

interview
Miodrag Kostić

PRESIDENT OF MK GROUP

REGIONAL COLLABORATION TOWARDS DEVELOPMENT OF THE ECONOMY!

› BY *KATARINA MARTIĆ* › PHOTO *MARINA LOPIČIĆ*

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If Serbia takes matters into its own hands, we can expect economic recovery in 2018. We have to try by ourselves and not wait for Europe to help us.

This is how Midorag Kostić, owner of MK Group, started his interview for Kurir International after the EU enlargement summit held recently in Brussels. His company is currently one of the largest vertically integrated agricultural companies in the whole of Europe, whose operating system today includes more than 35 companies employing over 4,500 workers in Serbia and Ukraine.

- We need to evaluate why joining the EU is not only good for us, but also for them. It is necessary for us to promote the right values and not for everything to finish with only promises.

What are your expectations about the effects of the Summit?

- It is necessary for us to take the recommendations of practitioners of the expert symposium in Brussels seriously, considering the number of unresolved issues in the Western Balkans. Nobody expects revolutionary discoveries, but it is enough to hear and understand, in order for us all to grow and develop through collaboration. Every time you show up at a gathering like this you advance the image of Serbia a step forward. People from abroad have prejudices about Serbia, but when they come they do not want to leave - they say it's the best place to live, and it really is. I hope that these presentations of ours will break those stereotypes.

How would you comment on the fact that you are the only representative of Serbian business in Brussels?

- Regardless of that fact, I am here to convey a message from the entire business sector of Serbia. If we do not make regional leaders, major companies that will pull smaller companies forward with them, we will not make great progress. For example, MK Group has 1600 clients with whom it cooperates. If we join together with some regional company and add its 2,000 customers to that number, that would make 3,600 firms from the region that are growing. In that way all the profit, VAT and contributions will remain in the region.

Have you boosted the business image of Serbia?

- There is no doubt that certain progress has been achieved, it's just that the image improves pretty slowly and work needs to be done on that. The economic crisis has, unfortunately, set us back a lot.

To what extent do you feel progress in the process of harmonisation with EU laws in your business?

- MK Group started with that 10 years ago, long before the others. As confirmation of that, I will note the example that the sources of 70 per cent of the financing of the op-



erations of MK Group have come from the EBRD, the World Bank, the German Development Bank and the Dutch Development Bank. We started negotiations with European financiers very early on and, of course, there is no talk of any sort of financing from their side if you have not previously implemented all European standards.

It seems that the funds from privatisation have not been used in the right way.

- Since the start of privatisation more than 1,500 companies have been sold in Serbia, while a third of contracts have been terminated. Of course, the funds raised through the sale of state assets have been consumed

in the meantime, so they haven't contributed to the growth of our gross domestic product (pensions, salaries in the public sector etc.). Distrust, fear and bad experiences are the key words in the general discourse. However, we rarely speak about the companies that have become more successful since privatisation. Let

PRIVATISATION WAS A NECESSARY PROCESS IN ORDER FOR OUR MARKET AND OUR COMPANIES TO BECOME COMPETITIVE

When you compare today's economic environment with the environment in Serbia when you began to deal with entrepreneurship, do you see a difference?

- The difference is huge. When I got into private business 30 years ago I was one of the few. It is common knowledge that private enterprise in socialist Yugoslavia was limited by the state and almost forbidden. The economy was based solely on the work of the public and state sectors and awareness of the need for private entrepreneurship was almost non-existent, because the whole concept of the economy was based on a command economy, where the state decided on everything and managed the economy. Today, in the 21st century, we live in a democracy that carries with it the model of a market economy. Of course, alongside more competition and the world economic crisis, which was never greater.

me remind you that in the privatisation process it is important that all stakeholders take responsibility for their actions, know their rights and obligations, and work towards the realisation of common interests, in order for the possibilities of further improvement to the business to be open. Privatisation was a necessary process in order for our market and our companies to become competitive and was certainly a necessary step towards joining EU flows.

How can the problem of unemployment be resolved? What specifically needs to be changed in the Labour Law?

- A burning economic problem in Serbia, for a long time already, is certainly the very high unemployment rate of about 25%. On the "black" market about 12 per cent of the officially unemployed in Serbia, or almost

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400,000 people, are engaged. When you look at these figures, you see that for a long time we've been living and working in an unsustainable system. Serbia needs reform of labour legislation which will lead to a more flexible labour market with a higher circulation of employees, which would make it modern and adapted to new and contemporary professions. The Serbian government is working on reforming the Labour Law and I'm sure that is encouraging for both domestic and foreign investors. That gives hope for a better position of Serbia in the eyes of investors, but also gives hope for a better rating of Serbia in the future. What is certain is that the Labour Law should be balanced between employers and employees.

