

can be imposed on offenders. These are: 1) penalties, 2) penalty points, 3) reprimand, 4) protective measures, and 5) educational measures (Ružić, 2009: 509-524).

2. Penalties

Punishment is the basic and most significant type of misdemeanor sanction. It is intended for the largest number of misdemeanors and is the most commonly imposed sanctions for perpetrators of misdemeanors.

The PDO prescribes the following penalties (Jovasevic, 2004: 117-123): 1) imprisonment, 2) fine and 3) work in the public interest (Article 33, paragraph 1). One offense may alternatively or cumulatively be subject to imprisonment and a fine, both of which may be imposed jointly. However, only a fine can be prescribed for a legal entity (Article 34 PDO). Imprisonment may be prescribed only by law, while the other two sentences may be prescribed by law, regulation or decision of the Assembly of the Autonomous Province, City Hall, City Hall or City Hall of Belgrade. In doing so, imprisonment can always be imposed only as a capital punishment, while other sentences can be imposed both as capital and ancillary sentences (Article 36 PDA). The law also set one limit. Namely, if a misdemeanor prescribes an alternative to imprisonment and a fine, then imprisonment can be imposed only in the case of committing misdemeanor causing serious consequences or for misdemeanors indicating a greater degree of perpetrator's guilt.

3. Some types of penalties

In all modern penal systems, imprisonment is central. A large number of offenses are threatened by this punishment. It provides the broadest opportunities to achieve the

⁹³Official Gazette of the Republic of Serbia No. 65/13.

purpose of punishment. In misdemeanor law, this punishment can only be prescribed by law, either as a stand-alone punishment or alternatively or cumulatively with a fine. Imprisonment may be imposed for a term between one day and 60 days (Article 37 PDA). Only the misdemeanor court can impose this punishment on the offender - a natural person. In doing so, the law excluded the possibility of imposing this sentence when the offender appears as a perpetrator: 1) a pregnant woman after three months of pregnancy and 2) a mother until the child reaches one year of age, and if the child is dead or died after childbirth - until six months have passed since birth.

Work in the public interest consists of unpaid work carried out for the benefit of society, which is not carried out under duress, which does not offend human dignity or profit (Article 38 of the PDA). This sentence can last from 20 to 360 hours. In imposing this sentence, the misdemeanor court will specifically consider two types of circumstances: 1) objective circumstances related to the type of offense committed and 2) subjective circumstances related to age, physical and working ability, psychic characteristics, education, preferences and other special circumstances relating to the personality of the offender. If the sentenced person fails to complete part or all of the hours of sentence imposed in the public interest, the court will substitute this sentence (mandatory) by imprisonment (sublethor prison) by setting one day of imprisonment for every eight hours of public interest work commenced.

A fine is a property sentence provided for all offenders. This is the only sentence that can be imposed on a legal entity. It was prescribed alternatively or cumulatively, with a maximum sentence of imprisonment. It may be prescribed by law, regulation or decision of the Assembly of the Autonomous Province, the Municipal Assembly, the Belgrade City Assembly, or the City Assembly. The fine can be prescribed in two ways: 1) in a fixed (fixed) amount and 2) in proportion, that is, in the

percentage caused by the consequence of the offense.

The law or regulation may prescribe a fine in the following ranges (Article 39 of the LCP): 1) from 5,000 to 150,000 dinars for a natural person or responsible person in a legal entity, 2) from 50,000 to 2,000,000 dinars for a legal entity, and 3) 10,000 to 500,000 dinars for an entrepreneur. Decisions of the Autonomous Province Assembly, the Municipal Assembly, the Belgrade City Assembly, or the City Assembly may impose fines ranging from the minimum amount to half the maximum amount of the prescribed fine range.

Exceptionally, a fine may be prescribed in a fixed amount for a natural person and a responsible person from 1,000 to 10,000 dinars, for an entrepreneur from 5,000 to 50,000 dinars, and for a legal entity in the amount of 10,000 to 100,000 dinars, or in the amount from 500 to 5,000 dinars for natural and responsible person in the legal entity and from 2,000 to 20,000 dinars for the legal entity and the entrepreneur. Also, exceptionally from the above ranges, the law provided for a higher amount of the general maximum fine for misdemeanors in the field of public revenue, public information, customs, foreign trade and foreign exchange, environment, trade in goods and services and securities trading in proportion to the amount of the committed damage or default, the value of the goods or other thing that is the subject of the offense, but up to twenty times the value of those values, but not exceeding five times the maximum fines that can be imposed by law. The judgment and the misdemeanor order also specify the period of payment of the fine. This deadline cannot be longer than 15 days from the day the verdict becomes final, and if the appeal is filed from the day of the second instance verdict, that is, eight days from the date of delivery of the misdemeanor order (Article 40 PPA). In justified cases, the court may by decision authorize payment of a fine in installments (installments), but then it is obliged to determine the manner and terms of

payment, which may not exceed six months, provided that the costs of the proceedings have been paid.

In the event that the fined natural person, entrepreneur or responsible person fails to pay the fine in whole or in part within the time allowed, the court may replace it with a sentence of imprisonment (supletor prison) by fixing one fine for every 1,000 dinar commenced, with the punishment of imprisonment may not be less than one day or more than 60 days (Article 41 of the PDL). The law provides for one restriction on the replacement of a fine imposed and unpaid. Namely, if the punishment was imposed on the person sentenced to imprisonment and a fine, then the prison replacing the unpaid fine and the sentence of imprisonment cannot last longer than 90 days. If the court finds justified, given the gravity of the offense committed, the amount of the unpaid fine and the financial capacity of the convicted person, he / she may, instead of the sentence of imprisonment, replace the unpaid fine with a sentence of public interest by replacing eight hours of work with one day of imprisonment. or 1,000 dinars of fine. In this case, work in the public interest may not exceed 360 hours.

If, after the court's decision to replace the unpaid fine, the fined individual pays a fine, imprisonment or work in the public interest will not be carried out. If the execution of the sentence has already commenced and the sentenced person pays the rest of the fine imposed, the execution of imprisonment and work in the public interest will be suspended. The substitution of unpaid fines by imprisonment cannot be imposed for fines imposed on juveniles and legal entities as perpetrators of offenses.

