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Chapter I

Bank and Insurance

Mr. Prof. Tefik Halili

ACTIVE RATE OF INTEREST AT KOSOVAR BANKS

All commercial banks in Republic of Kosovo are established on the basis of the Regulation nr. 1999/21, on 15th of November 1999, as well as changes and later additions, with the aim of following and applying those changes, which have happened in the process of evolution of the Kosovar society.

Even the banks, a financial institutions, in one way or another have followed economic and legal changes, which happened since 1999, and particularly after 2002, by tending to be one of the most important chains of the overall development of Kosovo, which emerged from the war on 1999 with many problems, contradictions and with extra needs in establishing the basic conditions (at the beginning) for a stable life.

The traumas and war consequences were very horrible and for this reason, for a relatively long term (almost three years), the international community had to create a legal basis and a good climate for establishing commercial banks, with very different principles from those before the war.

A region which was destroyed and an exhausted population from exploitation of all forms of their wealth, was not expected to have its own capital or to join for establishment of commercial banks.

Such a step was taken by business persons from Europe (Germany, Austria, Slovenia), who initiated the first procedures of establishing commercial banks based on certain regulations, which were rules, norms and standards of the developed Western countries, where the perfection of principles and goal of commercial banking is the main motto.

In parallel with the establishment of the first bank – ProCredit Bank (with an other name), were initiated the procedures and standards of commercial banking on entirely different basis from the experiences of the previous banks.

At this moment, there was a basic need for establishment of mechanisms and procedures, which would enable citizens to join the normal financial flows, according to the standards of the free market economy.

At present, after almost eight years since the establishment of the first commercial bank in Kosovo, much has changed. In the small market of Kosovo, there are many commercial banks, the mechanisms, norms and rules of the overall business of the banking system are perfected..

Capital now is used mainly in banking system, not as it was before the war - cash in hand. Each form of exchanging goods and services is done through bank accounts, all incomes and obligations of companies, employees are part of the banking system and circulate through commercial banks.

Therefore, we can clearly consider that money is found in one way or another (as savings, as deposit) in different bank accounts.

Kosovars, at a higher percentage, have linked entirely their economic activities with banking system and its financial flows. This can be proved with the relatively high number of the different accounts of citizens in commercial banks.

According to the prearrangement and structure of the balance, banks in Kosovo (and in other countries) conduct three different types of activities, which have different implicating influence on their balance:

- Passive banking (activities and actions in collectioning and accumulating of funds from different subjects and citizens);
- Active banking (credits and other banking products); and

- Banking activity with commission (intermediary activities).

As the main question of this professional study is interest rate in active banking of Kosovar banks, at the beginning of this study it will try to present in short words who are the credit seekers, respectively to determine from which field of economic activity we have the majority of the applications for credits and other banking products.

Based on the data of the Ministry of Trade and Industry, as well as from the Economic Chamber of Kosovo for the year 2006 (31 December 2006), the structure of the registred businesses is as follows:

Sector	Economic activity	Number of enterprises for 2006	Percentage (%)
A	Agriculture, hunting and forestry	892	1.59
B	Fisheries	26	0.04
C	Mining industry (coal and other minerals)	230	0.41
D	Food and drink products and tobacco industry	5179	9.36
E	Power supplying, gas and water	50	0.08
F	Building industry	2948	5.27
G	Trade	26712	47.79
H	Hotels and restaurants	5168	9.24
I	Transport, storage and communication	7734	13.83
J	Financial intermediary	173	0.30
K	Real estate, renting and business services	2004	3.58
L	Public administration and protection, social insurance	99	0.17
M	Education	632	1.13
N	Social and health protection	1079	1.93
O	Other personal activities and services (cleaning, movement of black waters)	2956	5.28
P	Other activities of private and family business with employed persons	2	0.003
Q	International organisations	0	0
	Total	55884	100

From the overall number of all businesses, the highest percentage is shared by trade enterprises with 47.8 percent, with a high diversity of declaration on the size and the structure of their own capital, as well as on the level of organisation.

In particular, it is noted the small number and the weak qualifying structure of the employees, which in fact does not promise a long-term development regarding the ambitions which existed at the beginning of these enterprises, as the only escape to avoid unemployment.

Taking into account that these enterprises, at the very beginning have problems due to lack of funds and the proper professional staff, after a relatively short period, face problems of financial and organisative nature.

In order to solve out these problems, and in particular the lack funds, they are doing right when seeking credits (without asking for the level of the interest rate) from banks usually in short-term (up to one year) or for bank guarantee, since other products offered by commercial banks are relatively small or unknown to Kosovar businessmen.

Also, it is noticed that all Kosovar banks, without exceptions (we conditionally are calling them Kosovar, in reality the owners or the shareholders of the biggest banks in Kosovo are foreign citizens), do the creditation of economy and Kosovar citizens merely by from their passive capital, which in its entirety (except for the capital at moment of creation) is formed by bank deposits of the Kosovar citizens and economic subjects.

The data from the Central Bank of Kosovo, published for the first quarter of this year, prove our previous conclusion. Therefore, according to the data, the economy and the citizens, by the end of this quarter, had in total deposits in the sum of 1 444 882 000 euros, meanwhile commercial banks have given credits in all forms (except for long-term investment credits, which is not practiced by Kosovar banks at all) at the sum of 1 204 732 000 euros, with different interest rates.

These unfortunately are not published and have the character of “business secret” by passing only to Kosovar citizens and businessmen.

During the last year (2008), based on the reports by the Central Bank, the interest rates in deposits were 3.89 percent, while the interest rate of the credits was 15.10 percent or 3.88 times higher than interest rate in deposits.

This big difference between the passive interest rate and the active interest rate does not need a comment, except that it feeds foreign interest and those Kosovars (shareholders in the banks), who get rich in a legal way at poor citizens’ expense.

Republic of Kosovo is a country which emerged after the recent war, undeveloped and very dependent on foreign aid and import of many products, particularly food products, which are imported by trade enterprises, which at the same time have the biggest share among in the credits with interest rate above 15 percent).

Being so, this high interest rate is part of the prices of essential products and articles for citizens’ life, having influence in this way in the decrease of the living standards and the buying force which in anyway is very low.

The continuous repeat of this phenomenon encourage commercial banks’ actions, where in some way the qualitative competition does not exist, owing this to the restrictive policies that banks apply when they choose their creditors. Therefore, here we have the case of a latent inequality between the two basic catalysts of the market – the offer and the demand for banking products.

The demand dominates the offer and starting with this principle, Kosovar banks over the years are functioning in the financial market and, with a few exceptions, have the highest level of active interest rate in eurozone.

It is a surprise how a certain number of Kosovar banks, which are branches of different banks from Europe, allow themselves such a ‘plundering’, while they know that in their country, the interest rate is many times smaller and always under the control of the financial authority, meanwhile here such an action is ‘argued’ with the existence of many risks and firstly with lack of state.

To be a bigger absurdity, these exactly the states who are supporting business policies of Kosovo and at the same time are guardians of security and integrity of the Kosovar population and economy (NATO, EU). Therefore, a question is raised: is there a wrong perception or we have dissonant positions?

There is an impression that management structures of these banks are aware that such a high level of interest rate in banking products is not proportional to the risks which are threatening the return of the contractual obligations.

However, there is a lack of courage to make the first step and to accept the fact that one of the main risks is the problem of organisation, which lies within the bank¹ as well as the ‘deformed crediting culture’² which can be a problem for any bank.

In order to minimize the effect of the internal risk, the easiest way for the bank management is to suggest that the main problem is lack of the state, and increasing without reason the interest rate, which in any condition would have minimise the acting effect of organisational risks.

It is frustrating also the lack of transparency of all banks when the question comes to active interest rates, while passive interest rates are published in all media, with all details. Why this is not the case with active interest rates? Why they are always non-transparent and explained in details for their internal structure?

This questions, as many other ones, are closely related with mechanisms and crediting policies, and even further remain secrets and main ‘weapons’ of the strategy of isolation to he potential credit seekers and the widen audience.

Any given reason that in this way business secrets are being kept is a kid tale, since almost always, within a short-term, business circles exchange information among themselves. Even that commercial banks do not publish their cathogories of active interest rates, it is not difficult for random citizens to be notified by the banks for those rates.

As a conclusion, I am convinced that commercial banks who are functioning in Kosovo must not be oriented in high rates of their products, because changes are happening every day, this way even Kosovar credit seekers will be clients of banks outside Kosovo, where naturally they have to fulfil obligations, however their requests will be realised with lower costs than present.

¹ BIS, Basel Accord of January 2001

² Greuning Van H. and S. Brajoviq – Bratonoviq, Analyzing and Managing Banking Risk, Second Edition, The World Bank 2003.

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IMPLICATIONS OF BASEL II IN NON MEMBER OF BASEL COMMITTEE ON BANKING SUPERVIZION COUNTRIES

Abstract

In June 2006, The Basel Committee on Banking Supervision (BCBS) approved the supposedly final version of the Basel II regulatory framework on “International convergence of capital measurement and capital standards”.

Compared with the original 1988 Accord, its three-pillar approach (minimum capital requirements, supervisory review process and market discipline) offers a more comprehensive framework for banking regulation and supervision, while the revision of minimum capital requirements allows for both a menu of choices and a migration to more risk-sensitive methodologies.

Under Pillar 1, regulators and banks may choose between a Standardised Approach (SA), which constitutes a revision of Basel I, and an entirely new internal ratings-based approach (IRB), whose two methodologies (Foundation and Advanced) are intended for banks with more sophisticated risk management.

While Basel II remains primarily focused on the operations of international banks, the presence of the SA de facto recognises that in the meantime around 100 countries adopted Basel I as the regulatory framework for their entire banking system.

Basel II continues to consider capitalisation and good risk practices as the main tools to make banks more resilient. The IRB methodologies are seen as the necessary step towards aligning regulatory capital with the advanced risk-sensitive methodologies employed by the more risk-sophisticated banks to compute their economic capital.

In this perspective, Basel II, particularly its Pillar 1, must be considered as a dynamic regulatory environment ready to accept more advanced risk methodologies as soon as they appear reliable enough to be incorporated in its prudential scheme. This presumably also aims at containing the wide discretionary powers and the crucial role of supervision that an opaque Pillar 2 now establishes.

The substantial innovations represented by F-IRB and A-IRB are intended only to apply, at least for the near future, to international banks. However, the unchanged governance structure of BCBS - with delegates from central banks and supervisory authorities of the G-13 - does not

recognise that a framework initially thought to apply only to international banks became the standard for entire banking systems, also for many non-BCBS countries.

Although some representatives of the developing countries were enrolled as sparring partners after the initial proposal of revision advanced in 1999, this did not change either the logic of the New Accord, or its main features.

Furthermore, although BCBS recognises that, as a result of the financial liberalisation of the 1990s, the home-host countries supervisory relations have become a crucial articulation for the effective implementation of the Accord, the relative institutional arrangement basically remains as loose as that of the original 1975 Basel Concordat.

When we assess the implications of Basel II for developing countries, some of its features are often criticised as posing serious dangers to the financial efficiency and stability of these countries.

The aim of the present paper is to analyse these criticisms distinguishing those related to the efficacy and efficiency of Basel as a micro-regulatory tool, from the ones deeming it insufficient as a defence against systemic instability. We conclude that for developing countries a change of approach is needed, going from Basel's regulatory level playing field to a stability level playing field.

This means opening regulation to country-specific micro and macro features and making it coherent with the domestic institutions and policies on which realistically these countries can rely.

To this end it is worth considering alternative schemes made up of 'weaker' versions of prudential regulation accompanied by structural interventions for both the banking system and the economic system in general.

Key words: Basel II, three-pillar approach, non-BCBS countries, diversification of banks' portfolio, pro-cyclicality, home-host supervisory relations,

It may be useful to recall the historical foundations of the Basel construction. The first Accord was being thought in a period in which the old banking regulation, afterwards termed as structural, was still operating, especially in the US.

The foundation of the old regulation, where it existed, was to address the systemic nature of (in)stability. The experience of the 1970s and early 1980s showed that something was missing with respect to large banks operating at an international level, whose scope of action had been constantly widening.

These banks were thought to be sufficiently well managed as regards operative efficiencies and the pricing of expected losses, but not enough aware of how large international shocks, then already increasing in frequency and seriousness, could undermine their survival and put at risk the functioning of the international and domestic financial systems.

The above experience showed how easy it was for a serious shock to produce balance sheet write-offs of an order of magnitude higher than banks capital (hence a gap between social and private optimal amount of capital).

Historical studies were furthermore suggesting that for a long period of time banks had steadily decreased their capitalisation. It was then natural to suppose that putting a brake to, or reversing this trend could improve the resilience of international banks, i.e. their ability to buy time to rebuild their viability.

Furthermore, a risk-adjusted capital requirement could act as an *ex ante* incentive against excessive risk-taking. Hence the formulation of Basel I, whose widespread adoption was seen, often primarily, as a way to reach an international regulatory level playing field directed at limiting unfair competition.

From the time of the formulation of the first Accord many things have changed. In our perspective the more fundamental change has been that many countries, developed and developing, adopted, more or less willingly, Basel I to move from the old systemic (structural) regulation to the new prudential one.

This widened its scope from dealing with international banks to applying to entire banking systems. However, no real fresh thought was given on whether capital requirements could always constitute the central piece of stability regulation for an entire banking system.

This new 'Basel Consensus' stems from two premises and has two main consequences. In the long run domestic stability derives from freeing the market forces, since incentives coming from competition are seen as compatible with both micro-efficiency and stability.

In the short run supervision must push all banks to compute their economic capital according to best practices. As for the consequences, first, it was no longer possible to extend to the new context, also made up of medium and small-sized banks, the presumption of efficient and well managed institutions, hence the need to produce in 1996 a manual on the Core Principles for Effective Banking Supervision and the prominent role given to the Second Pillar in Basel II.

Second, some of the barriers erected by the previous banking regulation against systemic crises (such as limits on competition) are in many countries no more in place.

While the experience of Basel I in developed countries (most of them are member on BCBS) is generally considered beneficial to the stability of their banking system, serious doubts exist that this was actually due to the capitalisation rule.

First, we must discount that prolonged economic growth in many of these countries has produced fat profits also in the financial sector, hence an increase in capitalisation. Second, supervisors' action towards weak but not failing banks has been strengthened in many cases by the reference to an international rule, using it to push those banks to accept acquisitions or to look for mergers.

When looking at their potential implications for non-BCBS countries, the new features of Basel II have, however, attracted several criticisms that may be grouped into five main classes.

Reduction of risks through diversification.

A major criticism of the 1988 Basel Capital Accord was its failure to account for the reduction of credit which can be achieved through the diversification of banks' portfolios. This criticism has been addressed only up to a point in Basel II.

- The Standardised approach of Basel II is basically a new version of the 1988 Accord with a more elaborate calibration of credit risk and is thus open to similar criticisms.
- Under the IRB approach the correlation terms in the formulae for the risk weights are designed to take account of risk diversification within the different categories of assets specified. They have been adjusted during the Basel II exercise in response to representations from economic sectors and politicians.
- As a result of another change under the IRB approach the correlation terms for corporate, sovereign, bank, and other retail exposures are now decreasing functions of PD to reflect the fact that the credit risk of riskier firms (i.e. those with a higher PD) is affected more by idiosyncratic factors and less by systematic, macroeconomic factors.

None the less the correlation terms of the IRB approach of Basel II can only take account of diversification effects within the categories of assets specified and not across these classes.

Diversification across these classes has been suggested as a vehicle for reducing the capital required for, and thus the interest rate on, international bank loans to developing countries, the proposal here being based on estimates of the reduction in credit risk which could be achieved through a portfolio appropriately diversified across borrowers from developed and developing countries.

The inclusion of rules for the design of such a portfolio in Basel II can be conceived in principle but would have the effect of further complicating an already complex accord. Such design within the parameters of the IRB approach of Basel II could, however, be undertaken as part of implementation by national regulators and is perhaps best left to action at this level.

Pro-cyclicality impact of Basel II

The second criticism concerns pro-cyclicality and instability. For Basel I, pro-cyclicality was not referred to changes in risk-weights but to movements in actual capitalisation around its regulatory level.

For Basel II many analysts agree on the further danger that more risk-sensitive methodologies, directed at increasing horizontal risk-differentiation, could also increase time-sensitivity. Given the higher instability characterising non-BCBS countries, the result could be an accentuation of pro-cyclical lending of international banks towards these countries.

The discussion has then centred on technical issues, such as the 'point in time' or 'through-cycle' methodologies adopted by rating agencies and by banks in their internal risks assessments. As far as these methodologies allow for some time-sensitivity, the adoption of quite similar methods to assess risks by the major banks could also produce large swings in both directions, increasing instability.

The Basel Committee is of the opinion that the flatness of the risk-weight curve and the stress tests required for supervisors' approval of banks' internal models should guarantee a neutral impact of regulation. The discussion is not always clear on the distinction between 'normal' cyclical movements and less frequent, but more disruptive, systemic crisis events.

To keep capital requirements within acceptable limits, VAR calculations exclude exceptional losses. It follows that, despite the possible existence of flattening methodologies, ‘disaster points’ are out of their reach (on this more in the next section). Of some help would be a regulation capable of reversing the intrinsic pro-cyclicality of banks, for instance giving to some parameters an anti-cyclical variability.

The results ultimately depend on the level and movements of the buffer capital, i.e. the surplus of capital with respect to the minimum regulatory one, that Pillar 2 openly requires. Again, Basel II gives supervisors a potentially wide discretionary power of intervention.

Asymmetry in supervision

A third area of criticism relates to the impact of Basel II on host non-BCBS countries regulator’s ability to properly regulate these banks. Though this concern is particularly dramatic for small and low- non-BCBS countries countries, similar concerns have also been expressed by fairly large middle-income regulators.