The largest part of your business is related to the sugar industry, after which you also became active in the meat sector. Viewed over the long term, which generates the greater profit?

- We decided as far back as 30 years ago to invest in both agriculture and the food industry. We modernised the enterprise that we bought and raised the rate of productivity to world levels. MK Group, thanks to good strategic planning and knowledge of the market, succeeded in capitalising on the favourable opportunities on the world markets, which contributed significantly to the growth of our group. To be honest, I only now expect us to achieve our most significant results. The consolidated revenue of all of our enterprises in Serbia and Ukraine is in excess of €700 million.

Like all companies in the world that are engaged in the production of corn, wheat and sugar, we are also making bigger profits because prices on world markets are at historically high levels. In eight years, since the privatisation of our sugar factories, a total of €100 million has been invested in their modernisation. With four purchased sugar refineries, of which three are working, we have made the most efficient sugar factories in Europe. We have already developed

the technology and know-how. All we are lacking is the volume of production. MK Group's investment in meat company Carnex is worth close to €40 million. According to current expectations and projections, these funds will be returned in a period of eight to 10 years. There will certainly be additional investment during this period. Carnex is the most renowned brand in Serbia, but it requires a lot of innovation and investment. Work is already underway on a lot of that.

OF COURSE, THERE IS NO TALK OF ANY SORT OF FINANCING FROM THEIR SIDE IF YOU HAVE NOT PREVIOUSLY IMPLEMENTED ALL EUROPEAN STANDARDS

Under the auspices of the MK Group there are also hotels on Mount Kopaonik. Are you satisfied with this business segment? If you had to choose only one branch of the economy to work in, what would it be?

- Thanks to investments in the MK Mountain Resort, realised over the past few years, Kopaonik restored its former glory as a leader in the region and, thanks to Serbia's top skier Neven Ignjatović, it returned to the map of European ski resorts. I'm glad I do not have to choose. Certainly the main business of MK Group is the agricultural sector: land, working the soil, logistics, warehousing and industry (sugar factories, mills and part of

the port of Pančevo), hospitality and tourism in Kopaonik. At first glance it's a very broad portfolio, but all this has a mutual synergy. For example, Kopaonik buys a large part of the vegetable and fruit products from our estates.

Is there room for further development of the "Privrednika" business club that you currently head and are you satisfied with the results so far?

- There is always room for development. Every day we work to establish the effectiveness of economic development and reform the social environment as a whole. In recent years businessmen, in talks with representatives of the government, have been on the road to creating a more optimistic environment and implementing new projects.

How did you come up with the idea of building a house for young people in Kraljevo?

- I got the idea when I was staying with colleagues on Kopaonik, within the annual "team building" meeting. I learned about the Children's Village project and considered that MK Group, as a company with a clearly defined strategy in the field of corporate social responsibility, should help, which it has done since the date of inception. All children have an equal right to basic needs and we at MK Group seek to enable them to realise that right. As a parent, I am proud of the fact that for the youth from the Children's Village we built a new, warm home in which they have a better environment to build their personal future. I believe that everyone, in relation to their potential, is duty bound to give part of their value, which they created during the course of their career, back to the community in a manner that benefits them. In addition to the many activities we realise daily, I am particularly proud of this project and the project founded by the Kostić family, where children suffering from cancer stay. This is just another confirmation that our good intentions do not end just with words, but rather that we consistently implement in action, as we have done over the previous 30 years. ■

NEW LAWS LEAD TO NEW INVESTORS

What is it crucial that the Serbian government do in order to improve the investment climate?

- Government and bureaucracy on the one hand represent direct costs, while on the other hand they are the creator of the economic environment and can make it more or less attractive. It is important that the government looks at the wider context, that it is turned towards the world market and is making such laws and tax policies that will be attractive enough to entice not only foreign investors, but also domestic ones. That is a good government and in that way it can help.

STRUCTURAL CHANGES - REDUCING THE PUBLIC SECTOR

What are the good and bad moves of the Serbian government when it comes to solving economic problems?

- The new government has taken the responsibility to thoroughly solve one issue at a time, many of which are inherited. I think this is the first time in the last 25 years that anyone has addressed problems as they really are, and all the while they are politically unpopular. Reducing the public sector is a structural change of the economy that will bring results much later. I believe in the potential of the domestic economy, because Serbia has not used all of its capacities fully. There is room for improvement, particularly in the fields of energy and food production. The question of how quickly it will progress depends on the cooperation of the economy and the state and I'm sure we will all contribute to this goal.