The newly introduced type of misdemeanor punishment provided for in Article 48 of the PDO is called Penalty Points. This is a specific punishment that can only be imposed on the offender against the safety of public transport on the roads (Smailhodžić, Pevilić, 2006: 56-71). The law provides for penalties ranging from one

to 25 points for these offenses. This sentence is imposed with another misdemeanor sanction: a sentence or reprimand. In addition to this penalty, additional obligations may be imposed for the purpose of educating the driver or monitoring his behavior in traffic, but the types of supplementary obligations and conditions for imposing them must be prescribed by a separate law in order to be imposed at all with this misdemeanor. Penalty points may be imposed on a driver who, at the time of committing the offense, holds a driver's license issued in the Republic of Serbia or a driver who has been banned from operating a motor vehicle by a legally binding decision. If penalties are determined for the offenses in the bankruptcy unit, then unique penalty points are issued corresponding to the sum of all individually determined penalty points, but which may not exceed 25 points (cumulation system).

4. Sentencing to the offender

Sentencing is the determination of the type and amount of sentence to be imposed on the offender. In determining the sentence, all circumstances must be taken into account in order to determine the punishment of the offender by the type and amount appropriate to the gravity of the offense and the social detriment of the offender and with which the purpose of punishment can best be achieved (Shelih, 1986: 241-248). . Depending on the type of sentencing authority, the following are distinguished: 1) legal sentencing, 2) judicial sentencing, and 3) administrative sentencing.

4.1. Mitigating and aggravating circumstances

The primary or regular way of imposing a sentence by a first-instance misdemeanor authority is through mitigating and aggravating circumstances. Namely, the law stipulates that the offender shall be punished within the limits prescribed for that offense, which must take into account

all circumstances that make the sentence more (aggravating circumstances) or less (mitigating circumstances), and in particular (Article 42 of the LC): 1) the gravity and consequences of the offense, 2) the circumstances under which the offense was committed, 3) the degree of the offender's responsibility, 4) the offender's previous conviction, 5) the offender's personal circumstances and 6) the offender's holding after the offense was committed. In determining the fine, the financial status of the offender shall also be taken into account. The law itself stipulates that a previously imposed misdemeanor sanction against a perpetrator (restitution) cannot be taken as aggravating circumstance if more than four years have elapsed from the day the decision becomes final until the new decision is rendered.

4.2. Mitigation of sentence

Sentencing is an extraordinary way of imposing a sentence through the authority of a misdemeanor court to impose a sentence below the specific minimum prescribed sentence for an offense up to the general minimum of that type of sentence or to replace the prescribed sentence with a milder type of sentence (Article 43 PPA) (Stojanović, 1985: 57). Mitigating and aggravating circumstances affect the determination of the sentence within the limits of the special minimum and maximum sentences specified by law or other regulation for the offense. However, a misdemeanor can be committed under such extenuating circumstances when no grave consequences have been caused, and there are extenuating circumstances (at least two or more) indicating that the purpose of punishment can also be attained with a mitigated sentence. In such a case, the minor offense authority may exceptionally mitigate the prescribed penalty by imposing a sentence below the minimum of the prescribed penalty for the offense (special minimum), but only to the general minimum of that penalty, but not below it.

The misdemeanor court may mitigate the punishment of the offender if, in determining the sentence, he / she determines: 1) that the misdemeanor did not cause serious consequences, 2) that there are extenuating circumstances (two or more) and 3) if he / she finds that the circumstances identified indicate that a milder sentence may achieve the purpose of punishment. If the above conditions are fulfilled, the prescribed sentence can be mitigated by: 1) imposing a sentence below the minimum sentence prescribed for the offense committed, but not below the least legal measure of that type of sentence, 2) imposing a sentence instead of the prescribed prison sentence a fine or punishment for labor in the public interest, but not below the minimum legal measure of that type of sentence; and 3) to impose only one of those penalties instead of the prescribed sentence of imprisonment and a fine.

There are several types of sentence mitigation. These are mitigation: 1) custom and type and 2) limited and unlimited sentence mitigation.

4.3. Specific forms of sentencing

In misdemeanor law, there are several specific forms of sentencing. The most significant of these is the possibility of acquittal.

Exemption from the punishment of the responsible offender constitutes an exceptional legal option under Article 44 of the PDO. In the judgment delivered, the misdemeanor court finds that in the particular case the person committed the misdemeanor provided for by law or other regulations and that he is responsible for the act committed, but releases him from the prescribed punishment completely. This is an optional authority of the court, which can be applied in the following cases: *1) if the institutes prescribed by law are fulfilled: exceeding the necessary defense (Article 13, paragraph 3 of the PDO) and*

exceeding the extreme necessity (Article 14, paragraph 3 of the PDO), 2) if an offense has been committed for which a fine was prescribed, and the offender after the offense was committed, and before finding out that he was the defendant - eliminate the consequences of the offense or compensate for the damage caused by the offense (Article 44 paragraph 2 of the PDO) and 3) if the offense was committed by negligence (as a form of guilt) in the event that the consequences of the offense committed so badly affect the offender that the imposition of a sentence in such a case would not be appropriate for the purpose of punishment (Article 44, paragraph 3 of the PDO).

Another special form of sentencing in misdemeanor law is sentencing for the offense. When a perpetrator commits more than one offense with one or more acts, according to which the decision of the misdemeanor authority has not been made, and the proceedings are conducted before the same misdemeanor body, a penalty will be determined for each of the offenses beforehand, so that a single penalty will be imposed for all these offenses. The imposition of a single sentence for offenses in bankruptcy is subject to special sentencing rules (Spinelis, 2001: 67-69). Sentencing for each individual offense is done according to the general rules, while the sentencing of a single sentence, ie. the reduction of all individuals to a single punishment shall be done by special rules. Theory and legislation are familiar with the three basic systems for sentencing for bankruptcy. These are: 1) absorption system, 2) aspiration system and 3) cumulation system.

Unique punishment for acts in bankruptcy (whether ideal or real) is pronounced according to the following rules (Article 45 of the PDO) (Okiljević, 1987: 761-768): 1) if a prison sentence is imposed - a sentence of imprisonment shall be imposed as a single sentence, but it may not exceed 90 days; 2) if a fine has been determined for all misdemeanors in the bankruptcy - a fine shall be imposed as a sum of fines

determined, cannot exceed twice the maximum fine provided for by law; 3) if a penalty in the public interest has been determined for all misdemeanors in bankruptcy - a penalty of public interest not exceeding 360 hours is imposed as a single penalty and 4) if some misdemeanors in the bankruptcy have been punished by imprisonment, and for other misdemeanors by a fine - as a single sentence cumulative sentence of imprisonment and a fine with the specified restrictions in ch. edu heights. Also, counting detention in a misdemeanor sentence is a special form of sentencing. Detention and any other lawful deprivation of liberty of the offender shall not have the character of a misdemeanor sentence or other misdemeanor sanctions, but shall be compulsorily included in the sentence imposed on such person. Other forms of imprisonment included in the sentence include: bringing a defendant, time spent in a health facility for psychiatric evaluation or treatment, time spent in a drug and alcohol treatment facility, or a sentence served by the offender for the same crime. It is a general rule that any deprivation of liberty, including detention undertaken on the basis of legal authority and in connection with the commission of an offense, must be counted in the sentence if it is pronounced for that offense, with the identity of the defendant and the adjudicated offender (Article 47 PPL). . Detention lasting more than 12 hours and less than 24 hours is counted as one day of imprisonment, that is, 1,000 dinars of fine or eight hours of work in the public interest.