However, consolidated supervision may be a source of difficulties for the implementation of Basel II for a bank with cross-border operations if the supervisor in its parent country approves its adoption of the IRB approach, while that in the host country of one of its foreign entities, which has prescribed adoption of the Standardised approach in its jurisdiction owing to constraints due to its supervisory capacity, is unwilling to accord such approval owing to fears about the adverse competitive effects on domestic banks.

Such effects would be a consequence of the possibility acknowledged by the BCBS that “a variety of approaches for determining capital adequacy could justifiably result in different capital requirements for the same type of transaction”.

Under the Basel Concordat of 1983, which prescribes the distribution of supervisory responsibilities for a bank with cross-border operations, responsibility for the supervision of solvency, which includes that of capital, differs for branches and subsidiaries.

For a branch (which is an integral part of its foreign parent and does not have a separate legal status) solvency is primarily the responsibility of supervisors in a bank’s home country (although supervisors in the host country retain a general responsibility for monitoring the financial soundness of foreign branches).

For a subsidiary (a wholly or majority-owned legally independent institution incorporated in the host country) supervision of solvency is a joint responsibility of home and host supervisors since the entity is legally incorporated in the host country but the bank’s overseas exposures also need to be taken into account in the consolidated supervision performed by the home supervisor.

However, these guidelines were designed to serve the objectives of prudential supervision and not to deal with problems posed for supervisory coordination by considerations of banking competition. Thus in the case of a subsidiary the host supervisor would be acting in accord with its rights if it insisted on the Standardised approach.

However, this would impose on the parent bank and the supervisor in its parent country the burden (and additional cost) of integrating the subsidiary’s approach into the consolidated framework of its operations.

In the case of a branch, according to a strict reading, the guidelines of the 1983 Basel Concordat do not accommodate the case in which a banking group’s home supervisor has accepted its use of the IRB approach but a host supervisor in the country of one of its branches has decided that banking entities in its jurisdiction should use the Standardised approach.

However, it is limited to the following fairly general guidance.

- Enhanced cooperation between supervisors will be required, especially for the cross-border

supervision of complex international banking groups.

- RF should not change the legal responsibilities of national supervisors or the arrangements for consolidated supervision set out in the existing standards of the BCBS.
- Supervisors should communicate the respective roles of home country and host country supervisors to banking groups with significant cross-border operations in multiple jurisdictions.
- A pragmatic approach of mutual recognition is recommended. This “implies recognising common capital adequacy approaches in host jurisdictions, as well as the desirability of minimising differences in the national capital adequacy regulations between home and host jurisdictions so that subsidiary banks are not subjected to excessive burden”.

This guidance is consistent with that in a paper of the BCBS of August 2003 where issues involving cross-border supervisory implementation of Basel II are addressed more fully: “where a banking group has operations in at least one country other than the home country, the implementation of the New Accord may require it to obtain approval for its use of certain approaches from relevant host country supervisors on an individual or sub-consolidated basis, as well as from its home country supervisor in respect of consolidated supervision”.

The paper acknowledges that whereas “host country supervisors have an interest in accepting the methods and approval processes at the consolidated level, in order to reduce the compliance burden and avoid regulatory arbitrage,...[they] have other legitimate interests which may prevent them from recognising for use at the sub-consolidation level an approach approved at the group level”.

Here too the general approach of the BCBS to the distribution of responsibilities for the supervision of bank capital is based on the 1983 Concordat with emphasis on enhanced cooperation and information exchange between home and host supervisors.

But effective supervisory cooperation is not always easily achieved, and the difficulty may be greater when there are substantive divergences between the supervisors involved as in the case described above, i.e. divergences regarding acceptance of the Standardised and IRB approaches under Basel II.

The BCBS is apparently evaluating case studies covering various aspects of supervisory cooperation regarding implementation of Basel II which may include the issues just raised and lead to more fleshed-out guidelines as to how to deal with them.

Operational risk is a subject concerning which more concrete guidelines concerning the respective responsibilities of home and host supervisors in the context of consolidated implementation of Basel II have been published since CP3 but before RF. Here the subject is the AMA to setting capital requirements for banks with cross-border operations involving subsidiaries, and it is reasonable to assume that these guidelines supplement the rules of RF.

The concern of the BCBS results from the multiplicity of bank functions involved in the management of operational risk with the result that “in any banking group, some of these functions will be carried out at the group level, while others will be performed at the level of the individual entity”, but that capital is not necessarily transferable within a banking group during times of stress.

In consequence the BCBS emphasises that the allocation mechanism for operational risk across business lines under the AMA should be approved by both the home and the host supervisor, and that the latter should retain the right to impose additional capital requirements if not satisfied that the capital allocated to the subsidiary in its jurisdiction is commensurate with its operational risk profile.

Competitiveness issue

The fourth criticism rests on the quantity and quality of resources needed for banks and supervisory authorities to comply with Basel II efficiently. The problem also concerns the balance of costs and benefits arising from the New Accord.

While large international banks expect net benefits from adopting the IRB version of Pillar 1, and regulators in rich countries may have the proper resources to supervise them efficiently, this is clearly not the case for most non-BCBS countries regulators and for medium- and small-sized banks.

Thus the Fifth Quantitative Impact Study (QIS5) conducted by the BIS shows that the AIRB would bring large reductions of capital requirements for several banks of almost 30%; the standardised approach would imply for some banks a substantial increase of nearly 40%.

Such huge differences could give foreign banks a huge competitive advantage if they adopt advanced approaches and local banks stay on the standardised approach.

The goal to attain a regulatory level playing field is therefore at risk, with a foreseeable large dispersion of regulatory menus among countries and banks, and wide differences in regulators' ability to manage, also with the necessary independence, the strong discretionary powers coming from an opaque Pillar 2.

Challenges for the Corporate Sector

Linked to the previous point is the fifth criticism. It is common opinion that large banks and financial conglomerates adopting the more advanced options of Pillar 1 will benefit from lower capital requirements than medium and small banks, constrained to adopt the standardised approach or a revised version of Basel I.

This should give an advantage to the large dimension, pushing further the consolidation process in the banking industry.

The use of risk based IRB models by foreign and large domestic banks to determine the amount of capital to be allocated for different types of borrowers is likely to result in both more expensive and rationed credit to borrowers perceived as of higher risk, and more and cheaper credit to borrowers perceived as of lower risk.

For reasons such as information asymmetry (and the fact that Basel II explicitly heavily penalises lack of or limited information), SMEs are likely to be judged as of higher risk than the larger ones, such as large companies.

This can cause a concentration in banks' credit portfolio away from small borrowers and towards the larger companies. Furthermore, portfolio concentration implies that risk is being concentrated thereby making financial institutions more vulnerable to shocks and unexpected changing circumstances.

This goes against the intended objective of regulatory measures, which is to reduce risks and vulnerabilities to which banks are normally exposed.

If foreign banks adopt the IRB approach, they would have the incentive to further concentrate their portfolio in the upper end of the market as this would save them capital and thereby would have a competitive advantage to lend to “good” companies over local banks using the standardised approach.

The latter group of banks would, in turn, be pushed towards lending to the riskier segments of the markets, making them potentially riskier. This trend could be further strengthened by the fact that, according to some non-BCBS country regulators and IMF officials, the Basel standardised approach may actually somewhat underestimate the risk of lending to SMEs.

This would create a division of labour between foreign and local banks that would not bode well for the stability of the entire financial system. It is true that such division of labour may already exist where foreign banks co-exist with local banks, (and recent empirical research at the IMF clearly seems to indicate that foreign banks seem to lend less to SMEs than other banks), but in introducing a dual regime Basel II would reinforce this pattern.

Furthermore, in countries where foreign banks are very dominant (e.g. Mexico, Eastern Europe) access to credit by SMEs may be particularly discouraged once IRB approaches are introduced. This could require complementary action by governments or development banks to increase public lending to SMEs.

Conclusion

- a) The effective implementation of Basel II in non-BCBS countries encounters many obstacles, perhaps the most important being setting up supervisory authorities with enough independence, resources and skills.
- b) The implementation of Basel II will not achieve financial stability in countries that lack the necessary structural and macroeconomic preconditions for such stability.
- c) Given its stress on regulatory capital, Basel II is particularly ineffective for non-BCBS countries where:
 - The concentration and contiguity of real and financial capital renders capital requirements ineffective.
 - The frequently experienced large shocks are not met by reasonable amount of banks’ capital. Following a prudential regulation approach, the attempt to prevent systemic crises by adding up several types of minimum requirements, and strengthening them, produces large and inefficient regulatory costs for banks.
- d) The sum of Basel II, cross-border banking and the FSAP programme may create important distortions, pushing non-BCBS countries to adopt a standard that is

incompatible with important aspects of their specific financial fragilities and with the sustainability of their development path.

These arguments should lead non-BCBS countries to cooperate in order to ask internationally to be evaluated not in terms of the Basel book of rules but in terms of the adoption of very broad principles of risk measurement and management, supplemented by a complex set of policy measures and institutional settings that should be both coherent with their specific characteristics and capable to maintain regulatory costs within acceptable limits.²³ Financial regulation should be seen as part of a coherent scheme of structural and policy framework appropriate for each country.

Given that only advanced institutions and markets can be counted on to respond effectively to prudential rules and incentives²⁴, structural measures of financial regulation should be considered, when deemed appropriate, in substitution or in addition to prudential ones.

Anyway, the interactions among preconditions, regulation and supervision must be played inside a structural dynamic context; in particular, since it takes more resources to supervise and enforce complex standards than simple rules, regulation should dynamically match prior supervisors' ability to manage it.

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THE INSURANCE, LIQUIDATION AND BREAKEVEN AS ECONOMIC CATEGORIES IN INSURANCE

Introduction

There has been a lot written in economical theory about the production, economisation, breakeven and liquidation. There are many definitions about those notions which do not differ much, however, there has been less work written on insurance.

The importance of insurance can not be compared with the importance of the above-mentioned concepts and notions. In this essay we have reflected upon the importance of insurance, as security in insurance has a great significance in the work of insurance organisations.

1. Insurance

According to the economical theory, the workplace insurance in enterprises and organisations is not an essential principle of work. However, it remains as one of crucial ways of liquidation policy. Workplace insurance in insurance companies (insurance associations) is one of the main work principles.

The business basis could be build following the economic principles, but the unsuitable mobility of damages (such as catastrophic damages, cumulative damages and other large damages) can lead to the inability to fulfil the obligations towards the insured clients.

Therefore the insurers, when not able to cover large risks with their own capacities, separate and distribute such risks into the market and re-insurance.

Through the due diligence of personal capacities for the transfer of risk and plasma of surplus of risk on the re-insurance capacity, the insurer gets a maximum insurance.

This can be seen on the fact that it enables the insurer to cover the large, cumulative and catastrophic damages that can eventually get higher than the expected damages and reimburse the insured without any problem.

In the same time insurance means that even in the case of unfavourable mobility movements of damages within a financial year, due to all kinds of damages happened at an earlier stage, the insurer realize more income than expenditure for that year.

Large and massive damages can influence the financial result for a specific year. This could be negative one as the insurance premium set according to average figures is not sufficient.

Those retreat backdrops of average are called 'case retreat' and could be approached in two ways:

- Through the calculation of high income – (additional payments) of the required premium for insurance or the formation of personal capital and maintenance of the technical/insured risk.
- Through the leading insurer (direct) re- insuring the risk with someone else, so in this way as an insurer to exchange its insuring variable expenditure with fixed expenditure.

In practice there isn't one way or another to come to the solution of a problem but there are many ways which can be combined to approach a problem.

We can certainly claim that there is any direct insurer, neither locally nor anywhere in the world, that doesn't use certain re-insurance protection. We can also claim that there isn't any direct insurer in the world that doesn't cover a part of its own damage/risk.

Certainly, there is no other activity where there is a connection and such cooperation as in the delivery of the risk among the insurer and the reinsurer in the local and global market.

Lately this is even more concentrated as the risk concentration and the growth of risk size due to the advancement of technology and significant changes in the importance of specific risks.

Last decade has seen an increased attention, mainly in Europe, in the importance of risk due to many catastrophic risks and mostly in the natural risk such as tornado, hurricane, flooding, earthquake and so on.

All those changes that happen in the spectre of natural disasters present a very large problem to the insurers (and re-insurers). The question is how to insure them, how to balance them within certain time and place and how to prove with due diligence the right premium so it is financially reasonable for the insurance contractors.

But when the premium is quoted many things should be taken into account and evaluated. For example the external mobility factors of the particular place and within the specific time.

In that way new methods have been developing and are being developed to calculate the required premium so the income from the premium can be balanced with the other elements of financial policies of insurers and reinsurers.

II. Liquidation

Liquidation in insurance has certain specifics in relation with trade enterprises. The insurer gains funds through the payment of the insurance premium and through other means.

The insurance premium is paid before according to the rule, while damages can happen, respectively this is the case at a great number of insurance agreements. Damages and the exact term time are difficult to be foreseen and to be planned. The main obligation of the insurer is to compensate the damage to the insured within the insurance agreement.

The happening of the insured case does not mean merely that there is an obligation for a payment by the insurer. From the day of the case until the payment of the damage it is necessary to pass a certain period. A certain period can be days, weeks, or in some special cases even one year.

The time depends on the causes of damage, the size of the damage, the types of the damaged property or property interest, the necessary time need for repair or collective movement of objects in the previous conditions, the necessary documents etc.

Each damage has its own specifics which determine necessary actions, documents and time. In some cases, the damage may be paid partially. This is done according to the rule at big damages where it is not sure if more time would be needed to determine the final height of the damage.

In the big amount of the work, based on the statistical references, it is able to foresee the overall happening of material damages. In that case, 'material damages' are meant some small or medium damages which may be not planned exactly. It is not possible to foresee big damages (particularly in case of accumulative damages, catastrophes, massive damages) because they can happen in long or short intervals. At these damages, if there is an agreement for reinsurance, reinsurers would be included.

With the completion of the insured case, the cost occurs at first and later on the damage payment too.

The insurer shall have available cash flows at the moment when the payment liability for damage has been received. In the insurance area there is always a certain time space between the premium payment and the damage payment.

This is the reason why the liquidity problems in insurance are much smaller than those in economy. At the periods with great non-liquidities in economy, the insurance companies are often liquid, or in other words they have possibilities to write off received liabilities at any moment.

Basically, at the periods with aggravated liquidity in economy it is more difficult to carry out premium payment, respectively the delayed payment is more present, and the ample cash inflows appears later, while at the periods when liquidity in economy is improved the major part of premium is paid during the arrival of insurance agreement, and the inflow of financial means appears earlier.

The premium payment rate of insurance from the market associations is higher during periods with good liquidity in economy whereas is lower during periods with aggravated liquidity in economy.

Payment rate of premium from persons (citizens) is normally higher in contrast to the market associations because the payment schedule of premium is generally quicker. Undoubtedly, the payment rate of premium is depending on the business policy applied by the insurer in the area of insurance premium payments upon the agreements made for insurance.

II. 1. Elements for liquidity confirmation

Liquidity elements in insurance are the liabilities taken on the basis of agreements made for insurance and liabilities arising from agreements done for co-insurance and re-insurance, time frames for receiving those liabilities as well as funds for payment.

In order to achieve a liquidity the amount of fund available shall be sufficient to write off the liabilities received in the time of their inflow. That means that the inflow of ample cash flow and the outflow of financial means shall be in compliance with inflow periods.

In the insurance area main flow of financial means inflow occurs when the agreement is made for insurance, respectively the payment of insurance premium is done, while the main flow of the reduction of financial means occurs during the damage payment and contracted sum on the basis of the agreement made for insurance.

II.2. Ample cash inflow

Main inflow of financial means occurs during payment of insurance premium upon insurance agreements. The insurance premium is normally paid simultaneously with making agreement for insurance, but can be also contracted with instalment payments. In such cases it is the obligation that the instalment received in the name of premium is paid in due time.

The ample cash inflow is performed by the insurer under several foundations: cash inflow on the basis of premium payments; cash inflow on the basis of payments from the co-insurer, re-insurer in accordance with participation in liquidated damages and partially liquidated; cash inflow on the basis of payments from the invested means from insurance; cash inflow on the basis of payments due to other remaining causes.

II.3. Cash flow

Inflow of funds of the insured is entirely realised based on:

financial inflow on the basis of partial liquidation of damages; financial inflow on the basis of co-insurance and reinsurance and financial inflow according to other reasons.

II.4. Specifics on keeping flowing liquidation in insurance

The problem of liquidation in insurance is shown in different way than in trade enterprises. Based on reached agreements for insurance, the insured sum is paid previously for the period that is covered and which is counted (from the first deadline to the next one, contracted insurance for a certain period).

Insurance agreements are continuously reached and the insured sum is paid during the year. During the year, damages and insured sum also are paid and liquidated, insured according to the reached agreement.

On the entirety of the overall sum, it is paid also that part of the sum which has to do with next years. That part of the sum which has to deal with next years is called the delivered premium because it serves for covering the obligations according to the reached agreements in insurance which start in the year it is signed and end in the other years.

Also the damages that happen during the year are not solved out and paid according to the insurance agreement became part of that year' expenses. The insurer can be a high liquidator and work with losses.

The insurer is a liquidator in case of the loss until that sum is not bigger than the delivery position (delivered premium and reserved damages). The biggest sum of the delivered premium is paid according to the level of payment of other premium and this part is declared as inflow of funds.

They will be declared as such at the moment of payment of some damages or partly damages. Under the assumption for other non-estimated categories, we can prove that:

- a) If technical premium is increased, in a same time is improved financial results and liquidations (and vice versa);
- b) If the paid damage is increased at the same sum of obligations (with reserved damages), the liquidation is decreased and vice versa, while financial result does not change;
- c) If the reserved damage is increased in the same sum of obligations (with paid damages), the liquidation is improved and vice versa, while financial result does not change;
- d) If delivered premium is increased, financial result is exacerbated, while liquidation remains the same.

The above conclusions are given on the basis of the report between the financial result and the liquidation from the technical work. If we want to see the report completely than during prove of financial result must be included all the elements of expenses and incomes from insurance funds, while during liquidation all the elements of incomes and inflow must be included.

II.5. Measure of liquidation policy

Within its business policy, the insurer, respectively the branch takes decisions that have impact on liquidation, but the same time try to achieve the best business results. In special measures for improvement of liquidation are included those who are taken because of the shifts in cash flow.

Measures for improvement of liquidation can be in two directions: measures for increasing the incomes and measures for decreasing cash flow.

In the main measures for increasing the income we can include: the increase of the work amount; acceleration of payment of insurance premium; and the increase of outcome of flowing funds.

Bigger effects in the perspective of liquidation improvement ca be achieved during the increase of the work amount and the acceleration of payment of the premium during the year.

III. Breakeven in insurance

Breakeven is one of the main principles in the work of trade enterprises, however as notion in proffessional literature (but also in practice) at us is not used or is used rarely.

Sometimes in written material for insurer's work can be found that the insurer has worked for some time in a profitable way or non-profitable way. In those cases of a profitable work it is meant a positive realisation of financial outcomes or earning, meanwhile the notion of non-profitable work means negativ realisation of financial outcome, respectively loss. Either positive financial outcome or the negative one shown in relevant indicators are called financial outcome scale.

The breakeven in insurance work can be defined as a relation between the realised financial outcome (earning of loss) and the overall incomes of insurance funds. Depending from the business outcome of the insurer for a certain period, the scale of the breakeven can be calculated in this way:

$$\text{Scale of breakeven} = \frac{\text{Earning} \times 100}{\text{Realised outcomesor Loss} \times 100}$$

$$\text{Scale of breakeven} = \frac{\text{Realised outcomes}}{\text{Realised outcomes}}$$

The financial outcome scale can be calculated for the insurer as a whole or for its parts separately. This scale can be determined accurately only for those parts of work subject of balance, respectively parts that are confirmed in terms of revenues and costs for the audited period.

Furthermore, the scale of financial outcome can be also confirmed through the insurance groups as well as through types of insurance and/or other working categories.

In such cases the problem arises in terms of determining realistic scales including the numerator and constituent since the revenues and costs not being confirmed within the framework of final calculation as well as final result to those types of work.

Should the one require calculating the scale of financial outcome for those types of works, which in practice would be necessary to drive on the business policy, particularly a tariff policy, it is necessary firstly to set up a methodology for verification of general revenues and of the financial outcomes. On the basis of the methodology set for certain types of insurance or for concrete works, the total revenues and costs are calculated including a financial calculation at a later stage.

Special problem in calculating general revenues and general costs represents the issue of size determination based on co-insurance and re-insurance and the determination of revenues from invested funds onto the general revenues, which are completed in certain types of insurances or concrete works.

To the co-insurance and re-insurance the amounts inputted to total revenues (participation in damages and other incomes) and the amount inputted to costs (re-insurance premium) can be calculated accurately.

Distribution of general incomes from investments can be carried over through the direct account on the basis of a certain criteria or in combination (with calculation or based on a certain criteria). Due to the reality of the outcome the direct calculation shall prevail. If it utilized as a criteria for distribution (in general or in particular) of revenues deriving from investments, the selected criteria should give a most realistic outcome.

It shall be realistic provided that the criterion for distribution is set on the basis of a status of financial means in groups and types of insurance. Most accurate criteria is obtained if the status of cash flows is calculated on the day-to-day basis.

The longer the period of determination of the cash flow status is the higher is the likelihood of a greater excessiveness of the status obtained from the realistic status. At the same time, critical excesses may occur to the periodic status (weekly, monthly, quarterly) due to a non-uniform flows and outgoings of cash, which is in fact a special feature for insurance, particularly in the area of damage payments.

Thus, the insurer has to organize the work in such a manner that would enable a realistic setting of revenues deriving from the invested funds for the activities that are being followed and for which we want to set up a breakeven point.

This is of specific importance because of information availability in due time in terms of what results are being accomplished from a certain activity and to which activity (i.e. types of insurance) respective measures are to be undertaken in order to match time-wise the revenues and costs.

Likewise, the breakeven in branches can be verified, as well as in groups and types of insurance or in single activities inside.

Owing to the specifics in the insurance area, the grade for total work or for a part of work cannot be set purely on the basis of financial outcome movements, respectively on the basis of the degree of breakeven, without detailed analyses.

With such analyses it is necessary to verify whether the audited period is long enough, bearing in mind types of works, for reliable conclusions as to the trends of work and financial outcome movement; whether during the audited period or at any part of it, massive damages happened affecting thus the financial outcome.

Should the damages be confirmed for the certain period, being those special or massive damages, which could not be redistributed at a great extend to the other insurers and re-insurers through co-insurance or re-insurance process, then the completed financial outcomes as well as the obtained outcome scale (including the scale of negative financial outcome) shall not be treated for granted and consequently a caution must be paid during grading of obtained results.

Despite the fact that in some cases for some types of works and/or types and groups of insurances the completed financial outcome is negative it cannot be concluded instantly that the work was unsuccessful.

Such conclusion can't be made because the damages, either big or massive damages, are unified in a longer run and in addition, in accordance with the rule on probability, it is expected that said damages will not appear every year but rather in certain short and/or long periods.

Therefore, it is crucial for the insurer to economize general property (from the insurers' perspective the revenues from invested fund represent a greater amount), because through the economization, especially for some groups of insurances, a great impact can be made to work performance.

In the environment with full impact of market economy it is a must to build a policy that gives priority to liquidity performance. This doesn't imply that the liquidity is endangered but the level of liquidity of means will be reduced to the least needed amount.

The insurer can calculate the breakeven in general or in single parts. The breakeven shall be calculated up to that level where measures could be undertaken within the framework of work policy by which that part of work would match.

Conclusion

Under consideration of a fact that the insurance deals with completion of four core services: compensation of value losses, scientific treatment of risk tolerance, equal distribution of damage among the insurers and the removal of losses during the path of systematic and preventive protection of values, it can be concluded that its efficiency is determined from capacity of the society for insurance.

Such capacity is defined as the maximum general sum of liabilities that one insurer can hold despite whether in that moment such insurer will be non-liquidator. The latter is more related to the question of respecting work principles in insurance.

The work practice in insurance has shown that the most important principles are the following: insurance principle, liquidity principle and breakeven principle.

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INTERNATIONAL FREIGHT FORWARDERS AND TRANSPORT ORGANIZATIONS

Introduction

Today freight forwarding plays a huge and important role in the international turnover and presents a significant activity in modern economic life. However, at the international level, there are not yet conventions which regulate the international freight forwarding.

Due to the single display and coordinating work conditions, freighters join to specific organizations (associations) both in local and international level. The general conditions about the freighters 'duties are given through such professional freight associations.

Such conditions regulate the position of legal entities that are a part of freight forwarding and transport system as well as the foreign trade system.

The forwarding organizations, as dynamic systems, depending on their common characteristics can be classified into local and international ones. Some of the forwarding and transport organizations will be presented in the further text including a short presentation of their activities.

(European Association for Forwarding, Transport, Logistics and Customs services) -CLECAT

The association which represents the interests of 27 national forwarding organizations of member states of the European Union (EU) was set up in 1958 in Antwerpen, Belgium. Its headquarters is in Brussels today, Belgium.

Small and Middle International Enterprises and the customers' representatives are a part of the CLECAT structures as associations mostly representing of this type.

The importance of CLECAT can be illustrated through the data that the organization protects the interests of more than 19,000 companies which employ more than 1.000.000 people. According to CLECAT through European Freighters and customs representatives, 95% of goods are duty-paid in Europe and 65% of goods are transported through the road (via land), 95% of goods are transported via air, and 65% via maritime.

This association has the main task also in the railway transport and the canals. CLECAT protects the interests of its members and promotes activities related to regulation, in defense of homogeneous transport methods and the transport types which establish the circumstances for a safe and free flow of goods.

CLECA cooperates with the International Federation of Freight Forwarders Associations -IFFFA and is responsible for European affairs which the international freighters within IFFFA are preoccupied.

This organization also cooperates with many other professional associations in the field of freight forwarding, transport, logistics and customs representation in which it participates itself (INDA-Alliance of European Industry sectors involved in the Transport of Dangerous Goods, ERFCP - European Rail Freight Customers Platform, EU Trade Customs High-Level Dialogue and the technical Customs Trade Contact Group).

The International Federation of international managers of goods - FIDI (Federation Internationale des Déménageurs Internationaux)

FIDI represents the largest global alliance which represents worldwide qualified companies which deal with the professional processing of goods.

Specialized enterprises which deal with the international shipping of goods participate in FIDI, unlike IFFFA and CLECAT where national freight organizations are members of them.

FIDI was established in 1950 as a European federation to represent the interests of specialized companies for international delivery, which over time grew into world leaders in this organization type. Its headquarters is located in Brussels, Belgium.

Today, this association includes more than 500 companies which are accredited according to FIDI standards for international accredited managers (FAIM - FIDI Accredited International Mover Standard). Companies that are members of FIDI, in this federation are represented by their national freight or transport associations, where they also participate.

FIDI's mission is to provide a forum which will advance the integrity, quality and cooperation among companies - members dealing with professional processing of goods. Within this association are also applied designed training and programs.

Such programs support the members on improving competitiveness in the international shipment and storage in the relevant markets. FIDI's vision is to deploy its members as "the managers' right solution" for international shipment of goods.

FIDI was structured by the FIDI Council, consultative committee, FIDI office, FIDI Association (national specialized associations) and FIDI branches (enterprises high qualified for processing of goods) The Council establishes the strategy of this association, holds annual meetings with the assembly and implements proposals approved by the assembly.

Consultative Committee consists of former presidents of the association and has a supervising role in administration and management, while responses before the Council members.

Daily operational activities of the association are made through FIDI office. FIDI branches and FIDI associations are members of this specialized global organization.

World Freight Organization - WFO

WFO is a global independent network of international freighters in which take part exclusively the specialized freight enterprises with an average size and only one from every country. As a selection criterion is considered their professionalism, experience, specialization, financial stability, reputation of the company, etc.

This strategic alliance enables competition of members and the opportunity for them to respond positively to market requirements in international transport and logistics market through the ongoing reduction of costs and improving quality of services. WFO has access to the work of individual clients and provides high quality solutions for local problems of the client.

This organization develops and promotes business opportunities in the global freight industry, by protecting the interests of its members and its clients as well. Within this network are built good relations among the members through which are established partners relationships among them, and in order to improve competition and to provide the client with better service.

Each of the specialized freight enterprises exclusively covers a certain part of the market and with the active cooperation and promotion of remaining companies, member of the network, performs freight forwarding services, transport, logistics, mediation in custom and other services and financial operations in concerning the international exchange of goods.

4. International Air Transport Association - IATA (International Air Transport Association)

This International Trade Group was established in April 1945 in Havana, Cuba by a group of aircraft agencies. In the beginning, the association numbered 57 members from 31 countries. Headquarters of the association is now located in Montreal, Canada, and participate more than 230 travel agencies and airlines cargo agencies from 125 countries that consist 93% of air traffic. For example, airline companies which are members of this association, in 2007 shipped goods of 44.7 million tons, of which 29 million tons are part of goods turnover.

IATA aims to raise awareness about the importance of the aircraft industry about national and international economy.

This association protects the interests of airline agencies around the world and helps them in simplification of procedures, unification of regulation and increase confidence of clients, considering reduce of expenses and improving efficiency of work. Main priorities of this organization are: security, which is improving steadily with the progress of safety standards, and

minimizing the impact of air traffic in the environment.

Benefits from the existence and functioning of this association for users of services are that this aircraft association allows simplification of travelling procedures and delivery of goods with low price.

Aviation companies have also benefits because IATA enables to operate safely, efficiently and through correct rules of economy. It also represents a kind of mediator between the aircraft companies and the freight companies through neutral standards set up for agencies services and to the centralized financial systems.

As an extensive network of companies of the aircraft industry, this association provides a qualitative expertise and various problems solutions to the companies of this sector. IATA cares that governments of different national economies are being informed in due time for the complexity of the aircraft industry, and how to provide with the best long-term decisions.

Only aircraft companies can be formal members of IATA, however, there are also different programmes of this association that enable their partners to achieve their interests and participate in the association's activities. Thus for example, airports in cooperation with the aircraft companies enable improved efficiency of the transport aircraft industry.

Travel and mediation agencies in cooperation with the aircraft companies enable improving of tourist services.

Freight companies or cargo agents may receive IATA accreditation which is recognized by the members of this organization. IATA's program for strategic partners enable suppliers and provider of services in cooperation with the aircraft companies, members of this organization to participate in preparing solutions about the problems which preoccupy such industry.

International Road and Transport Union -IRU

International Road and Transport Union founded in Geneva, Switzerland on 23 March 1948, is an international organization which represents the interests of road transport industry around the world. Participate in this network 180 national association of road transport worldwide participate in such network, which present operators of transport vehicles (buses, vans, taxis, trucks, etc.).

Although IRU has a truly global vision, it operates effectively even at the national level to the local level through national organizations which are members of them. The association aims is at facilitating road transport around the world. Through its Academy (IRU Academy) organizes trainings with which makes the promotion of professionalism in this sector and improve the quality of providing services.

It enables freedom to select customers' transport types, and equal treatment in separate regulation of transport means. In joint cooperation with its members is provided harmonized development of road transport and promotion of its use.

This specialized association represents the interests of the road transport industry in relation to governments, institutions and the private and public media. The organization also promotes cooperation and complements among different types of transport.

Besides the mentioned services provided by this association, it also provides a guarantee of TIR system, established under the TIR Convention, which allows facilitating of transit through the countries which have accepted this convention through the facilitation of customs procedures.

The IRU Constitutive Act obliges the organization to deal with questions relating to the development and facilitation of road transport. These are two key components of the work program of this organization.

International Union of Railways - UIC (The International Union of Railways)

UIC is a worldwide organization for international cooperation among railways, which promotes transport at global level. It was established in 1922 and includes 200 members from 5 continents, among which: railway, railway operators, infrastructure managers, railway service providers, public transport companies, etc.

The union also maintains close business ties with all participants in the railway transport, including business entities of other branches of industry, public governments and railway associations.

The main mission of the International Railway Union is through the progress of international cooperation among members to promote the railway transport with the aim of attraction as the readiness and development by building a strong railway system.

UIC goals are: facilitation of international exchange of experiences among members (benchmarking), proposal for new ways to improve the economic performance of the railway system, reaching interoperability, establishment of new global railways standards (including common standards with other transport models) and the development of the so-called Supervising Center - "Centers of Competence" (technical, insurance, management etc.).

UIC's main tasks are to advance technical co-operation, railway system and inter-operation through: providing of specifications and standards through standardization structures to set the technical platforms that will stick railway work.

Coordination of international cooperation projects of the railways;

Providing recommendations to its members; Achievement of agreements with intergovernmental organizations and other organizations whose commercial interest has to do with questions about transport or a cooperation with the railway transport;

6 regional associations of the International Railway Union (Asia, Africa, Europe, Middle East, North America and South America) were founded in 2007, which should solve the questions of regional members of UIC.

Today, this union is active in regional and global plan to protect the interests of the entities of railway through setting technologies and research, establishment of infrastructure, progress of passengers and goods movements, improving the transport efficiency, etc..

International Maritime Organization - IMO

International Maritime Organization was founded in 1948 by the United Nations in order to coordinate international maritime transport on providing a better security.

The organization enters into force in 1958. Its headquarters is in London, Great Britain whereof promoted cooperation among governments and the ships industry in order to improve shipping safety and to stop pollution of marine waters and ports.

IMO is led by its Assembly members through which are elected members. It also supervises the administration and the organization finances.

The maritime organization's work is implemented through 5 committees who receive technical support from their 5 subcommittees. Members of this organization as part of the UN can observe IMO interpretations. The observer status may take also the qualified non-governmental organizations.

International Maritime Organization also receives support from the Permanent Secretariat, in which representatives- members of the organization are employed. This secretariat consists: Secretary General who is continuously elected by the Assembly; some sectors such as maritime security sector, environment protection sector; conferences sector, etc...

In the framework of IMO we brought 60 legal instruments that represent the legal act with which member countries will improve safety at sea, will facilitate trade between distant maritime countries, and will protect life environment. Best known of all these legal acts is the International Convention for Safety of Life at Sea - SOLAS

International Federation of Freight Forwarders Associations – IFFFA (FIATA)

International Federation of Freight Forwarders Associations – IFFFA, French: "Internationale des Associations de Transitaires et Assimilés", German "Internationale Föderation der Spediteurorganisationen") was established in 1923 in Vienna, Austria. It was founded by 16 national freight forwarders organizations due to promote common economic and professional interests, and because of the setting and improving standards in the sector.

Today IFFFA is the largest non-governmental and nonprofit organizations in the field of influential freight forwarders work in this sector worldwide. This association now includes nearly 40,000 freight forwarding and logistics enterprises which is also called as the "architect of transport", in which are employed more than 10 million people in over 150 countries worldwide. In Article 2 of its statute was noted that the purpose of this association, as nonprofit organization is to be coverage of national freight forwarding associations.

It also should protect, promote and coordinate their interests and the sector plans, especially in terms of having good ties to national organizations and associations and supra-national shipping and commercial organization; participation at the work of such associations, branches or groups working in the interest of IFFFA, as their member, or corporation methods; active role in determining regulations of international business;

The image promotion and the acceptance of freight forwarding industry in public relations; publication of professional literature; organizing of training and seminars; to promote solidarity and fair competition in order to exchange experiences; solution of general and specific questions concerning the transport.

The main goals of this association are: to unite the freight forwarding industry in the whole world to present, promote and protect the interests of the industry through the participation of advisors

and experts in international objective meetings dealing with transport issues.

to recognize merchants widely, the economy and public services provided by the international freighters through information, dissemination of publications, etc.

to improve the quality of services provided by the freighters through the development and promotion of unified freight forwarding documents, trade standard conditions, etc..

to assist during freighters training, during problems with insurance, during the electronic transfer of data, etc..