5. Other misdemeanor sanctions

5.1. Warning

A reprimand is the mildest type of misdemeanor sanction imposed in lieu of a prescribed fine to an adult and responsible offender of a particularly minor offense. It represents a rebuke to the perpetrator of the offense by the company for the act committed and a warning that in the future

he does not violate the rules of public order and does not commit the offenses because he will be punished for such activity (Article 50 PDO).

The following conditions are required to issue a warning: 1) that only a fine is prescribed for an offense because it appears as a substitute (alternative) to this type of offense, 2) that the offense was committed in circumstances that significantly diminish the perpetrator's liability, 3) the conviction of the misdemeanor court that even with the use of a warning and without imposing a sentence, the offender can be expected to stay away from committing the offense in the future. This is a special form of genuine remorse which is of such importance that it is not necessary, justified and just to punish such offenders, since he has eliminated all the harmful consequences of the offense, even before the misdemeanor proceedings have been completed.

5.2. Safety measures

Protective measures (Jovasevic, Mitrovic, Ikanovic, 2017: 621-628) are a special type of misdemeanor sanction that can be imposed on any perpetrator of the offense: responsible or irresponsible, adult or juvenile, natural or legal person. They can only be prescribed by law or regulation. They are imposed as an incidental sanction with a sentence or reprimand, but these measures can be imposed even when the offender has not been sentenced if such possibility is provided.

Misdemeanor law of the Republic of Serbia provides for the following safeguards (Article 52 of the LCP) w: 1) seizure of objects, 2) prohibition of performing certain activities, 3) prohibition of a legal person from performing certain activities, 4) prohibition of a responsible person from performing certain activities, 5) prohibition driving a motor vehicle, 6) compulsory treatment of alcohol addicts and psychoactive substances, 7) compulsory psychiatric treatment, 8) prohibition of access to the injured party, objects or venue, 9) prohibition of attending certain

sports events, 10) public announcement of the verdict, 11) removal aliens from the territory of the Republic of Serbia and 12) confiscation of animals and prohibition of keeping animals. Protective measures: a) confiscation of objects, b) compulsory treatment of alcohol addicts and other psychoactive substances, c) compulsory psychiatric treatment, d) prohibition of access to the injured party, objects or place of committing the offense, and e) removal of an alien from the territory of the Republic of Serbia may also be imposed when are not provided for by the regulation specifying the offense.

Seizure of items is a safeguard measure that seizes items that have been used or have been intended to commit an offense or which have been committed by an offense (Article 54 of the LPP). Seizure of a case does not affect the right of third parties to receive compensation from the perpetrator (Tomanovic, 2000: 87-106).

Prohibition of performing certain activities is a protective measure consisting of a temporary ban on the offender to perform a particular economic or other activity for which a permit of the competent authority is issued or entered in the appropriate register (Article 55 of the PDO). Unless the regulation specifying the offense specifically stipulates the conditions for imposing this measure, it may be imposed under the following alternatively specified conditions: 1) if the offender misused his activity for committing the offense, or 2) if it can reasonably be expected that he would continue to perform the activity by such person whether it is dangerous to the life or health of the people or other protected interests of the law.

A ban on a legal person from carrying out certain activities consists in prohibiting the production of certain products or performing certain activities in the field of trade in goods, finances and services or in prohibiting the performance of other specific activities (Article 56 of the PDA).

The prohibition of the responsible person to perform certain tasks consists in the prohibition of the offender from performing certain tasks that he performed at the time of committing the offense or other managerial position in economic or financial business or a certain type of business or all or only some duties related to the disposal, use, management or the handling of entrusted property (Article 51 PDO).

The prohibition of driving a motor vehicle is a specific safeguard that can only be imposed on the perpetrators of certain types of traffic offenses (Smailhodžić, Pevilić, 2006: 56-71). It consists in prohibiting the offender from temporarily operating a motor vehicle of a particular type or category for the time specified in the judgment (Article 58 of the PDA) (Jovasevic, 1998: 395-400).

Compulsory treatment of alcohol addicts and psychoactive substances is a medical safeguard that can be imposed on a person who has committed a misdemeanor as a result of his or her dependence on continued use of alcohol or psychoactive substances if there is a risk that he / she will continue to commit misdemeanors because of that dependency (Article 59 PDO). Although the law calls this measure "compulsory treatment", it is still optional at the discretion of the misdemeanor court. Mandatory psychiatric treatment is a newly introduced medical protective measure. It must be imposed on the person if the following conditions are met: 1) the offender has committed a misdemeanor in a state of negligence, 2) if the court finds that the perpetrator is in serious danger of repeating the offense and 3) if psychiatric treatment of the offender is required to eliminate the danger (Article 60 PDO). It is the only misdemeanor sanction that can be imposed on an indiscriminate offender.

Prohibition of access to the injured party, objects or place of the offense is a precautionary measure that is imposed to prevent the perpetrator from repeating the offense or from continuing to endanger the

injured party (Article 61 PPL). This measure may be pronounced up to one year, counting from the enforceability of the judgment.

The ban on attending certain sports events consists of the obligation of the offender to report directly to an official in the regional police department or police station in the area where the offender found himself and to stay in their premises at the time of holding the event. sporting events (Article 63 PPL) The application of this measure is related to committing offenses against public order and peace, especially in relation to violence and misconduct at sporting events (competitions) (Tomić, 1985: 951-966). When imposing a measure, the court also determines its duration, which can range from one to eight years.

Public announcement of the verdict shall be pronounced by the court to the offender if he / she thinks it would be useful for the public to be informed of the verdict rendered, and in particular if publication of the verdict would help to eliminate the danger to life or health of people or to protect the safety of traffic of goods or services or economy (Article 64 PDO). The judgment may be announced within a maximum of 30 days from the day the judgment becomes final. The costs of publishing the judgment are borne by the offender.