There are the following bodies within the federation through which activities are carried out: The General Assembly, Head Council, the Presidency and advisory and working groups. The General Assembly decides on the main issues which are related to this association and elects the other organs.

All members of the federation are included in the General Assembly and they meet once a year in IFFFA Congresses. This association is lead by the head council, secretariat and the chairman. All of them are elected by the General Assembly, so they report to it. The IFFFA institutes deal with technical issues relating to certain areas.

The institutions' activities are performed through working groups which meet when necessary and they report to the relevant institute. There are three institutes within the framework of the International

Federation of Freighters, so they are as following:

Airfreight Institute - AFI

Customs Affairs Institute - CAI

Multimodal Transport Institute - MTI

There are some consulting entities cooperating with institutes and their working groups concerning the issue of general freighters industry.

These entities are:

Consulting Entity for hazardous materials

Consulting Entity for information and technology;

Consulting Entity for legal issues;

Consulting Entity for vocational training and improvement;

Consulting Entity for public relations.

Due to the efficient achievement of regional interests, cooperating of regional activities, and solving regional problems, thus, IFFFA divides its the national freight forwarders associations into 4 larger regions including Europe, America, Africa and the Middle East, Asia and Pacific.

Members of the International Freight Forwarders Federation contributing to achieve its goals in compliance with its statute can be as following:

The national Fright Forwarders associations comprising the entire freight forwarding sector of a country.

They have the right to use the IFFFA logo and have the exclusive right to provide its domestic members with IFFFA documents. In special cases, if a country has no national fright forwarding association, such status could be given to any individual member until a national association is

established.

Group members present international freight forwarders organizations from a group of countries including international forwarders groups having similar interests as IFFFA, as well as the international associations whose members are active in subsectors of freighters industry.

Individual members may be freight forwarding companies and legal entities who have close relations with the freighter. They can be a member only with written permission by the International Freight Forwarding Association.

Honour members are persons with special merits in advancing the IFFFA and freighters' work as well. These members have no right to vote and have no other electing rights.

The association's members Admission or exclusion is decided by the General Assembly based on the presidency's request.

Providing with IFFFA documents:

One of the main objectives of IFFFA is providing with the standardized documents that will enable simpler, safer and more rational goods process in the international trade. Freighters' certificates are special types of documents that are issued by IFFFA and which can be used worldwide.

Such documents are particularly practical when arranging joint movement of goods and when a freighter can not present a special shipping document to the committee, because is available only a document for all shipment in the goods-wagon, which has more shipments from sender and receiver. Country decides itself whether to use IFFFA certificates or not.

Freighters' certificates have exactly defined forms in certified columns. In those signs are the IFFFA and the national freight association sign. All certificates have their serial number and a special list is held for evidences.

Within the framework of the International Federation of Freight Associations are issued more types of documents and forms, as presented in the table below.

Table: IFFFA documents:

195 5	FCR	Forwarders Certificate of Receipt		green
195 9	FCT	Forwarders Certificate of Transport		yellow
197 5	FWR	FIATA Warehouse Receipt		orange
197 0	FBL ³	negotiable FIATA Multimodal Transport Bill of Lading		blue

199 6	FWB	non-negotiable FIATA Multimodal Transport Waybill		white/green
198 4	FFI	FIATA Forwarding Instructions		white
198 4	SDT	Shippers Declaration for the Transport of Dangerous Goods		white/ red
199 7	SIC	Shippers Intermodal Weight Certificate		white/green

Under the rules of the Regulation on issuing documents within the framework of International Federation of Freight Forwarding Association, authorized to control, printing and distribution of IFFFA documents have exclusively national organizations members of the federation.

Text documents must be in English, French or German and if necessary a complementary to one of these languages can be added as text in any language of the national association.

The document should have the symbol of the country of origin according to the cipher provided to a country by the United Nations (e.g. for Austria - AT, JP for Japan, MK for Macedonia, etc.).

The serial number is needed for all documents except the forms SDT < SIC and FFI.

The national associations can issue documents only with prior permission from the IFFFA Secretariat. Due to control of printing these documents, the national associations should have a register of member companies which have accepted such document in which are recorded serial numbers.

Conclusion

The international freight forwarding and transport organizations can be established by the national specialized organizations or qualified freight forwarding companies dealing with freight forwarding, logistics, and transport or customs representation due to the common economic and legal interests.

Such specialized associations can solve certain common problems concerning the freight forwarding, logistics, transport, trade, customs, etc.

The most important transport and freight forwarding organizations which regulate relations between the entities involved in international movement of goods can be divided into: International Federation of Freight Forwarders Associations IFFFA (FIATA); International Federation of International Managers – IFIM (FIDI) (Federation Internationale des Déménageurs Internationaux);

- WFO (World Freight Organization);
 - International Air Transport Association -IATA;
 - International Road and Transport Union- IRU;
 - The International Union of Railways – IUR (UIC);
 - International Maritime Organization – IMO; European Association for Forwarding, • •
- Transport, Logistics and Customs Services - CLECAT

Footnotes:

¹ The data were taken from the internet official web site CLECAT : [http:// www.clecat.org/](http://www.clecat.org/)

¹ The data were taken from the internet official web site IATA [http:// www.iata.org](http://www.iata.org)

¹ Eg. Passengers can book a travel ticket through phone, and then can pay by a currency, or they can use services from of companies with a single ticket only

¹ a member of IRU is also our national association of road transport in the traffic of Macedonia
AMERIT

¹ Prior was known as Inter-Governmental Maritime Consultative Organization – IMCO

¹ FIATA (IFFFA) Doc. 10/114, Act 2

¹P.sh. FIATA (IFFFA) has the status of consultant in the Economic and Social Council - ECOSOC of the United Nations, n in the United Nations Conference on Trade and Development – UNCTAD as well as the UN Commission on International Trade Law - UNCITRAL).

¹ In every IFFFA Congress held once a yaer, there are between 800 and 1500 participants from the Freight forwarding and transport industry. Through such Congress is improved also the Federation work, it is also a case to enlarge the business relations.

¹ Eg. The Instituteabout customs affairs has 3 working groups continuously including the maritime, railway, and road transport; the Instituteof avio-freight has a working group about the affairs concerning the IATA.

¹ FIATA (IFFFA) Doc. 10/114, Act 4

¹ 1992–addition of FBL–multimodal instead of combined transport (blue)

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<http://www.clecat.org/>

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CHANGING THE ECONOMICS OF INSURANCE - CHANNEL DIVERSIFICATION AND THE CHANGING FACE OF DISTRIBUTION IN EUROPEAN COUNTRIES

Abstract

The world in which we live in, is being subjected to constant waves of change that dramatically alter the economics and financial landscape in which we operate insurance business.

Insurance institutions that once operated in a comfort zone within a defined area suddenly found themselves in direct competition with banks and other financial institutions and intermediaries. Changes in banking, financial and insurance regulations saw the convergence of these industries.

The new types of distribution channels are wider and are expected to be more technology oriented for the urban population in future. There also exists a vast potential for new types of companies coming into the market that support the existing structure of the industry such as agency management systems, the brokerage firms, and bankinsurance.

One of the most significant changes in the financial services sector over the past few years has been the appearance and development of bancassurance. Banking institutions and insurance companies have found bancassurance to be an attractive and often profitable – complement to their existing activities.

The successes demonstrated by various bancassurance operations, although not all of them have been successful, have attracted the attention of the financial services sector, and further new operations continue to be set up regularly.

This paper considers how insurers need to create comprehensive strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches.

Resources and media need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner. In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

Key words: Economic of Insurance, Competition, Diversification, Distribution channels, Bankinsurance,

Changing in Insurance industry demanding role transformation of distribution channels

Although the insurance industry has enjoyed strong business conditions over the last few years, the worse economic outlook will likely pose considerable challenges in the year ahead.

These challenges will be especially pronounced in the property and casualty segment, where growing pricing pressure as the market softens will drive a need for greater efficiency. Insurance is industry, and driving profitable line growth will be difficult. Insurers are also facing increased competition from global players and companies from other industries.

Changes in banking, financial and insurance regulations saw the convergence of these industries. Insurance institutions that once operated in a comfort zone within a defined area suddenly found themselves in direct competition with banks and other financial institutions and intermediaries.

The new types of distribution channels are wider and are expected to be more technology oriented for the urban population in future. There also exists a vast potential for new types of companies

coming into the market that support the existing structure of the industry such as agency management systems, the brokerage firms, and bankinsurance.

The world have entered in thee new phase in the development of technology and electronics. Advancing technology is making it possible to develop deeper insights into consumers, products, product packages and distribution partners, and is also helping create new channels for reaching customers.

To take advantage of these chalenges, insurance companies will need to review their operating and marketing strategies, and be willing to drive fundamental changes in the way they work. Insurers that innovate have the opportunity to move ahead of their competitors by better meeting evolving customer needs.

Companies will need to manage relationships with an expand array of distribution partners to ensure they deliver a high-quality, consistent experience to customers. They will have to become more efficient and operate in an increasingly integrated fashion. And as they make these changes, they will need to factor in the realities of a labor market.

The challenges and opportunities over the next year are Driving profitable revenue growth is essential to ensure that resources are available to invest in new products and new capabilities, while maintaining financial strength, ratings and investor support.

The importance of profitable growth is clear, but it has often been difficult for insurers to achieve. Insurance is a industry, with the market dominated by relatively few companies. In this environment particular in the mature U.S.A. and Western European markets growth often must come by attracting customers from other companies, which competition. Without success in differentiat products and services, price becomes the lever.

This continues to fuel the commoditization of products and services and shave profit margins. Meanwhile, competition from other financialservices sectors continues to grow.The reality is that insurance companies need to improve their ability to drive growth.

They will need to adopt new, more sophisticatedapproaches to expand and leverage their distribution networks, and successfully employ mergers and acquisitions as part of their growth strategy.

One of the key levers to growth is distribution, and to excel at it, insurers will need to adopt a new strategy that sees distribution not as a cost center, but as a profit center and opportunity of success. By developing distribution-centric strategies that coordinate channels, they can use distribution to drive differentiation and growth.

Distribution plays a large role in an insurance company's operations, and it accounts for most of benefit costs. Insurance firms typically use a variety of channels to reach consumers, including agents, brokers, direct phone and Internet sales, banks.

Companies in many countries have largely shifted to online and direct channels, yet in many other countries, face-toface advice delivered by independent producers remains a vital component in that mix, especially when it comes to meeting complex consumer needs with increasingly sophisticated products.

To succeed in this multi-channel world, insurers need to get closer not only to the consumer, but also to their producers and distribution partners..To work more effectively with producers and distribution partners,insurance companies need to develop a thorough understanding of their distribution networks.

That is, they need to take a systematic approach to assessing the entire distribution partner including independent agents, captive agents and potential recruits, banks, institutional brokers, and employers participating in worksite programs.

What is required is a holistic view of each partner's business and portfolio of offerings not just the business placed with the company and an understanding of how best to work with each.

Without such an understanding, companies will be hard pressed to target the right producers and cost-effectively their support to producers. Instead, they will be left to compete on price.

Insurers can create packages incorporating product design, compensation, recognition, marketing support, practice development, technology support, sales and business operations support, training and other resources. If designed carefully, these packages can be used to motivate and encourage the loyalty of partners, while aligning their business with the company's overall growth strategies.

The inclusion of direct marketing in distribution plans is becoming increasingly important. The role of direct phone and Internet channels is expected to increase as consumers and producers raise their expectations of financial service providers' Web sites and call centers.

Adding to the increase of these channels, too, is customers' rising comfort level with self-service and with gathering information and transacting business via the Web. For many agent channels of distribution, the Web and call centers are important means of supporting marketing, sales, new business processing and customer service.

For example, such inroads have been particularly dramatic in the personal lines auto insurance market. In this competition between insurance companies and other financial intermediaries, bancassurance is the most popular distribution channel for the integrated distribution of products.

This new type of business is in a sector, financial intermediation, which is in profound transformation and in which the balance between the banking and insurance worlds is also being. Bancassurance is essentially a method for distributing insurance products through bank branches. But it is at the same time something more, a global movement that is gradually breaking down the traditional barriers between the various financial products and services.

Bancassurance presents specific problems of corporate governance, since it entails cooperation between banks and insurance companies. It can be provided through product factories and distribution networks inside (previously defined as captive) or outside (noncaptive) a group, in various banking and insurance mixtures. One of its strong points is the high degree of product standardization and simplicity, meaning that personnel without much insurance knowledge, such as bank clerks, can sell it.

Analysis of Distribution Systems in European countries

From an insurance viewpoint, bancassurance represents one of the new insurance distribution channels, alongside the traditional agency network, direct channels and financial service promoters. Insurance distribution trends differ greatly from country to country.

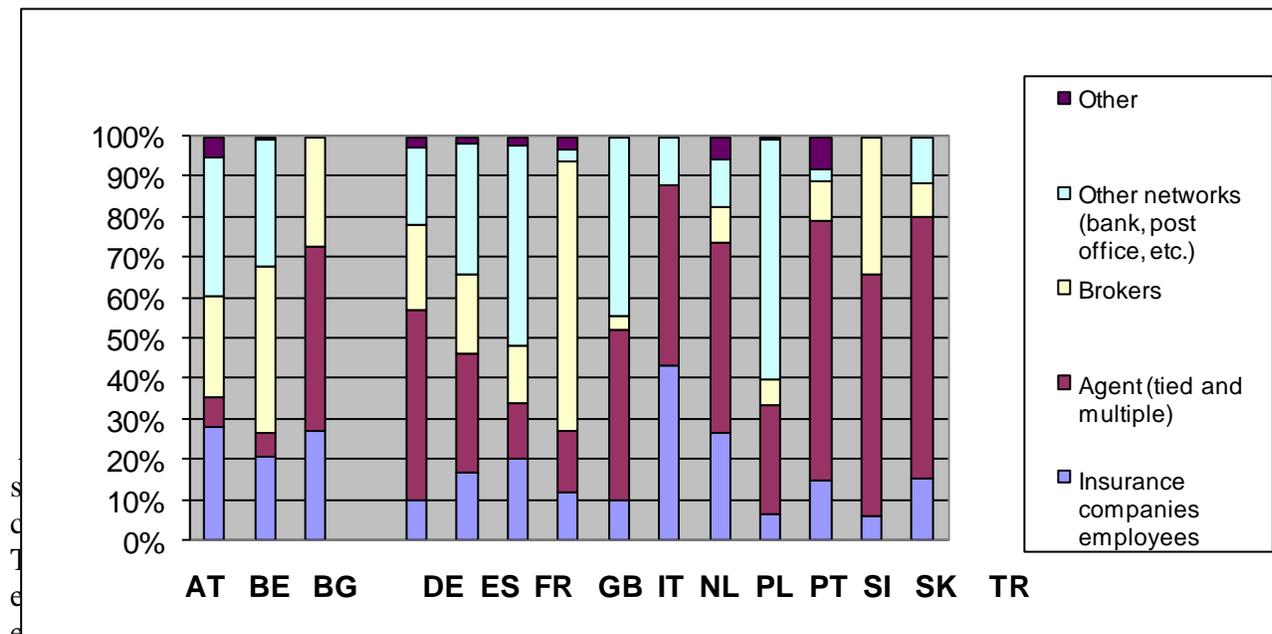
In the European Union framework, albeit regulations progressively converging towards a "single insurance market", there has been a long predominance of specific models concentrated on a dominant channel, such as brokers in the United Kingdom and agents in Germany and Italy.

The type of bancassurance integration adopted has been influenced by different regulatory systems and various formulas for separating the risks implicit in banking and insurance.

A progressive deregulation was launched in some European countries, starting with France and the U.K. during the 1980s, which then spread to all Community states by the beginning of the 1990s with the third-generation Directives.

In Europe, the sale of life insurance from bank branches has had positive results. This is mainly thanks to the reduction in distribution costs and the ease of access to, and contact with, the broad client base; the synergy between traditional savings formulas and individual social security plans (often with tax incentives); and products with a high financial content in stock market expansionary phases (index- and unit-linked) and guaranteed ones in falling stock market phases. This has enabled the bank to offer a diversification of products to consolidate brand loyalty, to cope with the disintermediation process and increase profitability.

Chart No 1. Market share of distribution channels in life and non-life insurance in European countries in 2007



The distribution of life insurance is mainly driven by bancassurance networks with the noticeable exception of the United Kingdom and Belgium where brokers dominate the distribution of life products. Poland, and Slovakia also show a weaker role of financial institutions in the distribution of life products and are characterised by the importance of agents.

Insurers need to create strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches. If bancassurance shows a very high market share in life insurance, the success of this channel appears rather limited in non-life business lines.

In this latter area, insurance products are principally distributed via agents in a large number of countries (i.e. IT, PL, TR and SK). On the other hand, the broker channel predominates in the UK, and Belgium and to a lesser extent in Austria. It is in Spain and France that the distribution of non-life products appears more evenly spread.

The predominance of brokers and agents on almost every market may find its origin in the willingness of the insurer to benefit from proximity at the time of the contract and above all in the case of a claim need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner.

In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

Insurers need to create strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches. Resources and media need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner.

In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

To support these multi-channel approaches, companies can use advanced analytics to sort through large amounts of data to determine which channels work best for which customers, as well as to integrate distribution approaches more effectively. In particular, life and annuity companies, which have not always made full use of analytics, can benefit.

By using a mix of segmentation, predictive modeling, and competitive information to match the best products with the appropriate consumers, a sales force can increase sales and customer retention. If Insurers want to have success will have to look beyond traditional approaches to drive growth.

To tap into the growing retirement market, for example, life insurers will need to develop innovative offerings that provide both income and asset protection. Insurers will need to get closer to consumers, producers and other partners—and at the same time, develop strategies that weave together traditional and electronic channels to work seamlessly with consumers and producers.