Removal of an alien from the territory of the Republic of Serbia is a specific safeguard with regard to the capacity of the offender. It can be pronounced against a foreigner (a person who holds a foreign citizenship or stateless person - a stateless person) who has committed an offense that makes his / her continued stay in the country undesirable (Article 65 PDA). This measure is pronounced for a period of six months to five years, and the duration of the measure starts from the day the verdict becomes final, but the time spent in serving the prison sentence is not counted towards the duration of this measure.

Animal confiscation and prohibition of keeping animals is a newly introduced safeguard measure that confiscates animals from the owner or keeper declared responsible for an offense in the field of animal welfare in order to prevent the offender from repeating the offense or otherwise continue to endanger the welfare of the animals (Article 66 PPL). The sentencing court shall determine, in accordance with special regulations, whether the confiscated animal will be handed over to the competent animal shelter or the organization concerned. This measure is pronounced for a fixed duration of one to three years - counting from the day the judgment is enforced.

5.3. Educational measures

Misdemeanor law provides for two types of educational measures. These are (Jovasevic, 2010: 67-81): 1) warning and guidance measures - reprimand and special obligations, and 2) enhanced surveillance measures. Warning and guidance measures (Article 74 of the PDA) are imposed when such measures need to influence the minor's personality and behavior and when they are sufficient to achieve the purpose of these measures. Measures of enhanced supervision are imposed in the case where more lasting educational measures need to be taken for the education and development of the minor, with appropriate professional supervision and assistance.

Reprimand is the mildest educational measure consisting of a reprimand which a misdemeanor court directs on behalf of a company to a minor offender when it is not necessary to take more lasting educational measures, especially when his attitude towards the committed offense and his willingness not to commit violations in the future that the purpose of this measure can be achieved by the educational measure imposed (Article 75 PDO). These are cases where the minor committed the offense out of lightheadedness or recklessness.

Special obligations are a measure imposed by a court if it finds that appropriate requests and injunctions need to influence a minor and his or her behavior (Article 76 PPL). In that case, the minor may be assigned one or more specific obligations provided for by law: 1) to apologize to the injured party, 2) to repair or compensate for the damage caused by him, 3) not to visit certain places and to avoid the company of certain persons who they are adversely affected, 4) be subjected to withdrawal and treatment for alcohol and other psychoactive substance addiction, 5) to be referred to a competent driver training facility for the purpose of learning or testing traffic regulations, 6) to be engaged without charge humanitarian organizations or in matters of environmental, social or local importance and 7) engage in the work of sports and other sections of the school with the pedagogical supervision of teachers. When imposing special obligations, the misdemeanor court determines the duration of their duration, which may not exceed six months, without interfering with the minor's education or employment.

Enhanced supervision is an educational measure imposed on a minor offender when it is necessary to apply more permanent measures of upbringing to him. There are two measures of enhanced supervision: a) enhanced supervision by parents, adoptive parents or guardians, and b) enhanced supervision by the guardianship authority (Article 77 of the PDA).

5.4. Punishment of minors

The PDO provides for the punishment of juvenile imprisonment in the structure of juvenile misdemeanor sanctions, in addition to educational measures (Đukić, Jovašević, 2010: 45-52). This punishment can be imposed only if the conditions prescribed by law (Article 81 of the Law on Public Procurement) are met: 1) the offender must be an elderly minor; manages its proceedings, 3) that the court has come

to believe that due to the grave consequences of the offense or a greater degree of misdemeanor liability, it would not be justified to impose an educational measure.

5.5. Other misdemeanor measures

Forfeiture of property gain (Marjanovic, 1998: 375) is a special type of legal consequence arising from a decision of a misdemeanor court as a consequence of the commission of an offense. It consists in the seizure from the perpetrator of the misdemeanor of money, securities, items of value and any other material gain obtained by committing the misdemeanor (Article 69 of the PDA). If such forfeiture is not possible, the offender shall be obliged to pay a sum equal to the proceeds obtained. If the defendant fails to pay the amount so determined within the specified period, the payment shall be made by coercive means (in the same way as the unpaid fine for the offense). The following are considered grounds for extinguishing misdemeanor sanctions: 1) death of the offender and 2) statute of limitations. In misdemeanor law there is no place to use amnesty and pardon as grounds for extinguishing criminal sanctions. In theory, the occurrence of coming of age after the decision to impose an educational measure in the case when the offender is a minor, when the imposed measure is suspended (Article 83 paragraph 2 of the PDA), is a special ground for extinguishing the misdemeanor sanction. The statute of limitations for initiating and conducting misdemeanor proceedings (abolition) exists when, after the expiration of a certain period of time from the commission of a misdemeanor, no misdemeanor proceedings can be initiated against his perpetrator. The time it takes to get outdated - it's called the statute of limitations. This statute of limitation shall be one year, except for offenses in the fields of customs, foreign trade, foreign exchange, public revenues and finances, public procurement, trade in goods and

services, the environment, the prevention of corruption and air transport, where a longer statute of limitations may be specified by a separate law, but not longer than five years (Article 84, paragraphs 4 and 5 of the PDO). Absolute obsolescence means the impossibility of initiating and conducting misdemeanor proceedings against a specific person for the offense committed, when a certain period of time has elapsed after the commission of the offense, regardless of the suspensions and interruptions of the statute of limitations. It occurs when twice as long as required by law for the statute of limitations for initiating and conducting misdemeanor proceedings. In the same way and under the same conditions, the statute of limitations for initiating and conducting proceedings for the issuance of a misdemeanor warrant (Article 84 paragraph 8 of the Law on Public Procurement).

6. Conclusion

Criminal offenses, although the most serious and socially most dangerous acts that violate legal regulations and violate or threaten particularly significant social goods and values, are not the only type of criminal offenses (public law offenses). In addition, there are, to a much greater extent, violations, such as violations of the rules of legal order and social discipline of individuals and legal entities, for which, as lighter forms of criminal offenses, all modern criminal legislation provides for a wide range of misdemeanor sanctions. Misdemeanor sanctions, by their importance, nature and character, are punishments for natural and legal persons, or entrepreneurs, who have established misdemeanor liability, which are prescribed for the perpetrators of certain types of misdemeanors in the laws and by-laws. In addition to these, there are other, more numerous and specific misdemeanor sanctions. In addition to sanctions as coercive measures imposed by the court on the offender in each particular case, the

misdemeanor law is aware of other, “special” misdemeanor measures which do not have the character of sanction, even though they are extremely important for imposing or enforcing sanctions.

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BOSNIA AND HERZEGOVINA AND THE EUROPEAN UNION - THE INTEGRATION PROCESS

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Summary: The developed economy in the world is characterized by a very dynamic structure of change, both in production and in the market position of individual countries. Economic trends in the world were accompanied by faster growth of world trade than growth of production. Therefore, each country seeks to find its place in the international division of labor and a satisfactory market position, although the dominance of industrialized countries is not in question. Diplomacy plays an important role in integrating the economic territories of individual countries. Bosnia and Herzegovina has a political and economic interest in joining the European Union, so it has already started using EU funds under the programs, under the Framework Agreement between the European Union and Bosnia and Herzegovina. Writing a good project for economic development comes down to a craft. The methodology adopted in the EU in the 1990s is based on the methodology used by Americans in the 1960s, whose base was logic framework analysis or a logical matrix. The investment from EU funds is intended to create a competitive BiH economy for the Single (Internal) Market of the European Union. However, economic cooperation is only one of the "first pillars" of the European integration process. A significant step in the development of foreign policy cooperation and security was achieved in the Maastricht Treaty by introducing a "second pillar" within the European Union. Thus, the Maastricht Treaty annexed the security segment to foreign policy, which Member States are obliged to actively and unreservedly support.

Keywords: market, development funds, foreign policy, security, judicial cooperation

1. TRANSITION PROCESS

In the East Lager countries, the economy was planned. Scientific socialism, it meant identifying the needs of man according to which production was planned. It was considered pointless to talk about socialism, where slave relations are. To such an attitude, Kaucki replied that slave relations are the basis for the progress of every economy. Where there are no slave relations, according to him, it is barbaric socialism⁹⁴. In 1968 Hungary reformed the central economy system by a system of decentralized economic process planning.⁹⁵ Other Eastern Lager countries have also made changes to the existing economic central planning economy. Their development in the transition process was different. This development is marked by stabilization, but also by a gap under the influence of the necessary reforms and privatization (sale or donation). The radicalization of the planned economy began in 1989. State ownership was replaced by private ownership, the market and prices still had a hard budget cap instead of a soft cap. The abandonment of the classical socialist system can be characterized as a consequence of the radical reforms inherent in the characteristics of the classical socialist system and the beginning of the transition process. While changing the economic system, the legal system had to change as well, and adjustments were also needed at other levels: multilateral democracy, civil legal system, market economy.⁹⁶ At the economic level, the change from a centrally managed economy to a market economy began. At the behavioral level, the external management of business entities had to be

replaced by self-management according to their own needs. The negative consequences of the transition are conditioned by the socialist system itself, that is, the "burden of the former system"⁹⁷. There are different country-specific factors in transition countries that have a strong influence on a country's developmental capacity. Important influential factors include: historical experience of the market economy and the democratic system, experience with reforms, the degree of industrialization of the country's transition, and previous economic cooperation with economic entities of market economy countries. From this point of view, the SFR Yugoslavia had the best conditions for joining the European Union, with the introduction of new measures of democratization and a market economy, which were used by the Republic of Slovenia and the Republic of Croatia. Transition Countries The Republic of Hungary and the Czech Republic, during the two world wars, gained their first experiences with the market economy and the democratic system, which had a positive impact on the transition process. Spatial proximity to market economies has given a significant advantage to these countries in transition. These are Poland, Hungary and the Czech Republic, which have historically grown ties with free market economies, such as Austria and Germany. Hungary has shown that the radical reforms of the 1980s began a far-reaching liberalization and democratization at the economic level and an impetus for development in the 1990s. In the same way, the activity was conducted by the Republic of Slovenia. There was broad consensus on the goals of transition and state-building at the political and legal levels. The specific

⁹⁴ Rajko Kasagić and Alisa Salkić, *Fundamentals of Law and Business Law*, (Travnik 2015), 198.

⁹⁵ Helmut Leipold, *Wirtschafts - und Gesellschaftssystem im Vergleich*, (Stuttgart 1988), 140.

⁹⁶ Walter Eucken, *Grundsatz der Wirtschaftspolitik*, (Auflage, Tübingen 1967), 21. According to this

author, there is not only economic interdependence, but also interdependence of economic order with all other forms of life.

⁹⁷ Ulrich Thiessen, *Aspects of Transition to Market Economies in Eastern Europe*, (Newcastle upon Tyne 1994), 90.

factors of each country remained: historical, geographical and cultural conditions as significant and characteristic of that country. The Republic of Slovakia can be taken as an example. In this country, the economic results of the reform measures were quite positive: a small percentage of unemployment, a good economic growth rate and a relatively balanced budget. However, the European Union has condemned the undemocratic order (authoritative policy of the President). As a result, Slovakia was excluded from the accession candidate circle. The restriction was lifted in 1998 after the new government fundamentally changed the political course towards democratization of the society. pluralistic democracies. This Agreement was signed by some countries in transition in 1996⁹⁸.

2. BOSNIA AND HERZEGOVINA ON THE ROAD TO THE EUROPEAN UNION

Bosnia and Herzegovina as a state has a specific structure of government. It is divided into two entities and several cantons in the FBiH entity. They all have a high degree of autonomy in the exercise of three key functions of government: legislative, executive and judicial. In addition, Bosnia and Herzegovina is under the United Nations protectorate, which is why it cannot make decisions on its own or even on economic integration. The

condition for membership in the European Union is a free state, without a protectorate, with free democratic elections of authorities, in accordance with the norms of the Universal Declaration of Human Rights. The High Representative appointed by the United Nations Council has a major influence on foreign policy and internal affairs in BiH. Democracy Society in BiH can be gradually created by going through several stages. In the first phase, the European Union should take on an advisory role in BiH in accordance with the principles of its legal system and the creation of conditions for the realization of all three pillars. This would mean abolishing the Office of the High Representative. In the second phase, strengthen security on Earth and introduce the rule of law with complete independence of the justice system. In the third phase, the authorities should assume full responsibility for the economic prosperity of the country, taking into account all the internal and external security measures instigated by the European Union given in the first and second stages. Bosnia and Herzegovina's primary goal is full membership of the European Union. To this end, there is a general consensus among public and social entities within Bosnia and Herzegovina. The goal can be achieved if the paths and methods of achieving that goal are established. Great efforts must be made to improve and improve the economy of Bosnia and Herzegovina in order to achieve the 1991 Gross Domestic Product.