Strategic partnerships across financial services sectors are likely to increase as companies seek to concentrate on their core competencies revenue growth in a mature business is difficult; realizing profitable growth is even harder By gathering and analyzing appropriate internal and external data, companies can establish a far better understanding of, for example, which agencies and producers are more productive and why; what is the scale required to merit a significant investment in agent recruiting and development; what determines differences in the company's cost to serve various agencies; what characteristics of prospective agents better predict success; and how to understand the profitability or quality of business produced.

Informed by a fact-based and disciplined approach to marketing and distribution, management can be far more productive in focusing its important relationship management talents to address each distribution channel's relationship needs.

By combining internal and external data, for example, companies can segment customers more narrowly, develop new products for individual groups, identify cross-sell/up-sell opportunities. These tools also allow companies not only to understand customers today, but to gain more insight into how their needs will evolve over time as they move through the different stages of life.

Conclusion

The changes in the economics today coupled with advancement in the integrated technology has made it possible for the insurers to explore direct distribution channels.

One cannot deny with further development of the new technology, the economics of insurance will likely continue to evolve. Changes to the product development criteria and regulatory

requirements The complex trends described above make it difficult to outline the future scenarios on integrated distribution and changing business management models.

While it is impossible to predict the direction of the insurance economics in the future, there is still a need to look into the distribution channel as one of the key component to propel growth.

Remain status quo on distribution channel would only result in the negative implication to the industry. However, strategies develop would need to be aligned to changes in technology and the shift in customers expectations and requirements.

Challenges now lie in keeping the balance between the traditional channels and the direct distribution channels. Insurers would now need to keep a close on their competitors not only locally but also globally

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BRILLIANT BENEFITATIONS AND GREATER CONVENIENCIES IN LIFE INSURANCE

Those who are thinking to save money for their life insurance must have it clear since the beginning that in the defined period of insurance, there are additional opportunities.

Insurance or particularly life insurance is a phenomenon of the modern age. Life insurance protects the insured person from two basic dangers: early death and long durability, while in the same time fulfilling more widely social interests along with additional the social insurance of citizens.

From the economic perspective, life insurance is very important because it ensures outflow of capital to be used in investments and credits for national economy. Because of this reason, in the future period, education and the strategy of marketing in insurance companies must be oriented towards the presentation of all opportunities which are being offered by life insurance, such as the type of savings, financial planning and financial stability for individuals.

We all will become old and come across different periods of life, which means that our needs will be different to what personal insurances offer. This is particularly true for life insurances,

which cover a long period of insurance and are adapted to individual needs and the environment where the beneficiary of insurance is living.

One of the basic needs is individual status in society. Needs are different, this depends if there is a case of a new family without children, family with little children, family with grown-up children etc. It is sure that all of them have the same goal, to ensure their families or themselves financial insurance, age without concerns.

Today, living and working in contemporary conditions of trade economy, the insured person probably would expect dramatic benefits such as: innovation of the agreement for insurance, respectively the reduction of the sum of payments; purchase of insurance; advance payment and loan; giving insurance policies as guarantees; the payment of the insurance being facultative; the participation of the insured person in the delivering of the benefit of the insurance to the insurer; determination of the beneficiary of the insurance and many other.

1. Reduction of the insured sum

The reduction of the sum of insurance comes when the insured person, after a certain period of time since the signing of the agreement, if he already has paid a certain part of the award (for two or three years) stops the payment of the award of insurance. If he/she stops the payment of the award before this period of time, then it is decided that he/she has breached the agreement, the insurance is not valid and the payment of awards will not be returned.

If these conditions are fulfilled, there would not come to a breach of the agreement even if the insured person does not implement the most important obligation of the agreement. The only consequence regarding the insurance – which continues even if there is interruption of the payment of award – is seen in the reduction of the insurance sum, which is reached according to certain tables.

The demand that there should be paid at least two (respectively three) years of premium insurance is justified because in this way, the insurance reserve can cover at least the overall expenses of the insurer: without this premium the insurer would be damaged in any case if the insurance would be still flowing. If this condition is fulfilled it would be the case when the agreement has to be modified.

Our law for obligatory agreements determine that it is needed at least three year payment of awards, to form a mathematical reserve, based on which the insured person can establish his/her right for return of the funds. In this way, it anticipates for the insurer that in case the insured person ceases the payments, to reduce the insured sum in the purchased value of the insurance.

A previous condition which has to be fulfilled by the insurer to realize this right is to call the insured person to pay the award (which has to be done in a safe way – with a recommendation letter, noting the deadline of the payment of the award which should not be shorter than a month since the letter is received).

If the insured person still does not pay the proper amount of award, the insurer may reduce the sum of the insurance (if at least three years are paid) or annul the agreement (if the first three years are not paid).

In both cases, the insurer must tell the insured person – these rights the insurer may use until the insurance case does not happen. If it comes again before the the insurer reduces the insured sum (or annul the agreement), it will be taken as the foreseen activities have taken place automatically according to the mentioned conditions.

This change in the legal relations of the insurance, does not present an innovation in the agreement, it is still the same agreement for insurance, with the exception of the reduction of the insured sum, and all other part remain: the time schedule for the agreement, the benefiter of the insurance, the opposition by the insurer etc.

In this way, the modified agreement – with a reduced sum of insurance, can be innovated with a mutual consent. The anticipated rights for insurance of our insurers provide this opportunity (except for the case when the insurance is made only in the case of death).

The insured person who wants to innovate insurance is obliged to submit a written request, to pay the proper awards and to fulfil conditions for acceptance and insurance, such as his health conditions, which will be implemented by the insurer.

Different from the case when the insured sum is reduced, in the case of innovation is not a simple modification of existing agreement, but a definition of actions in the new agreement.

This clearly proves some from the actions of the innovated insurance agreement, anticipated with our general conditions for insurance: the insurer is released by providing insurance only if the insured person does not give information (or more precisely does not give a declaration) for an illness he/she had at the moment of innovation of the agreement; also, the insurer pays only the reserve sum if the insured person does suicide within one year period after the innovation of the agreement – respectively same actions as in the case of a new agreement.

2. Purchase of insurance

The insured person who has paid insurance for at least three years and who does not have an interest anymore from the insurance agreement, may request from the insurer to reimburse him/her the value of the purchased insurance.

The purchase does not come automatically, but with request made to the authorized persons. This law does not apply in all of types of life insurances. It is estimated that purchase can not be applied:

Firstly in all of life insurances where the sum of the mathematical reserve is irrelevant (for the same reason it is not suitable for the reduction of the existing sum as well) and second, in all of life insurances where there is not any note that the insured case will start and the payment of the sum will be defined (as well as in case of short-term life insurance)and where the insurers estimate that the chances for realisation of the rescue are decreased and for that reason are obliged to return the purchase and at least save the reserve.

The law for contractual obligations foresees a licence for purchase of life insurance which is bought for the entire life of the insurer. The payment of the accumulated value is an obligation of the insurer.

In our law, it happens when we have the preceded conditions. In some other states' legislation, law protects the insurer in case of the request for purchase, which can be due to the crisis, war and similar situations and which can shift the financial balance.

The value of the purchase of the accumulated insurance which is paid to the party with whom the contract is done is certified according to a particular table added together with the insurance policy.

The right for purchase in principle exists only in life insurance, where the insured case is known to be secured. However, because of the increase of the competition, insurers not always have respected this rule, by allowing purchase even for other types of life insurances.

Besides this issue, the way how the value of the purchased insurance is estimated it is not exclusively left on insurer's will: in many legislations it is under control of legislative bodies as in the supervision of the capital flow, later changes officially done in the insurance policy.

It is also accepted in the law for contractual obligations. In the policy, the conditions should be noted where the party which contracts the agreement may request payment of the accumulated value, as well as ways how this value can be estimated, in accordance with insurance conditions.

All interested persons for reimbursement by insurance, do not have the right to ask to purchase insurance. The right to ask for a purchase belongs to the person who has reached an agreement.

In the law for contractual obligations there is specified which persons can not ask for the purchase: those who are related to the person who reached the agreement and the beneficiary of the insurance (except when his/her selection is not important).

Reasons for these exceptions are: it is estimated since the beginning that the right for life insurance is a personal right, but the purchase, in an indirect way, may lead to the revocation of the use of insurance from the person for whom the insurance is dedicated, and this can be decided only from the person who has reached an agreement for insurance, the beneficiary does not have the right to modify the agreement reached between the insurer and the insured.

The purchase (of the accumulated value) means that legal terms of insurance cease to exist before the given deadline, but the insurer pays the accumulated value. With the accumulation, in fact it is done a change of the insurer obligations from conditional obligations to usual ones, obligations which are achieved immediately.

The entire rights and obligations from the agreement are annulled since the moment of requesting the purchase, and not from the moment of the payment of accumulated value. Hence, if after the request for purchase, but before the payment of the accumulated value, the case would be insured, the beneficiary will not have the right in the insured sum but only in the value of the purchase.

3. The advance of the insured sum

Regarding the reduction and the purchase, the advance has better opportunities for the insured: he/she will take a certain sum by the insurer, while paying an interest fee, meanwhile the agreement for insurance will still prevail. Except that, the insured can later return the advance and increase again the insured sum at the initial limit.

There can exist also interest for the insured to pay for the advance, because it is limited at the value of the purchase of insurance, and that he/she determines the value of the interest fees and the way how the advance will be paid.

Finally, he/she even further will gain bonus from insurance agreement. Even that there is interest for the insured to pay advance, however there is no obligation of the insured in that sense:

“... according to the request made by the signer of the agreement for life insurance, in case of death and incidents with mixed insurances, the insurer even before can pay the party with whom has reached the agreement a part of the insured sum, up to 60% from the accumulation of the policy value, which can be returned later by the party who signed the agreement.”⁴

Different from the accumulation, the insurer can (but is not obliged) based on the party's request who has reached the agreement to pay even earlier a part of the insured sum. Also, from the insured side that has accepted advance there is no obligation to return the sum to the insurer, he/she can do that based only on personal will. However, if the insured is late in the payment of the certain interest fee for accepting the advance, than it is considered that the insured has requested a purchase.

The law on contractual obligations anticipates: “in the insurance policy must be indicated the conditions for giving the advance, the chance to return the sum taken as advance to the insurer, the value of the interest fee, the consequences for not paying the interest fee in accordance with the conditions of the insurance.”⁵

3. Leaving insurance policy as guarantee

The right of the insured to leave their life insurance policy as guarantee comes from his broaden right from which in a rightful way, the insured can have all the right from the insurance agreement: to change the insurer, to draw back his right or those for his beneficiary etc.⁶

Leaving insurance policy as a guarantee can serve the insurer as a mean to gain credit: feared by an early death of the debtor, the person who receives the insurance policy as a guarantee, gains safety that he will be paid by the insurer, if something happen to the debtor. In order to leave the insurance policy as a guarantee, the insurer needs to be informed in written:

- That the policy is given as a guarantee and is given to a trusted person. According to the life insurance rules, this activity of the insured is obliged only if he knows before the insured case happens. In this perspective, it is important the type of the policy: the policy is given as a guarantee with a bill of exchange.⁷

The trusted person can do, as any other trusted person, according to the general rules of the civic right, to carry out debtor's obligations (the insured), to ask certain return of the fund, at least equal with the size of the mathematic reserve.

⁴ Overall conditions for life insurance, “KJUBI MAKEDONIJA”, Skopje, November,2003 v.,pp.9

⁵ Law on contractual obligations (Part XXX-Insurance), Skopje, 2001 v., Article 1011, Point 4, pp. 1105

⁶ Dr. Predrag Culeji: „Pravo osiguranja“, „Misao“, Novi Sad, 1992, pp. 413

⁷ A bill of exchange is implicated also for the policy, with this action the policy is passed to another person (legal of physical). (Leksikoni ekonomik, “Savremena administracija“, Beograd,1975 v.,pp.725)

Here there is a question that comes out: is there the chance that the trusted person to use the right of purchasing the policy which was given to him a guarantee, if his request to the debtor (the insured) has reached?

In theory, it is considered that this right must be accepted on basis of the personal character, for the following reasons: the trusted person is more than a simple user of the insurance, because the insurance is serving as an insurance of the debt.

If, again, happens that the request from the trusted person and the request from the insured arrive at the same time, then the trusted person must do a direct charge to the insured.

4. Payment of the insurance being facultative

In life insurance, the insurer does not have the right to ask for payment through the court. However, possible sanctions exist regarding the lack of fulfilment of main obligations of the insured: either annulment of some actions of the agreement or suspension of the whole agreement.

Beside that, the insurer may compensate the insurer the value he has to pay if there happens an insured case.

The insured must perform well and must respect the obligations and official actions. In fact, the person who reached a contract is obliged to pay the insurance in time, it above mentioned that the insurer does not have the right to address the court, however in his hands are some other mechanisms such as the reduction of the insured sum, the interest fee etc.

However, the payment of the remained part always has a different treatment from the first payment. The facultative character of the payment is needful on practical terms, but not from some justice principles. It comes out from the goal which is aimed to achieve and depends on the material chances of the insured.

There is no consent that this principle is also for the first payment, or only in the other payments. It loses its importance if in the case that the insurance conditions defines that, the insurance will be implemented only after the first payment, as it is now in the life insurance conditions of our insurer.

AS A CONCLUSION

Why life insurance policy?

Since life insurance is more than insurance – it is a saving with an opportunity for a greater benefit because at the same time all benefits are realised in savings and protection.

Because by choosing life insurance policy, the capital is saved, this later, in any case will bring other benefits.

Because the time is on the side of the insured and it works for him.

Because life insurance is simple and flexible.

Because all types of life insurance have the possibility to offer for the insured and his relatives a better and secured future: saving, protection and security.

By purchasing life insurance policy, each citizen saves for his future.

In life, people have their aim to save money and in the “elderly” years, to use those savings for travelling around the world, buying villas across the sea or the lake or a house in the mountain.

This is not a hallucination; this is working in the West previously for years.

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ASPECTS OF TERRORIST INSURANCE

Abstract

Terrorism risk was processed in the part designated to cover or reject the risk of the insurance cover. Insurance dilemmas are possible concerning the risk harmonization.

Key words: terrorism, insurance.

Introduction

Increase of world terrorism level has been expected for more than 20 years. All indications show that terrorism level can be increased through meeting of different entities, religions, as well as rich and poor community cultures. But, it was not expected to penetrate among relatively compacted societies.

Thanks to the progress of worldwide technology, except of countries extremely closed, as it is North Korea, there are no safe countries. A separatist movement in Çeçenia brought about terrorist attacks in Moscow.

Now, there is not a question about if the terrorist attacks can be increased, but where will be directed to. (Kisirev).

Unsolved political problems for many years in Palestine, Indonesia, Kashmir, and Afghanistan contributed on raising religious fanaticism which urges terrorist attacks far from the conflict country – European countries and USA. All religions can be aggressive in any period of their development. (Karen Amstrong).

There were terrorism risk and insurance even before the attack against World Trade Centre (WTC) in New York in 2001. The International terrorism does not present anything new to insurers.

Insurers paid high indemnities about lost lives and destroyed property when the Irish passengers' airplane was attacked by a bomb put into its luggage, as well as through a bombing attack against the trade centre in London in 1993.

Some changes occurred concerning the insurance field after the terrorist attacks against the WTC. At first there was a tendency that terrorism risk should be excluded or restricted. There was a question of who is ready to carry an unknown or unseen risk.

The USA Congress issued a law in 2002 in order to prevent insurance companies from their covers of property insurance. Through such law, the state accepts reinsuring of such risk. At the American insurance can occur a big problem as the implementation of this law is finished by the end of year 2005.

Terrorism insurance in Europe is implemented through re-insuring pools: Austrian pool, YK pool, French pool, German pool, thus covering of such risk is often excluded. It was established a special terrorism risk insurance and re-insurance which became actual after the terrorist attacks against WTC, while its function was over in 2003, justifying that nobody is interested to pay a high price of risk insurance.

There is world's interest of economy insurance from the terrorism case. The most frequent insurance is required for protection of political violence including the terrorism risk. The Federation of European Association for risk management tries to set a European financial instrument on economizing the terrorism risk.

Limits of Insurance coverage

The risk means extraordinary events which can cause economy damage consequences to some individuals. Their common characteristic is that extraordinary events can occur unexpectedly.

Insurers have gained enough experience by offering protection to the insureds in case of natural disaster and man felonious actions. But there is a complex situation in case of terrorism risk cover.

It is easier to forecast coming of a hurricane than a terrorist attack. It is impossible to expect the terrorist attack intensity and consequences, while the possibility for a preventive impact is limited. All of this, amongst them does not mean that terrorism risk cannot be subject of the insurance agreement.

The definition of risk

It is often talked about insignificant attacks conducted by individuals or groups against victimized persons who have no importance themselves, however they are captured as targeted

attack with a purpose causing fear, general uncertainty, and to attract public attention towards terrorists' aims.

Terrorists often feel themselves with humility and ready to achieve some high objectives, even through sacrificing their lives, whereof innocent people are victimized and material injuries are caused as well.

Threat by exercising force with the aim to cause panic due to reach demanded objectives is also called terrorism.

It is a characteristic that the terrorist attack lasts for a short period of time. This is not the same case as the state's terrorism, as it is for instance: selective and limited bombing of targets in other states, but not launching military attacks of higher dimensions.

An armed attacked should be considered if it has some certain characteristics concerning the place of attack, its duration, and the dimensions of caused damage.

Such dimensions are not yet complete, but they are the only ones at the moment.

The difference between the terror and the terrorist attack is also an important issue.

In case of crash down the passengers' airplane by a bomb put in it, as it happened in Ireland, an insurer refused to compensate the caused injury, considering it as a military risk, but not a terrorism risk.

Such insurer attitude cannot be accepted. A hostile action must be conducted within the war, civil war, rebellion, etc.

During the insurance experience are presented similar risks with terrorism, as it is: vandalism that is a consequence of malicious issues. It is not so simple to verify if there was any malicious person.

We cannot talk about a malicious procedure if the conductor has no formed wish to cause any evil thing. According to a mentality we can talk about malicious if there are three elements: a) illegitimate action, b) the aim to damage or eliminate an insured thing, c) loss or damage of insured thing., this means property.

Among the injury caused by malicious and injury caused by the terrorist attack comes out an injury differing by motivation from such ones. It includes an injury where the perpetrator is led by pathological rancor. Only under such circumstances can not be said that the injury has emerged as a result of terrorist attack.

It is asked a question of how the insurance can cover "the malice risk". We will also find the notion "Soft terrorists", such persons with the activation of explosive mechanisms intend to cause material damage, only to attract public attention.

For example explosive mechanisms are fixed at the coast near the ship, by the activation of which is caused ship damage only, and as such it was not the intention of the person who fixed it. There is very difficult to find out the suspected person motivation in case of political violence, which can be of different forms.

There were also difficulties on commenting the insurance policies that cover terrorism risk. The Insurance policy terms such as "proximity" and "obstacle" in relation to the terrorist attack place, are commented in various ways.

Limitation of space

The Insurance coverage can be limited in a certain geographical region, in the protected object (eg, airplane) and where the attack took place (for example, all injuries up to 600 meters from the

attack place).

Difficulties may arise during commenting the coverage in case of indirect injuries. In a case at Florida airport, the owner of a business space required compensation from insurance due to loss of profits when the government took a decision not to work, because of the terrorist attack against WTC in New York.

Commenting a cause, due to any causality is often a difficult task, due to which insurers avoid the special clause upon insurance agreements which exclude indirect injuries. With this, insurers tend to cover only the injury caused as a consequence of direct risk, which has been the direct subject of the insurance agreement.

Time limitation

It is common for each insurance to have a time limit. Regarding the insurance for a limited time, most often for 12 months, there is a possibility for additional insurance. For example, the ship insurance is designated to a certain number of days. The insurance of goods from the war risks is interrupted from the moment of disembarkation from the ship.

If the terrorism risk is covered in special way by the war risk, which is possible in the U.S.A., the insurance of terrorism risk is not excluded - unlike the risk of war. Insurers have the right to cancel by notice the war risk insurance within the deadline of seven days.

The insurance of injury indemnity

It is considered one of the basic elements from which the insurer sets the insurance price. Before the insureds get certain insurance risk, they determine the maximum potential damage which may hit them. Insurers are aware when granting the right insurance.

Insurers of marine ships covered the injuries of a terrorism risk up to 400,000,000 U.S. Dollar. However, they reduced such limit to 50 million U.S. Dollar for the ships which entered the Greek part during the Olympic Games. When Germany and organizers of the world championship in football in 2006 encountered that insurers are not ready to cover the risk of elimination the championship due to terrorist attacks, they earned a cover of capital market.

This risk is covered by giving coupons in amount of U.S. \$ 260 million. In practice, insurers limit their obligation to compensate damage through the clauses which, in case an expected injury occurs, their obligation for compensation should not exceed certain monetary amount.

Commenting of this clause concerning the case of terrorist attack against WTC brought findings to court. The insured and his insurers had different agreements insuring the WTC, but disagreed on commenting about a harmful event.

While the insured stated that two events have occurred, and taking into consideration that the WTC was attacked by two airplanes at different locations and at different times, the insurers claimed the opposite. If the insured had the right, he would get an insurance jackpot of 7 billion U.S. Dollar, instead of 3.5 billion U.S. Dollar.

Lawyer of the insured asked a question if the case of attack against Pearl Harbor by Japan side presents 600 events through 600 aircrafts during World War II?

Not any court decision can find out the possibility on commenting the attack against WTC as a harmful act only. In the case of attacks in more countries by organized criminal groups in the U.S.A, during the Hurricane, which has been followed by an earthquake, the court made the decision that is just a detrimental case.

Practice in insurance

There is no single approach of insurance in this area including the markets for different states insurances, as the terrorism risk is covered by various types of insurance. Further reference will be concerned about attitude of the English insurance market, which has great experience on insurance cover about war and political risks.

Transport insurance

The terrorism risk is covered only by the insurant request, and during the military - political risks.

The marine ships insurance

General Conditions of insurance in the London insurance market are known with the notion "institutional clauses". Such clauses expect from an insurer to cover the loss or damage caused by terrorists or by political motives.

There is no explanation about the term terrorists. Under the provisions of clauses which are used during contracting the marine reinsurance agreements, all harmful consequences caused by terrorism are included in it.

Such clause explain that the notion "terrorism" includes any act of an individual or organization that causes harmful consequences or threat from harmful effects, conducted by whatever means or fear to the public in circumstances from which can be achieved logical assumptions that the motif of individuals or organizations in general or in particular, according to its kind, it has been political, religious, ideological one, etc..

Such solution was verified later.

A question is asked about kidnapping of the tanker "Dewi Madrim" in 2003 in the vicinity of Sumatra that presents also kidnapping of the vessel crew and the rent was not required.

It was realized later that the crew was kidnapped with the aim of acquiring expertise to help the terrorists mount a maritime attack. It is an opinion that such attack against the vessel is equivalent of the al-Qaeda hijackers.

It was mentioned that the terrorism risk was covered by the war risk, while the pirates risk by the maritime risk.

The answer of the submitted question depends on which insurer is obliged to compensate the damage, it certainly to provide that through insurance to cover both maritime and military risks.

Aircraft insurance

Airplanes damage or loss as a result of terrorism presents a conducted military risk with the condition to achieve the desired political goal through the attack.

The insurance of passengers' airplane is regularly covered by the war risks.

In the aircraft insurance policy, in a special summary of clauses were suspended following risks: war, invasion, hostile actions, and animosity (whether war declared or not), civil war, rebellion, revolution, etc.

Hostile detonation of any weapon that uses nuclear or atomic energy, the people actions who with political or terrorist purposes cause injuries accidentally or deliberately, even if it comes from a state or not.

Through the same abstract of clauses is excluded the kidnapping risk and illegal undertaking of airplane. Under special provision are covered some of these excluded risks, the risk of which is from kidnapping and risk of illegal aircraft undertaking.

Other excluded risks also mentioned and counted in the abstract clauses can be covered by additional payment of insurance jackpot. From this coverage was excluded operator's liability to passengers and to the goods' owner. The insurers maintain the right to suspend such coverage with a suspension deadline of 7 days.

In the case of loss of the airplane "Adria" from Ljubljana, many years ago was necessary to verify the reason for the explosion inside the aircraft luggage, after which the plane crashed down.

If the explosion was caused by an explosive mechanism in order to crash down the airplane, then such damage is compensated by the insurer / reinsuring consistent to the military risks market. If the explosion is caused by something else, such as from chemical fuel transported as cargo. The damage is compensated by the regular risks market. Investigation of such case proved about a terrorist attack.

The insurance of goods during transport

Institutional clauses on insuring goods from the military risks in maritime shipping cover loss or damage caused by the ordinary risks of war, and locked the damage caused by terrorists or persons who have acted for political reasons.

The institutional provisions to insuring goods from malicious damage include coverage for damage caused by "terrorists or people who have acted for political reasons."

Institutional provisions on goods insurance from the military risks concerning the air traffic do not contain provisions of terrorism risk coverage.

Liability insurance

Liability insurance of maritime ships carried out through English special liability insurers (Protecting and Indemnity Clubs), does not cover war risks and such similar events.

Team rules relating to exclusion lead to injuries caused by slavery, hostage, detention, mines, bombs, missiles and other military actions. Once risks are avoided, the terrorism risk can be covered.

Through the aircraft insurance, owner or user of the airplane is protected in the event of his own liability about passengers' injury or death during the terrorist attack. Considering this issue, in the aircraft insurance kasko policy is added an extra payment through which is covered the shippers liability.

Regarding the terrorist attack against the WTC, it is an opinion that aero - transporters could not avoid their responsibility for the passengers' loss, because they have not prevented the terrorists boarded on the plane.

Property insurance

Military risks and a great number of political ones cannot be covered by the property insurance.

The Insurance of land military risks was never implemented taking into consideration the possibility for the emergence of large injuries what insurers will not be able to cover for. Even goods transported through land routes cannot be insured from military risks
- Regarding this, the English insurers agreed. Agreements on property insurance and reinsurance are often met in implementing the English provisions, which excluded from coverage risks of war and civil war, hostility, revolution, rebellion, military and invading forces.

On the implementation of typical provisions in Europe, is often increased the exclusion of terrorism risk. In the U.S.A. threat of terrorism is covered by property insurance. In the English insurance market was introduced a new review of provisions (BPL GLOBAL), in 2003. As such along with the terrorism risk relates also other violence risks: riots, theft, rebellion, mutiny and coup.
The expected and excluded from the coverage: a war between the five member states of the Security Council, the war including use of the nuclear weapons, biological and chemical attacks, and expropriation conducted by the domicile state. This code of provisions is welcomed regarding the facts that reduce the potential for different interpretation of the political risks.

Export credit insurance

The export credit insurance has an important role on protecting the exporters of goods and services. Entrepreneur of exporting supplies endanger at a great extent the political risks in the state of borrower.

Therefore, the entrepreneur leads his work abroad by the insurer protection that covers political risks. Protection through the insurance method is dedicated to release from fulfillment of obligations with money to the foreign borrower, which can be displayed by getting the political risks.

Investors who intend to work with underdeveloped countries; they require a protection through insurance in three areas: expropriation, unconverted local currency and political risk coverage.

Entrepreneurs who work in these countries are insured on [the case of expected political risks by the insurance agreement, for example, civil riots in which their properties are destroyed.

Regarding this, entrepreneurs show an increased interest to be provided with the insurance including the terrorisms risks as well.

It is good to keep in mind the need for a clear insurance limit. As an example to emphasize difficulties concerning the verification of whether the consumers boycott of goods is a political risk, for instance, the case of the boycott of Danish goods in several Arab countries.

Reinsurance

Reinsurance agreements often exclude from coverage losses direct and indirect, damage or costs shown by the danger of terrorism. With special clause clarified that terrorism presents a procedure (act), which implies the use of force, violence or intimidation by any individual or group of individuals.

This also applies when an individual appointed acting individually or working in favor of any organization or government appointed, regardless of whether they act for political reasons, religious or other similar reasons.

Clause provides that the importance of prove to be by re-insurer in case when re-insurers testify that a damage is not covered by the agreement.

Conclusion

As the terrorism risk can be covered in various insurance markets of the world, it should not be expected an immediate balance to other risks in terms of general insurance conditions. Such a situation reduces the capacity of markets for reinsurances on the risk coverage.

The reinsurance capacities certainly are great and their use from the terrorism risk can be covered in the commercial markets of reinsurance, without the necessity for state to be constantly presented as re-insurer.

General existing conditions of insurance are heterogeneous, and are often allowed even commenting on the basis that insurers accepted as coverage, and which they excluded from coverage.

Military risks along with the terrorism risks should be defined in terms of general insurance, and in order to prevent remaining of any gaps in the coverage, due to which would be harmed the insurer only. The same problem was also paid to malicious and terrorism injuries. The poor coverage lies on that the insurers confirm their obligation to certify the insured as advance will proof if the conductor's motif is consistent with the coverage.

The insurers testified that they are not ready to cover "the rancor risk ". The terrorist attack against WTC happened some times ago and has long term consequences. Due to this reason, the decision for the insurance cover on terrorism risk has not yet shaped finally at the insurance market.

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Chapter II

Tourism and Hospitality

Ilaz Thaçi

**UNDERSTOOD ANCIENT WORLD TO NOW THE PRESENT DECODING AND
INTERPRETATION**

CONTENT-

-ARBOLET IN CONNECTION WITH OTHERS SIGNS

-INTERACTION BETWEEN ASSOCIATIONS

-TERRITORY AND LEAF COMBINATION WITH OTHER SIGNS

-TYPOLOGY TABLE

My tentative to interpretative and deciphering is based on methodological work. Rock Art is discovered by us in 2003, in Zatriqi Village 65 km south-west from the capital Prishtina.

I wish to thank for supporting and collaboration Institute CCSP, prof. Emmanuel Anati and Ariela Fradkin. Rock Art site in mountains Zatriqi are engraved by the flint in Open air surface in horizontal natural position. Just in the Zone A are engraved 276 signs and symbols.

Most of them are in group associations and just a small of them are engraved out of groups and standing single divided. Views from the rock art site have a nice landscape in a very big part of this region. Nearly 20 m from the rock art sites is the Cave, explored during 1980 for the Chrome mineral resources.

(Photo. Cave several meters near rock art site) In same place, stone have natural perforated were the local people still in present, one day in a year, make procession, going from down to up, specified ceremony day, most of them modern youngest, in a 8 August going their and played old habitat (rite de passage) .

I trying to interpretation and decode some of Groups of graphemes according to the typology and association we have a type of graphemes, known for they structural construction, and forms are repetitive; (lines, bi-lines, stars, territory, cross, dots, vulva, arbolet, plants).

They are reflex of the people with complex economy from the Neolithic period. According to the characteristics of rock art, rock art from Zatriqi is a schematic. Many of combinations of graphemes marked associations are ideograms, they signify hops, fertility, sex, territory, prayer, things, etc.

I try to inscribe compositions, structures, contacts, superimpositions and meaning. During the work have in consideration many studding on rock art. In this work character A impress association, with ordinal number, also to more clearly understand explication should we help typology table.

- Arbolet in connection with others signs

A1-You can see in this association there levels of structural symbols which are in pairs: in the first level come arboles and line, in the second one the square with the rectangle followed with the symbol X for territory while in the third level we have two pairs of V (vulva, V, and line) Based on the structure, the composition can be explained according to the levels and in upside down order.

Above the arboles, the male symbol is a thick line which might be an indication of a distinguished symbol regarding the status and the position of man, for his important role in the community; the line above the arboles might be associated with a certain rule/law of action which might take place or even it can be an omen for an action which needs to be carried on or to be followed.

In the second level, we have the square-the symbol of the territory which according to its internal construction is similar to the archaic game; however, this is not a game since the existing small dimensions could not be possibly used for the game and the predicates are not designed for such a thing.

Near the square can be found the X symbol which might indicate the fertility; the symbols together can establish the concept of hope/pray, praying for more. Meanwhile, in the third level we have a clearer view on the action which might serve as an illustration for the action.

Thus, in the third level can be found the superimposition, a line which comes out of the square with a lateral and penetrate and the sexual symbol of female (V), while close to it is also located the other V which is untouchable, however it has a connection to it.

In this level is also present the pair of symbol V and the line which penetrates thoroughly the other vulva. What can be learnt from this association? Maybe, the whole thing is a good illustration of symbols (signs) which appear in an association, and where each of the pair symbols has a role which constitutes to the concept of interaction.

Those symbols which appear in pairs from the ancient history are classified even by the Leroi Gourhan. Nevertheless, here we deal with a sort of message, a cult predisposition which tells from which side the action can have sufficient growth from the ground, and a strong, healthy and fertile family.

Hence as we can see, there are three sub-groups in an association, which are in pair symbols and thus create a whole. As can be noticed from the graphic, arboles with the line is in the upper part and in the middle we have the symbol of territory with X, the place when it lives and exercises everyday activities; in the lower level, we have two V and V (female sexual symbol) with a line, as an indication of contact action through sex. Arbolets and the line stand in the upper part and do not have physical contact with the middle level and neither with the lower one; the middle and the lower levels get in touch with one another by a direct tie.

The upper graphemes, arbolet and the line might indicate the respect and the power of action. Symbols are described with the role of the leaders, or it might be a sign of the leader (male), the regulation of respect toward the person who gives orders and makes sure that those orders are obeyed by others.

Association 3, arbolets, the star, lateral line, vulva, territory, X (cross), and Y (leaf). Maybe before we begin explaining association 3, it would be a good idea to stop and talk a little bit about the Paleolithic time. I would prefer to stop a bit in decoding of graphemes by High Paleolithic from the culture of Mas'd'Azil, by James Harrold in "Branch and Chevrons".

The focus will be on how these graphemes mark the process of cosmogonist transformation and the appearance of new life, blossoming, and "continuity," for all the living things. This decoding would help and assist us in supporting the concept of transformation while taking in consideration the physical building of the star (female symbol) and arbolet (male symbol).

In order to decompose such a concept of transformation through graphemes of sexes, we refer to the physical building/construction of these symbols. Arbolet is shown in a full blossoming, probably in its most fertile phase. From the outside view, we have an impression that the sign is in a good conductive physical condition: in its culminant living force.

The arbolet penetrates thoroughly the V, from which you might get the impression that the arbolet is coming out and getting bigger while the V vulva might be a signal which shows its

power; V has contact with the symbol of star which also shines pretty good and is an indication that the V sign takes that energy from the heavenly shining, natural beauty, and godlike light.

I think that the dot symbol of energy in the center of the star is a good argument for what I am saying. So in this way, all these three signs through the chain contact accomplish and realize their existence as well as their transformation.

The lower star with a lateral line has a contact with another lateral line which might signify the power of life, and the power of life which is energy. In the upper part of the star are located the symbols such as X and Y, cross and leaf respectively, which are quite smaller than the other symbols.

This might mean something, a destination for something. Also, in the upper part is also the symbol of territory (net)- an indication for a meaning. While the X and Y symbols are linked with each other, the other symbols have chain linkage between themselves;

Arbolet is in superimposition in Vulva. In addition to that, Vulva is in physical contact with the star and the star with the lateral lines; in this way, we have a chain contact excluding the symbol of territory which seems to stand in position. It look as if that we are dealing with a hopeful situation, union, optimism, and transformation. They are united, paired, healthy, long-lived, and in full harmony with the ground (earth).

-Interaction between associations

Association 2 and 13 are much more complex because both of them are connected with each other. This may be a very good example on showing the process of separation, and transformation.

In this composition, two association bind together with the analogy of the sub-group structure. Let's firstly explain the A3. The symbol of territory above is the star (female symbol) and close to it is a line which penetrates its ray.