⁹⁸ Since the European Union offered the Accession Treaty to some countries in transition, until May 1, 2004, the conditions for full membership have been fulfilled: Latvia, Lithuania, Estonia, Poland, Slovakia, Slovenia, Czech Republic, Malta, Cyprus and Hungary, which officially became members of the European Union on May 1st. The conditions that transition countries must meet are posed by the following questions: free movement of goods; freedom to provide services; freedom of movement for labor; freedom of movement of capital: entrepreneurial law; equality in business competition; agriculture; regional policy; fishing; traffic; tax policy; economic and monetary union; statistics; employment; energetics; industrial policy;

SMEs; science and research; education and education; telecommunications; culture and audiovisual media; environment; consumer protection; judiciary and internal affairs; customs union; foreign policy relations; a common foreign and security policy; financial control; finance and budget; functionality of institutions and more. Of the 31 questions asked, transition countries answered: Estonia - 19, Poland - 16, Slovakia - 20, Czech Republic - 19, Hungary - 22, Cyprus - 22, Latvia - 16, Lithuania - 18, Slovakia - 19, Bulgaria - 10, Romania - 7. The conditions for accession were not fulfilled by Bulgaria and Romania, so the issue was postponed until 2007, Rajko Kasagić, European Union Law, (Banja Luka, 2005), 141.

According to the data of today's Gross National Product in BiH, it is possible to speak of war damage of 50 billion US dollars⁹⁹, because the social gross product per capita has fallen by 60%¹⁰⁰ due to the war. Disproportion in economic development is corrected by the European Regional Development Fund, eliminating inequalities in participation in the development and structural adjustment of regions lagging behind in economic development, as well as in transforming industrial regions with outperformed economic structures.

Participation of BiH in the Stabilization and Association process, responsibilities have been assumed in fulfilling the obligations regarding economic, political and legal stabilization through the process of gradual integration into the European Union with the aim of obtaining full membership. To this end, the European Union is beginning to fulfill these obligations by setting up special funds for investment in the Western Balkan countries. The positive assessment and recommendation of the European Commission to open negotiations followed on 25 October 2005. The signing and implementation of the Association Agreement depends on the fulfillment of the conditions set before its authorities, primarily from full cooperation for pre-accession assistance. The conditions for transition countries are not simple, but they are possible and easily achievable with the extra effort of making good use of European Union funds offered under the prepared programs.

3. REASONS FOR ECONOMIC INTEGRATION AND USE OF THE EUROPEAN UNION FUNDS

The international economic situation is characterized by a particular market in which traditional, time and geographical constraints collapse. Due to the creation of new economic relations, and especially new market relations, products and services are internationalized and transcended nationally, resulting in the opening of national borders and the integration of economic and political character.¹⁰¹

The common trade policy of the European Union is based on unique principles regarding changes in customs duties, conclusion of customs and trade agreements, harmonization of export liberalization measures, as well as trade defense measures such as those to be adopted in the case of dumping and subsidies¹⁰². Thus, the Single European Market enables the gradual integration of the national markets of the Member States into a single market, which will be governed by the same conditions for undertaking all forms of economic activity for all market entities, regardless of their domicile or nationality. The establishment and functioning of the single market depends on the exercise of freedom of movement for goods, labor, capital and the provision of services, or on the success in removing all the barriers and barriers to trade between Member States.

In the meantime, the interferences between Member States in the functioning of the single market have been grouped in physical, technical and tax obstacles by the

⁹⁹ Ilija Džombić, *Economic Diplomacy of Bosnia and Herzegovina*, (University of Business Engineering and Management, Banja Luka 2008), 46.

¹⁰⁰ *Ibid*, 48.

¹⁰¹ The European Union is the largest trading power in the world. There is a "one state" in this area.

During the integration process, the Union was granted the exclusive right to determine the economic policies of all the Member States, Vujo Vukmirica, *Economic and Monetary Integration of Europe*, (Banja Luka 2005), 1007.

¹⁰² Article 133 under point 1 of the Treaty of Nice, which amended Article 113 of the Treaty of Rome.

Commission of the European Union. The market of the European Union (then the European Economic Community) was found to be either physically or by different standards for particular goods. Therefore, the completion of the internal market required the harmonization of legal and other rules by the Member States in order to remove existing obstacles and prohibit the introduction of new barriers to trade between Member States. This is why the introduction of the single market has involved extensive legal regulation. The adoption of regulations of a secondary nature by the communal authorities in the form of instructions harmonize the conditions of business in all Member States.

4. THE INFLUENCE OF A UNIQUE (INTERNAL) MARKET ON THE ECONOMIC RELATIONS OF THE EUROPEAN UNION AND THIRD COUNTRIES

Establishing a single market for the Member States of the European Union meant closing the economic frontiers for their goods and services. The member states of the European Union have had the freedom of movement of goods and the provision of services with each other, and in respect of the goods and services of the Member States uniform customs tariffs have been introduced. In order to equalize the market conditions afforded by single market companies to businesses domiciled outside that market, their governments had to recognize incentive measures, at least at the level of the import duties of EU Member States. This was difficult to reconcile, especially because of the export

deficit in relation to the exchange of goods and services with countries belonging to the European Union's single market. The Union proclaimed its trade identity with strict reciprocity in its trade relations with third countries. This can be achieved through bilateral or multilateral agreements between non-member countries and the European Union, provided that they do not interfere with Article 113 and Article 228 of the Establishment Treaty, which retains exclusive competence for the European Union in the conduct of trade policy towards third countries.

It should be added to the above that certain countries of Europe (countries outside the market economy) have, in the past, been on the list of bans on exports of strategic goods from developed countries.¹⁰³ Export control of strategic products is done by the Coordinating Committee for Multiple Export Controls - COCOM. The control concerned the export of strategic technology and products to the Eastern Bloc and the former SFRY countries. The ban on the export of strategic goods from developed countries has affected the competitiveness of companies with their headquarters in countries outside the EU's single market. If we add to this the imposition of economic sanctions on individual countries in transition, then there are clear reasons for the economic inability of these countries' economic entities to participate competitively in the European Union's single market.¹⁰⁴ Additional and significant investments are needed in the economy of the economic space of the former SFRY in order to approximate the conditions of business of economic entities to the EU Member States. Investments not only in modern technology or machinery are required, but also in staff training, scientific research and market research.

¹⁰³ On the basis of the Strategic Commodity Decree no. 983 of 1967 introduced a strategic product control system. The decree stipulates that no one in the UK can export goods to the foreign governments, other authorities or legal and natural persons on the Earth's territory, which has been

declared a strategic product by the Decree, Aleksandar Ciric and Predrag Cvetkovic, *International Trade Law*, (Nis 2001), 57.