In the upper part of the same association is the cross with two paired lines, and it has a contact with one of the lines. The symbol of territory is divided into several fields, three of which are marked with X and two with a dot; three other fields are pervaded with a lateral line which then makes contact with another line which comes out from the territory symbol and penetrates association 13.

Now, we move on and explain Association 13, which happens to be quite complex. Two of the territory symbols (signs) V contact with the dot that comes from the A2 while creating a big corner. In the upper part of that corner, we have V vulva which is infiltrated by a line, net with a marked X and two parallel lines above it. In this case, we have to do with clustering of sub-groups by opposite corners.

Maybe, this separation is a rule that must be executed. In the beginning, the line that creates the big corner moves in the direction of opposite corner up to the X symbol which is located in the other corner while the point of start might indicate the direction of action which should be carried on.

Inside the big corner is the sign of territory (net). Outside the small corner is the lateral line. As we mentioned, both of the associations correspond to each other while being connected with a line which unites the rectangle- the symbol of territory with the other part of the symbols.

If we carefully analyze in whole both of the associations, we find out that both of them are complicated; however, we can find the connections of such separation order. If we can make an analogy between two associations of transformation or separation, with their symbols, we would observe the appearance of groups (the sign of territory) outside in the 2nd association,

and symbols and groups that appear inside and outside the corner of A13. Fig.3 (A 2 - A 13)

It is very tricky to understand, however based on in the analogy, people of that time used the analogy as a way to pre-calculate things; hence, we can say that the sub group with component symbols from the cross to the bi-lines that come from A2 correspond with A13 (territory, bi-lines,).

A2 Star with a line that penetrates them corresponds with V (vulva shape) which is also infiltrated by a line. The sign of territory might have indications on separating parts of each signs. Those can also appear as divided parts with signs (net) in A13. The symbol of territory from A13 might be the baseline of spreadness (separation, breeding, adjustment, and order).

This can hint which tells and transmits the rule of separation, breeding, and the new life in separation/compartments. If we turn back at the vulva then we can notice that this is a pray for new life; the territory with bi-line stands for breeding (pairing or numbering) the fertility of the ground whereas the territory and the leaf with the cross mean long-life, fertility, and prosperity.

In this instance, we need to mention that the line that comes from A2 is penetrated with another line which seems to have connection with all the sub-groups; this tells the ordering.

The upper line in the beginning is marked with a dot which might also indicate that this action is obligatory or must be done (separation must be done). The star (female symbol), which stands close to the symbol of territory (net) A2 maybe has a role and a crucial position in the process of separation.

-Territory and Leaf combination with other signs

In A11, we have an interesting composition with the sign of territory, dots, X and the separation lines out of the frame. The composition is quite regulatory with two dots, and a bi-line that hold Y (8c) in the middle.

Let's turn back in the inner structure of the symbol of rectangle (territory) which is split up in two parts: in the upper and the lower part. In the lower part is a dot and in the upper one are two dots- the sign of energy. The branch sign begins in the lower corner of the rectangle goes up while its branches cover the whole upper area of the rectangle.

This is a very interesting figure and pretty similar to the sign which symbolizes the Lord of the Space in Indus graffiti (space and time, Indus sign). The inside construction and structure of the rectangle is composed by two levels, the upper and the lower one as it can be noticed.

In the upper level, the body of the branch sign begins to move from the end while touching the line of rectangle very close to the corner and continues to move up while penetrating the separation line of the levels.

When it moves up to the upper level, it spreads out in the whole area of the rectangle. The sign of territory is positioned in the center of its structure while around it are engraved three Xs of different sizes; the small one has physical contact with the rectangle, respectively the framing lines have double role: framing of the inside area and the coordination of the outside part.

The X pervades the upper frame of the rectangle which also has its line of contact. In the other hand is the medium size X close to the rectangle, the determining line of the rectangle which goes up and with a bend is straight forwarded to the big size X, which eventually contacts with a line.

With just one more bending, the X is forwarded in the beginning direction. From this composition, you can get a feeling of describing the concept of understanding the cycle of life birth and re-birth as well as the creator.

Close to the big X stand a structure with a good order, just like a ideogram which might have a certain meaning, might be a name or a respected title, and which can be read from whatever side you wish – from the right or the left, it does not really matter. However, the maze exists on the issue: what is hidden inside of it?

We know the hidden Mr. Amen and later on we recognize him with the new name Amen-Ra from the ancient Egypt. He is the personification of the hidden power, the creator and the holder of the universe who in the material form symbolizes the sun.

It seems like the sign inside the frame has a holy function, thus generating energy and control for every process around it; moreover, it has a full control of the inside area. Association 6 – In this composition, we have a content of signs/symbols which are spread out in constant distance between each other.

Even in this composition, the sign of territory covers the main position which can be noticed not only from its huge dimensions but also from the structuring of the composition. In the corner of the territory are engraved two bi-line (aslope ones) that are pervaded with a line in the middle (a horizontal one) and it is touched by the inside diagonal of the square.

In the upper part of the square is the X which is penetrated by an aslope line, and a vertical line whereas in the upper part are two bi-lines (sloping ones just like the lines that touch the diagonal, the symbol of territory).

It is worth saying that in every association with a line that will follow shortly, it is also present a sign of identification which in some cases was identified and treated by us as an indication of action; it might be that the function of this identification symbol in here is similar. The physical contact of the sign of territory (diagonal) with the two bi-lines in the corner outside of the frame might point out the contact, breeding, fertility, and the abundance.

Near the sign can be noticed the bi-lines, the cross which is also penetrated by a line in the middle which has a special meaning. In the upper part, we have got two lines (bi-lines) that might be a sign of the whole action, and message. As we mentioned in the beginning (one line, an action), the line is oriented from the territory in the direction of two lines; then, they double for the pray, fertility, and abundance.

Association 7 – We have V (vulva shape) and four lines. One line is in symmetrical direction with the position of V whereas the other three lines are disoriented in divergent directions. They spread out in different directions.

One of the lines touches with the line which is in symmetric position with the Vulva. If we refer to the decoding by Jakob Harrod, divergent lines form Paleolithic, UP- Paleolithic, then this might represent the inheritance and spreading of origin. Moreover, this concept might have to do with the same mentality; however, research should be conducted to prove this point.

In top of all, we need to say that this does not change much in comparison to the decoding by Mr. Harrod, the origin of life (vulva), spreading and diffusion, and energy (divergent lines). Association 27- It is a composition of two vulvas, vulva (root), three dots in line, two bi-lines, and another line in the shape of T. This might indicate the origin.

In the ideogram, the V sign, the sign of origin surrounded by lines, vulva, and dots takes the main position. Here, we have a transmission of signs which give fruits around the main/central sign. However, none of them touches each other and no contact between them takes place.

Maybe this structure might be a mark of the essential role that the sign of origin might have, not only because the sign is in the center of this structure but also because it is a source of energy

and re-generation. It can be easily noticed that one V is bigger in size than the other ones in this association.

Association 38 – The sign of origin (7c) (developed root) is in much bigger size compare with the three vulvas and Y. In the ideogram, the root has a contact with other four parallel lines. The middle line is penetrated by another line which is in the shape of T (1d). Meanwhile, Y (8a) is inside the vulva area (7a) and makes a contact with the inside wall of it. It seems like something is being delivered.

Probably, this ideogram is an indication which tells about the good hope, the vision, and health. (7c) is much underlined and scored compared with the other signs. It is in large size which might represent the concept of pride, and appraisal for the ancestors. The Y which is inside the vulva has miniature dimension if we compare it with the other signs present in this composition. These might represent signs regarding the future, the new birth.

The contact between the sign of origin (7c) and the other four lines (1b) might indicate the origin of generations. The lines symbolize generations, and the upper vulva the source of life and energy and the transmission of them to the generations, holding and continuing the life as well as preserving the origin.

This might be a rule for the scholars who explore on ancient events and issues; it is a lesson for the future generations who are ready for the new identity. They even can be attached to the new rituals (rite de passage) which have been developed in this country.

Association 34- (7b 7bvulva pubic, 7a 7a vulva shape) is a composition made up of four vulvas in two engraved variations which stand very close to each other. Two vulvas that stand in the middle (7b) are on a similar variation, in an opposite position with each other. Outside of them, a dot and two other vulvas are engraved (7a). These hold vulvas in the middle.

The peripheral vulva is penetrated from a line. Maybe this is a process of accumulation. The two centered vulvas maybe are lined with the upper dot in the ideogram and thus are special and positioned in retrospective way. So we have here a kind of reflection similar to it and its shade. This process looks similar to the effect of the mirror.

One of the vulvas is bigger in size than the other vulvas. Maybe the bigger one is for real, and the others are just imagined. The enigma on which one is the real one and which are the imagined ones still remains undiscovered. Association 26 – (6, 8a, 3b, 3c, 1a, 1d). It is a composition where in the center of can be seen an arbolet sign (6), much smaller in comparison to the other signs.

The arbolets touch the female sign (7a), and gives an impression that is growing and developing. The whole area is fulfilled with dots, and in the upper part we have a curved line (1e) as a framing of this area and a T (1d). In the lower part, a curved line penetrates the big vulva and connects that with another big V (A25).

This vulva has bigger dimension than the other vulvas and in one side, its area is filled with eight dots whereas the other part of the area is empty. Those two associations are associated with each others through a wave line (1e). This might be a connection so that they can complement each other, the process of enfolding life, hopes, and prays for something that might bring life as well as to complement a wish, a will, or a purpose.

The above arbolets contact with the Y sign (7b) through a dot which ties them together. Moreover, it is penetrated by a long line which goes through the dot of connection. The signs of energy are spread through the whole area. There is always something to be wished or hoped such as the empty area in A25, and a line which is comes from the A26 and goes in the direction of empty area in A25.

A10 – The composition with the cross sign (4c) – the center is more scored and the size of the signs is bigger than the other signs that surround it from all the directions. It is a similar sign or symbol with the character of Chinese sign Yang.

From the bottom part, it is pervaded from a line whereas in the upper level, at the top, is the cross (4b) with smaller dimensions compared with the other two cross signs (4a). The net sign (2a) makes a contact with itself while the leaf signs can be found in the lower level, in the left side.

Not to forget to mention the engraved V which stands at the top(7a). This structure is much distinguished from the other associations with the sign positioning in the center. This might also reflect the establishment of any character, the appearance of any God, leader or faith/religion.

The V sign at the top of the composition might be helpful in trying to solve the identification. Associations 42, 43, 44, 45, 46, 47, 48, are among the most complex structures which are composed of several signs and concentrated in an area. A 42 is composed from the sign of star, line, and dot which are linked with the upper complex level through the cross and line signs.

We are going to stop and talk a bit about A43 whereas we will explain the other ones other times. The A43 is quite complex composition in which we have the net, arbolets, vulva, lines, the cross sign as well as other signs which are very small compare to the overall composition.

The sign of territory has a superimposition with arbolets. In fact, it is a line which extends from the sign of territory and is pervaded by the arbolet. I would say that this is the realization of contact in the structures of this composition, throughout the whole area. As can be seen, the arbolet is scored and emphasized and is in a good condition, together with the net.

In the corner of territory sign, can be seen much smaller signs which as mentioned early probably have a specific position and meaning in this structure. It might happen that those small signs to have the role of defensive signs. In the inside area of the territory is a vertical line which comes out of the frame and immediately is penetrated by another line.

In the upper part we have the V vulva shape, a line, and the cross sign which occupy a small area. On the other hand, we have two vulvas of different sizes where one is bigger and the other one is much smaller.

The big vulva is penetrated by a lateral line and it seems like is tied with the bottom small signs which eventually might represent protective signs of communities, signs of luck, etc. We have parallel lines in the bottom part of the arbolet (1c) and another line which is shorter. What can we read and what message can this complex composition have? I would return for a moment to the association 3. I will provide an aspect of similarity in the aspect of how graphs are presented, meaning the graphs that are in different composition but indeed are similar in the foundation/construction and their appearance.

The leaf and cross sign which are shown in small size compare with the other signs in A3, and the sign of star and vulva which are penetrated by a line which appears in the corner of net sign in A43, are very small in size in order to give us an explanation and provide us with a connection between the concept and the similarities of those two compositions.

Another aspect that can be noticed is the arbolets that appear in a good condition and in a very progressive stage of development.

In the case of A3, we have tried to come up with a conclusion based on the appearance of the signs and structural positioning of them. The conclusion that we reached says that this is optimism on bandage while the pairing might mean that the optimism can occur with the assistance of supernal energy.

In A43 as well, we might have to deal with a praying on fertility and earth; however, based on the structural building we get an impression of an act ceremony. The transformation of arbolet comes from its contact with the sign of earth. Vulva and the lateral lines do not have a contact with the arbolets.

They appear in the upper part of the composition and no contact is encountered. Meanwhile, the net is penetrated by arbolets and the small sign of star and vulva that stand in the corner. As we mentioned previously, those signs might represent defensive signs for the earth, community, or are signs that bring luck.

The penetrated line which comes out of the inside area which is also

Typology Table				
1a	1b	# 1c	⊥ 1d	⊂ 1e
## 2a	≡ 2b	⊠ 2c		
• 3a	••• 3b	••••• 3c		
+ 4a	× 4b	≠ 4c		

associated with another line forms a corner or a rectangle. Then,

the direction is oriented to the other upper graphemes which might suggest a description of ritual and the purpose of overall structural texture.

In the upper part can be seen the vulva which is vividly pervaded by lines and lateral lines. It is quite obvious that this description brings us to a conclusion that we are dealing here with the earth fertility; praying ceremony for abundance food.

There are many things left to be explained despite my goal that based on the structural texture of compositions to come up with an appraisal and try to interpret and decode some important and complex parts from Zatriqi's graphemes in Kosova.

 5a	 5b	
 6		
 7a	 7b	 7c
 8a	 8b	 8c
 9a	 9b	 9c

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IMPACTS OF CRISIS IN THE TOURIST DEVELOPMENT OF RURAL AREAS

Abstract

Rural areas have many potentialities that should be managed systematically so that it becomes a real occasion for a sustainable economic and social development.

Even if the “recession tourism” market fails to materialize, experts say, most destinations should be able to withstand the loss revenues- provided the region is developed in a truly sustainable manner.

If the recession leads tourism businesses to lay off workers, however, these and other industries are not likely to provide renewed employment opportunities, due to the drop in global demand for the commodities. Though the origin of the global crisis is the same , its impact varies across countries, as the nature of problems and measures taken for solution to the crisis also vary.

Financier crisis, which impact in the real economy of the developed and developing countries, is an event which discuss in Albania. The situation of global crisis will impact in the rural economy in general, and markets of tourist in particular.

Every region needs a careful analysis of the components for tourism development to determine whether there is any chance for its development in that region or its attractions help in implementing the tourists’ activities.

About forecast of FMN, the recession will continue and in 2009,so will have problems for Albania ,because it is linked with markets of european and asian countries, which have problem by the crisis

Key words: impact, financier crisis, rural areas, incomes, remittances.

Impacts in tourism

On the basis of the most recent analysis published by the Tourism World Organization (“Tourism Highlights, 2008 Edition”), in the last 15 years international tourist flow, in terms of new arrivals in destination countries, have risen at an yearly average growth rate of about 5 %, demonstrating that tourism is one of the most profitable economic sectors and Europe represents 58 % of world tourism. But, tourism, as a significant form of human activity, can have major impacts.

These impacts are very visible in the destination region, where tourists interact with the local environment, economy, culture and society. Tourism impacts cannot easily be categorized as solely social, environmental or economic, but tend to have several inter-related dimensions.

Tourism impacts are likely to change over time as a destination area develops (Butler, 1980). According to Wall (1997), key factors contributing to the nature of the impacts are the type of tourism activities engaged in, the characteristic of the host community in the destination region and the nature of the interaction between the visitors and residents. Major factors influencing tourism impacts are:

- Where is tourism taking place? (e.g. a rural/urban location, a developed/developing country);
- What is the scale of tourism? (how many tourists are involved); ~Who are the tourists (e.g. what is their origin? Are they domestic or international visitors/); ~What infrastructure exists for tourism? (roads, sewage system, etc) etc.

Rural areas have many potentialities that should be managed systematically so that it becomes a real occasion for a sustainable economic and social development.

In other words, the success of the tied up activities to rural tourism is related to the context (economic characteristics, social, cultural, environmental, historical-architectural of the area), both to the organizational and productive ability of the territory as a whole and of the single firms that compose the local offer. It's necessary, therefore, to set up at a local level a series of processes of local reorganization creating the conditions to realize a full integration among the collective level (the whole territory) and the business level (single component of the territorial offer).

The tourism industry holds great potential for poor countries seeking to improve the lives of their citizens, but unless tourism is practiced responsibly and in harmony with environment, it can lead to unchecked development, habitat destruction, waste and pollution. Tourism having vulnerable character, crisis of any nature and at any level- national, regional or international- produces negative impact on tourism market. The global crisis will impact on our economy, namely trade and financial/capital/ flows. So this is likely to translate into a reduction in the demand for goods and services.

Even if the “recession tourism” market fails to materialize, experts say, most destinations should be able to withstand the loss revenues- provided the region is developed in a truly sustainable manner.

If the recession leads tourism businesses to lay off workers, however, these and other industries are not likely to provide renewed employment opportunities, due to the drop in global demand for the commodities. Though the origin of the global crisis is the same, its impact varies across countries, as the nature of problems and measures taken for solution to the crisis also vary.

But how impact the crisis in our region?.

At the beginning of 2008 Albanian authorities decided to rely on tourism as a main strategic lever for the development of the country, asking for financial support from the World Tourism Organization.

The Albanian policy on tourism is intended to make the most of its wonderful climate, environment and related rural traditions, particularly in mountain tourism and cultural tourism.

Investigation proves that main factor which induces most farmers to undertake enterprising activities are economic need. Today there is a tendency to rural areas holidays, even more active holidays, being interlaced with cultural, leisure and sport activities. But there are negative impacts which should be minimized through a careful planning of rural tourism.