¹⁰⁴ "To do evil to prevent evil" is not justified (Njegoš) - neither from an economic or political point of view.

The European Union's single market has established standards and any European country that intends to become a member of the European Union must gradually adapt to those standards. The technological development of the EU member states defines the business cooperation framework for Europe's geographical space businesses.

5. SITUATION OF BOSNIA AND HERZEGOVINA - USE OF THE EUROPEAN UNION FUNDS

Faced with new market rules, the economy of Bosnia and Herzegovina is in an unenviable position. War events that have devastated the economy and economy, technological obsolescence, the absence of clear economic and political goals have an unpredictable economic position for Bosnia and Herzegovina, especially when considering the set economic and legal frameworks that need to be met in the process of accession to the European Union. The European states were no less spared from the effects of World War II, but they went beyond the means of the Marshall Plan, by investing in America to create a viable market economy for Western European countries, and then by establishing European economic integration entities: the European Coal and Steel Community, the European Atomic Energy Community and the European Economic Community, which formally merged on 1 July 1967 into a single entity, the European Community.

Through various aid programs, the European Union began in 1991 to invest in the Western Balkans. Through several programs, GARDS, ISPA and SAPARD have invested 6.8 billion euros in the Western Balkans. They have been transformed by the European Union into a new instrument of pre-accession assistance - IPA, open to candidate countries and the

countries of the Stabilization and Association process.

According to the Directorate for European Integration, BiH participated with 24 programs from 2007 to 2013, based on the Framework Agreement between the European Union and Bosnia and Herzegovina. The European Commission in BiH, under the IPA program, has made available € 11.5 billion over the time. The funds of EUR 550 million are earmarked to assist the transition and institution building and through border regional cooperation. The remaining funds are earmarked for regional development, human resources development and rural development, which BiH will only be able to use when it gains EU candidate status.¹⁰⁵ Institutions can use two more assistance programs from the IPA program of BiH: Taiex and Twinning. Taiex is an instrument to assist in the harmonization and implementation of EU legislation. Under the Twinning Program, beneficiary countries can be assisted by experts working on a project at a particular institution, who need to deliver concrete results in the *acquis* - the *acquis communautaire* - aimed at establishing relations between current and future EU member states.

In the area of education, BiH may use several funds, one of the most significant being Erasmus mundus. The purpose of this program is to improve the quality of higher education and cross-cultural understanding.

The program involves the award of scholarships for postgraduate studies, a partnership of higher education institutions, exchange of experience ... The beneficiaries of the program are students, higher education institutions, professors, scientists, and private and public institutions dealing with higher education. The Basileus program, which is also part of the Erasmus mundus program, encourages the mobility of students and scholars from

¹⁰⁵ How to Use European Funds, Business, 130, (2012), 20.

the Western Balkans to the European Union and vice versa. It is an opportunity to study at one of the European universities, especially for undergraduate and doctoral students, as well as doctors in the fields of agriculture, architecture, urbanism, planning, law, languages, mathematics, informatics, natural sciences, psychology, social sciences.

The Tempus program is a mobility plan for students from European universities and supports the modernization of education in many countries, including the Western Balkans. This goal is achieved through the financing of joint projects within which it is possible to modernize and distribute new curricula, methods and materials, to modernize the management and management of higher education institutions. The second part of the assistance relates to structural measures that contribute to the strengthening and reform of higher education institutions and systems, to improve their quality and to being coherent with the education system in the European Union.

Investing in the education system is for the advancement of scientific knowledge and of our own scientific staff. This is why Europe is increasing its scientific investment by a third. At the same time, the European Union is trying to pull scientists from "third world"¹⁰⁶ countries.

EU funds can be used on the basis of projects made under EU rules. Ideas must match the purpose of the program from which funding is sought. The project must state what it wants to accomplish, how much it will cost to execute the project, who will be responsible for the implementation of the project, and what results are expected. What matters is which ballpoint

pen the application signs. Some project applicants received a negative response because parts of the text of the questionnaire were signed with a black ballpoint pen and the signature was acknowledged in blue only. The purpose of the funds is not to make a profit, but from these funds can develop the company's internal capacity, employee education, business modernization, marketing. The goal is to increase the competitiveness of businesses in the market, which later inevitably leads to the generation of profits for the business owner.

6. FOREIGN POLICY AND SECURITY

Member States' cooperation in foreign policy has been introduced as an element of deepening cooperation, together with the expansion of European communities including the United Kingdom, Ireland and Denmark. The original name given to this activity is "European Political Cooperation", although the word "political" was used by foreign ministries to distinguish between what they consider to be "high politics" from issues such as the economy. At the time of De Gaulle, France insisted that political cooperation not only intergovernmental but also strictly separate from the European Community.

Political cooperation accomplished one important thing when Member States put human rights on the agenda for the 1975 Helsinki Security and Cooperation Conference. The diplomatic representatives of the Member States have finally developed a way of cooperation that subsequently resulted in many common

¹⁰⁶ On a global scale, the European Union is far behind the US in the field of scientific research. In the first half of the 20th century, most of the Nobel Prizes remained on the Old Continent. Since the Nobel Prize was applied (1901), 672 awards have been awarded, of which 284, or 42.2%, went to Americans. The breakthroughs are closely related to

the resources invested in scientific and research development. America spends \$ 270 billion annually on research - 150 billion more than Europe. Each year, about 90,000 scientists from Europe for America move in, increasingly receiving the Nobel Prize, Vujo Vukmirica, Economic and Monetary Integration in Europe, (Banja Luka, 2005), 106 and 107.

positions, vis-à-vis other countries, as well as with the United Nations. France was ready by 1985 to accept the idea of making European political cooperation closer to the European Community, which was done by the Single European Act. This act more specifically regulated the cooperation of Member States in foreign policy. It states that Member States are "striving" to formulate and implement a "European foreign policy", on which they will inform and advise each other.¹⁰⁷

A significant step in the development of foreign policy cooperation and security was achieved in the Maastricht Treaty by introducing a "second pillar" within the European Union. The prospect of unification of Germany upset France, fearing that a unified Germany could threaten the French-German partnership and embark on an independent policy towards the East. Just as the common currency was promoted to keep Germany tied to the European Union, so would a common foreign policy and security bind Germany to the Union. That is why the President of France and the Chancellor of Germany suggested, in 1990, that an intergovernmental conference on "political union" go hand in hand with the conference on economic and monetary union. The result of this cooperation between Germany and France was the "second pillar" for a common foreign and security policy.

The Maastricht Treaty has given foreign policy a much firmer contour, plugging the security segment, which Member States are required to "actively and unreservedly support in a spirit of loyalty and cooperation"¹⁰⁸. The common foreign and security policy should be pursued through systematic cooperation and joint action in accordance with the principle of solidarity¹⁰⁹. Systematic co-operation is based on consultation and common positions and coordinated action. Joint action is decided by the Council of the

European Union on the basis of the guidelines of the European Parliament. When making such a decision, the Council shall determine the scope, objectives and duration of such action, as well as the means, procedures and conditions for its implementation.

The European Union secures its "independence and integrity", which necessitates a unified defense in order to preserve the freedom and independence of its members. Therefore, the enlargement of the Union is primarily conditioned by the ability and willingness of potential members to embrace its objectives, primarily in foreign policy and security. This will determine in advance how much the interested states for EU membership are prepared to follow the set path, namely: systematic cooperation of the Member States on any issue of general importance, on taking joint actions for the common defense, which is an integral part of the development of the European Union. The European Union is developing its common defense by strengthening the "European Pillar of the Atlantic Pact", though it is gradually embarking on the activities of creating its own defense forces, the idea started by French President Mitterrand and German Chancellor Helmut Kohl, based in Strasbourg.

7. JUSTICE AND HOME AFFAIRS

A proposal for the creation of a European judicial area to establish judicial cooperation in criminal matters between the members of the European Union (then the European Community) was submitted by France at a summit in Brussels on 5 and 6 December 1977. It was pointed out that the Treaty establishing the three European Communities is the basis for the creation of an economic and trade space, and that the European construction needs to be enriched

¹⁰⁷ See Article 30 of the Single European Act.

¹⁰⁸ Article J 1 (4) of the Treaty on European Union.

¹⁰⁹ Article J 2 of the Treaty on European Union.

with new content, such as the "European judicial area". Its implementation would be realized in five stages: establishing a single extradition convention, establishing a procedure for international legal assistance in criminal matters and more flexible access by Member States, establishing a procedure for transferring criminal proceedings from one country to another, international recognition of judgments, establishing a procedure for transferring closure persons responsible for criminal offenses from one country to another.¹¹⁰

The construction of a European judicial area in criminal matters has been intensified within the Council of Europe since 1985, when preparations were made for the entry into force of several conventions in the criminal field, such as: the European Convention on the Transfer of Convicted Persons; European Convention on the Compensation of Victims of Violence; Protocol No. 6 to the European Convention on Human Rights concerning the abolition of the death penalty; Convention relating to money laundering, trafficking, seizure and confiscation of products obtained from criminal activities, the Europol Convention. It is important to emphasize that in this process, the Europol Convention of 26 July 1995 was also adopted, which has the task of protecting the internal security and security of the Member States. However, the adoption of the conventions did not lead to uniform regulation of the criminal field, since each of these conventions represents only a part of the whole. However, this has created legal frameworks that open the way for the preparation and adoption of a convention that would globally cover cooperation in criminal matters and create the conditions for codifying the instruments established by the various Council of Europe conventions and recommendations.

Prior to the signing of the Maastricht Treaty, legal instruments of European

judicial cooperation were identified or were being prepared within the Council of Europe: protection of human rights and fundamental freedoms, extradition, international recognition of judgments, combating road violence, transfer of criminal proceedings, international consequences the loss of the right to drive a motor vehicle, the fight against terrorism, the transfer of convicted persons, offenses relating to cultural treasures, and the last convention adopted in this field in 1990 is the European Convention on Money Laundering, Fraud, Seizure and Confiscation goods acquired through criminal activity.

Therefore, the legal system of the European Union is well-placed to ensure a free and happy life for citizens. In addition, Community law (European Union law) allows Member States to derogate from their founding treaties in exceptional cases. They may take unilateral action when it comes to the vital interests of its security, or in the event of events that threaten the maintenance of internal order and peace, in the event of a serious international crisis threatening war or in order to fulfill its obligations to preserve peace and international peace. security. In these cases, the State may withhold information that it would otherwise be obliged to provide, take measures regarding the production and trade of weapons, ammunition and war material, and take other measures to protect the single (internal) market.

CONCLUSION

The accession of Bosnia and Herzegovina to the European Union is a long road that requires a lot of hard work, scientific and political staff. The first and basic need is to determine the process of democratization in order to ensure immediate and public elections without

¹¹⁰ Rajko Kasagić, *European Union Law*, (Banja Luka 2005), 79 and 80.

the ability to change and correct any kind. This could be ensured by the introduction of electors, or electronic voting and control. Provide expert staff for the development of programs to be applied to EU funds envisaged for the development of a market economy and the increase of social gross product in Bosnia and Herzegovina. Political, economic security and security have a significant impact on foreign companies' interest in investing in the BiH economy. In addition, the administrative department's effective work on issuing appropriate documents to a foreign investor is required. Ensure the effective functioning of the authorities by strengthening the institutions, preventing the rule of individuals above those institutions. Decrease in general consumption and its attachment to the growth of social gross product. The internal affairs and security services must have such working conditions that would ensure the natural rights of citizens to freedom, a happy life and property acquired on a legal basis, equality of citizens' rights. This can be achieved by directly applying the provisions of the European Convention on Money Laundering, Fraud, Seizure and Confiscation of the Proceeds from Crime, adopted in Strasbourg on 8 November 1990. An efficient, autonomous and impartial judiciary, in cooperation with the interior and security services, is the cornerstone of the rule of law in every state. By joining the European Union, members retain their own characteristics that are characteristic of its people, such as: cultural and historical values, moral norms as autonomous for a particular social community.

The fulfillment of the prerequisites also entails the abolition of the OHR Office, ie the complete abolition of the position of the High Representative and the assumption of the advisory role of the European Union in Bosnia and Herzegovina in overcoming the obstacles to the efficient functioning of the State of Bosnia and Herzegovina. Therefore, Bosnia and Herzegovina should

pay attention to the present, study the European Union's communitarian law, identify obstacles to joining the European Union in order to remove them. Whether it will be the BiH White Paper or stabilization and association measures, the nazi of that book is of lesser importance, but its content is overwhelming.

Community law is flexible and subject to change. The Court of Justice of the European Union plays a significant role in establishing the legal principles in line with the objectives of the founding treaties. Their decision is imperative in nature. If a legal act of a Member State is contrary to the founding treaties, the Court of Justice shall declare its nullity, which shall automatically terminate its application. What is null and void cannot be applied.

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