Albanian economy grows at satisfactory rates during the last decade, recording an average GDP growth of 5-6%. But like many other developing countries, our economic growth has been associated with high trade deficit levels, which have been financed from steady capital inflows in the form of remittances or foreign direct investments. However, the economy's performance in the last quarter 2008 and the first months 2009 is indicating an impact of global financial crisis on the country's economy.

Influence of *financial crisis* is too real, but having different effects is different countries. What about Albania and its economy? Are they affected from this extensive financial crisis? Answering negatively to the question would be such an economic myopia. Although Albania is a small country, yet not integrated in the global economy, does not mean we are standing absolutely out of this crisis. Our country is related with many European and Asian markets which are shocked of the financial and economic crisis.

These countries are Albania's suppliers in food, clothes, domestic, technological and information equipments, etc. Therefore, the influence of financial crisis coming from supply countries affect directly prices in our own markets. Anytime fuel prices crisis happens in other countries, its influence on fuel prices in Albania has been higher. Meanwhile, rural areas provide few incomes and price rising affects very much the economy of rural areas.

There is a problem affecting negatively the Albanian economy, especially that of rural areas. It is the problem of emigrants working in Western Europe as in Italy, Greece, Germany and United Kingdom.

They are the first who experience the shock of financial crisis. Troubles caused in labor market will result in a deep social crisis, with crashes among local people and foreigners.

This happens because emigrants are the most disposed working force at negative proceedings and their economic difficulties will be reflected in the collapse of remittances to their families. According to studies, it is comprehensible that this year will result in such a decline of incomes in our country, as many know that a good part of them is provided through emigrants' incomes.

This situation will affect mostly the rural areas of our Region, for the vicinity Korca has with Greek border and a considerable part of population works abroad . Most of people in rural areas in Korca are emigrants , so this fact will impact to reduce incomes of rural families, because about 40% of revenues come by remittances of emigrants.

In few words, this crisis is illustrated with reduced flows of remittances and imports, reduced liquidity and tightening of credit market, as well as uncertainty of economic agents.

Experts of Bank of Albania identified that there are 189736 Albanian families, or 26% of them who profit from emigrants' incomes. In these difficult situations, it can be seen that 33.9 % of remittances are used for investments and reducing them in such conditions results reduce of investments in rural areas. Of course, effects of this crisis will be critical to our country, as our incomes are low and it will be difficult to undertake steps for facing it.

A considerable number of the Albanian population will fall under the poverty level because of the crisis. This will be more obvious in the rural population as they host tourists in their areas. Dependency of Albania on economic relations with its neighboring countries such as Italy and Greece is considered one of the main problems in our country today. Albania is one of the countries which established close relations with the European Union and other countries of the Region, but our trading partners are affected from the crisis.

According the provisions of International Monetary Fund, the remittances are expected to drop down from 11.5% to 9.5%, which could be approximately 200 million Euros less from the Albanian consumers.

Thus, 2009 will be such a difficult period for them, businesses and their investments, loan systems and other economic factors. Representatives from World Bank suggest fostering the right fiscal policies and greater budget support to vulnerable population.

In these conditions, the difficulties in developing rural areas are evident as there are identified:

- Drop down of remittances from emigrants, which would make difficult the investments made in these areas from private investors or members of community.
- Difficulties in selling agricultural and stock-breeding products, as result of "contracted" markets, reduction of exports and purchase power.
- Reduction of bank loans for constructions in villages, especially for reconstructing residences for hosting tourists.

In rural areas, the primary economic base is usually dependent upon natural resources. Rural tourism takes many forms, so it is difficult to give an exact definition . According to studies ,rural development defines as a process which leads to a rise in the capacity of rural people to control their environment, resulting from more extensive use of the benefits which ensure such control.

Rural development is affected by many factors, including economic development, environment, social values and knowledge. So, sustainable development look as the way to raise living standards, to allow people to reach their human potential, to enjoy lives of dignity and to ensure the welfare of present and future generations. Every region needs a careful analysis of the components for tourism development to determine whether there is any chance for its development in that region or its attractions help in implementing the tourists' activities.

Now, let to see a panorama of the tourist arrivals for 2006-2008, the annual growth was continuous since 2006 :

Tab 1: TOURIST ARRIVALS

ALBANIA	2006	2007	2008
Tourist arrivals	926 056	1098 765	1330138

In 2008 the 71% of arrivals came to the region via ground, 15 % via air, and 14% via sea.

Tourism and induced sectors will generate every year 5.8 million jobs worldwide, 270.000 in European Union and 3000 in Albania.

Today there is a tendency to rural areas holidays, even more active holidays, being interlaced with cultural, leisure and sport activities. But there are negative impacts which should be minimized through a careful planning of rural tourism.

Tourism has brought benefits such as employment, transformation of agriculture, but the development of tourism in rural areas has been low and the rate of economic return to rural communities has been low too:

- Some of facilities such as hotels, belong mainly to investors from cities; who take most of the profits.
- Revenues in the forms of taxes and fees do not go to rural communities directly, but return to the central government.
- Employment opportunities for local people are limited.

Development of rural areas in Korca's region and the impact of crisis on them

The region of Korca lies in Albania's southeastern part and has a surface area of 3697 km². It Approximately 58% of the surface area of the District is made up of mountainous area, 17% hilly area and only 25% field area.

Tourism in Korca is considered as a complementary branch of economy but it can generate considerable incomes if it would be carefully planned and have a coordination of all tourism actors. Villages mostly well known for the development of rural tourism forms are Dardha, Voskopoja and Vithkuq.

But it is worthy mention other villages such as Boboshtica, Mborja which may represent some other tourism forms. The areas characterized by special tourist attractiveness, with conditions to rest and nature can enjoy the best interest. The development of the tourism in rural areas in Korca's region is determined by occurrence of attractive country areas, variety of landscape connected with crumbled agrarian structure, traditional methods of agricultural production and what is more the supplies of cultural heritage of country.

Some villages such as Voskopoja, mainly for climate reasons – have practiced the familiar tourism. Moreover, the transition period has given rise to new opportunities in order to recur and develop further this tradition.

The inward and outward tourism will undoubtedly be one of the main elements for the economic-social development of the tourist destination. It opens new jobs especially for the unemployed women, generates the family incomes, and reduces the poverty. Also, the dynamics of tourism can integrate and develop other branches of the regional economy like the agriculture, agro-industry, handicraft, services, construction sector, etc.

Tab 2 : Tourist arrivals in hotels in Korca's city

	2006	2007	2008
1.CAPACITY OF HOTELS			
Rooms	169	175	217
Beds	289	307	372
2. TOURIST ARRIVALS IN HOTELS			

Albanian tourists	8242	9450	12701
Foreigner tourists	803	642	1050
3.OVERNIGHTS IN HOTELS			
Albanian tourists	8476	9933	13057
Foreigner tourists	642	1008	1422

This situation is *only tourists who accommodate in hotels of the city*, but there are many tourists who come as day 's visitor by albanian cities, Greece and Macedonia.

Tourist arrivals in rural areas in Korca has been in increase for the 2006-2008 period, such as in Voskopoja village, but now there is a decrease of tourist arrivals for january- march period as follow: *in 2007- 2008 albanian tourists: 4400 – 4600 tourists;*

*in 2007- 2008 foreign tourists: 450- 463.*In january- march , there are a decrease of number of domestic tourist about 10 % compared with the same period of the last year.

Besides the natural attraction and biological richness, the exploitation of cultural heritage is a special element in the development of tourism. This would strengthen the cultural identity of people through knowledge and dissemination of historical, religious and cultural objects being part of this heritage.

This will develop as well other sectors related to preservation and renewing the historical inherited materials and dissemination of cultural and historical values by organizing tourist visits, festivals, etc. The analysis of tourist demand in the mountainous area is performed based on the analysis of tourist destination and its potentials.

This demand has to be studied under some parameters, dividing the tourist clientele in domestic tourists and foreign ones. This analysis has to be performed in order to point out the demands of the clientele and to adopt according the tourist offer. Nowadays there is a tendency of tourists to leave their country looking for a quiet place, beautiful scenery, rich flora and faun.

But, when the cultural heritage is concerned with it, the destination becomes even more completed. The kind of tourism based on natural attractions plays an important role in tourism motivations. Thus, about 43% of tourists like beautiful places, the flora and fauna, 20% enjoy the cultural heritage, 21% the gastronomy

There are some problems in rural areas:

- Lack of management skills – Most of farmers who includes in tourist activities has the lack of management skills. Lack of skills is also a problem which resolve by the local government staff responsible for planning and management of tourism.
- Marketing- Most rural tourism facilities tend to be small and this makes it difficult to market them to potential visitors.
- Infrastructure- Most of rural facilities of outstanding natural beauty has a poor road or rail network. Road access may be made difficult by crowding.
- Limited Tourism Season- Even more than cities, rural areas receive most of their tourists during the height of the season. This limits the number of days in which accommodation and other facilities are used and reduced the return on investment.
- Poor Return on Investment- Returns on capital invested in rural tourism tends to be fairly low even lower than the returns from other kinds of commercial enterprises. In general, farmers are well advised not to invest too heavily in new buildings or expensive facilities.
- Lack of information about What Visitors Want - Best way for understanding of wishes of visitors is a good questionnaire. By it can understand what their customers liked and what they didn't like will help them develop a successful enterprise.

The good will, the cooperation between tourism actors will make possible the development of a well-planned, sustainable tourism without environmental problems. Determining the necessary tourist capacities and management of tourists flow will be a sustainable development of tourism – already a new trend. The careful planning of tourism in the rural area will generate advantages for increasing the well-being of the community.

Recommendations

In this framework let's give some recommendations:

1. Investments of rural areas:

- Continuation of investments in rural areas for the infrastructure and the facilities of tourism in order to improve the livelihood in these areas. For example will continue the investment for infrastructure of Voskopoja village about 39 million lek which will improve conditions of this tourist destination and the street of Dardha village about 10 million lek.
- Attract foreign investments from individuals or different associations for infrastructure investments; Make investments to raise the level of welcoming in private houses in order to activate them for tourist purposes.
- In order to reach better economic results, Korca must invest in its people in order to educate and train them to improve their knowledge and know how.
- Improvement of the quality of the tourist product, and services including the visitors' accommodation and gastronomy; making the most of the resources available.
- Transforming rural houses to a guest house by restructuring:
- Quick solution of infrastructure problems, water and energy supply;

2. In order to continue with the investments it should:

- *Promotion* of the tourist destination that consists on different types of tourism through conferences and meetings in order to attract different tourists.

3. Attempted solutions to rural poverty have been many, from infrastructure development training and education, livelihood diversification (an attempt to teach people new skills in the hope that it would provide more employment and income) and rural tourism.

4. Maintaining the traditional agricultural role of the countryside is essential. Preserving the traditional character of rural areas benefits the environment.

5. The government must help rural areas with conditions of credits for rural people and rules for increase public spending and investments in agriculture.

All the experiences and competences should be gathered in a system-like project in order to implement a new local development based on sustainable tourism.

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THE IMACT OF RECESSION IN TOURISM SECTOR. MANAGEMENT OF TOURISM SECTOR IN ALBANIA IN ORDER TO MINIMIZE THE NEGATIVE EFFECTS OF RECESSION.

Abstract

The world economy is mired in the worst financial crisis during the first half of 2008. The most advanced countries are already in recession and they outlook for emerging and the other developing economies deteriorating rapidly including those with a recent history of strong economic performance.

Output in developed countries is expected to decline by 0,5 per cent in 2009. Growth in the economies in transitions is expected to slow to 4,8 per cent in 2009. The developed countries would enter into a deep recession in 2009 and on the other hand developing countries may have dangerously low in the terms of their ability to sustain poverty reduction efforts and maintain social and political stability.

To save off the risk of a deep and global recession, may be the implementation of massive internationally coordinated fiscal stimulus package that are coherent reinforcing and aligned with sustainable development goals.

Economic uncertainly, travel inflation, exchange rate, will slightly alter destination choices, but they are more likely to cause trip postponement decisions and domestic-for-outbound trade-outs. Albania economy is still far from recession but in 2009 we must build new strategies in tourism sector to be more attractive and to help other sectors hit by recession.

Key word: recession, strategies in tourism

Introduction

World Tourism Organization claimed that tourism will *“survive with the support of its own strength. Is doing not need a stimulus package for the industry,” “When the time comes, tourism will contribute to the revival of the economy as a whole. Tourism will dampen the impact of the crisis and not accentuate or accelerate its effects.”*

All developed economies are affected by recession. The world economy is slowing sharply. Developing economies face much slower growth, at best. Output in developed countries is expected to decline by 0, 5 per cent in 2009. Growth in the economies in transitions is expected to slow to 4, 8 per cent in 2009.

The developed countries would enter into a deep recession in 2009 and on the other hand developing countries may have dangerously low in the terms of their ability to sustain poverty reduction efforts and maintain social and political stability.

To save off the risk of a deep and global recession, may be the implementation of massive internationally coordinated fiscal stimulus package that are coherent reinforcing and aligned with sustainable development goals.

Economic uncertainly, travel inflation, exchange rate, will slightly alter destination choices, but they are more likely to cause trip postponement decisions and domestic-for-outbound trade-outs.

World tourism has been affected too. The health of tourism depends more on the health of the global economy than vice versa. The ‘knock on’ effects of global recession are likely to be magnified as they emerge in tourism economic performance.

World tourism confront recession

The tourism industry has no choice but to deal with these effects. This recession may last some time – possibly all of 2009 and even beyond. International tourist arrivals reached 924 million in 2008, up 2 per cent on 2007.

The WTO says the first half of the year showed good results, but the number of international arrivals decreasing slightly and international tourism will stagnate or decline slightly in 2009, according to the United Nations World Tourism Organization (WTO).

Things begin to improve and in 2009 should bring good news on three critical travel driver fronts: (1) economy will rebound (sub-prime, housing crisis begins to abate, exports remain robust), (2) oil prices begin to moderate, (3) dollar will begin to rise against most currencies (particularly outbound destination currencies).

The WTO expects international tourism to be in a range of 0 per cent to 2 per cent decline and says along with the Americas, Europe will be the most affected region in terms of overall tourism results as most of its source markets are already in, or entering into, recession. In Asia and the Pacific results are expected to be positive, although growth will continue to be much slower compared with the region’s performance in recent years; the same applies to Africa and the Middle East.

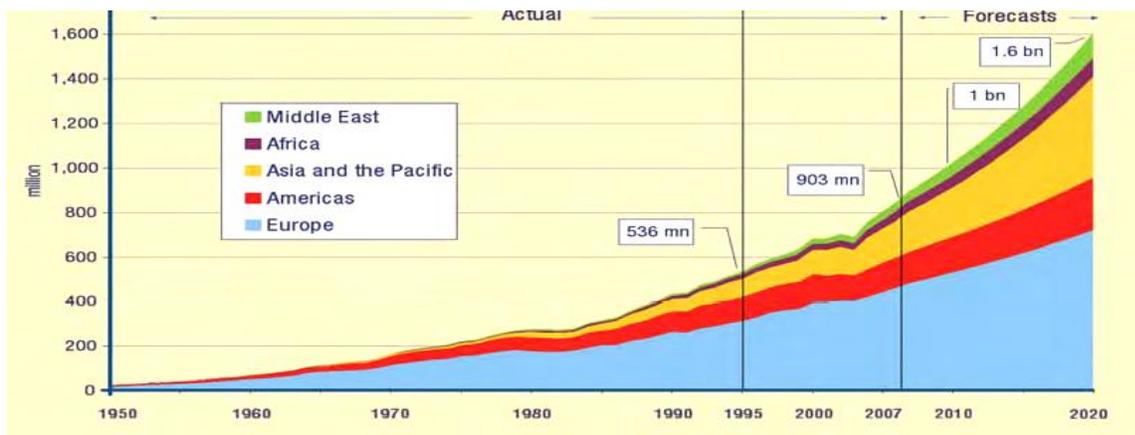
The organization cautions that there is still a high degree of uncertainty surrounding its 2009 forecast, and much will depend on the evolving economic conditions. If the world economy starts to show signs of an earlier recovery, international tourism might grow slightly in 2009, but if the economy deteriorates further, the current forecast could be revised downwards.

Forecasts of International Tourists Arrivals (millions) Worldwide and by Region 1995-2020

Regions	Tourist Arrivals (million)			
	1995	2000	2010	2020
Europe	335	390	527	717
East Asia/Pacific	80	116	231	438
Americas	111	134	195	284
Africa	20	27	46	75
Middle East	14	19	37	69
South Asia	4	6	11	19
World	564	692	1,047	1,602
Region	Full year estimates 2008		Forecast 2009	
World	2-3%		0-2%	
Europe	1-2%		0-2%	

Market share forecast for each region in 2009

Asia and Pacific	2-3%	0-2%
Americas	4-5%	1-3%
Africa	3-5%....?	2-6%...?
Middle East	9-15%	3-8%...?



Source: United Nation World Tourism Organization (UNWTO)

- **The implications of recession in tourism:**

- Consumer spending generally is slowing (or falling) faster than overall economic output.
- Tourism spending, as part of discretionary consumer spending, can be expected to slow (or fall) even more than consumer spending on average.
- The reduction in peoples' wealth, slowing or falling incomes, rising unemployment, and shattered consumer confidence, can be expected to be a powerful negative influence on tourism spending.
- World tourism spending is likely to slow, and, given the weighting applicable to Western economy tourism spending, could well contract, even in nominal dollar terms.
- The falling price of oil is a partial offset, but this fall is a reflection of, and induced by, the slowing in aggregate demand. It will nowhere near counteract the drag of lower demand and output on tourism spending.
- Early signs of a tourism demand downturn may already be appearing in the latest available inbound visitor numbers statistics for September 2008. International travelers are reducing their booking times and the forward booking data is considerably lower compared with previous years.

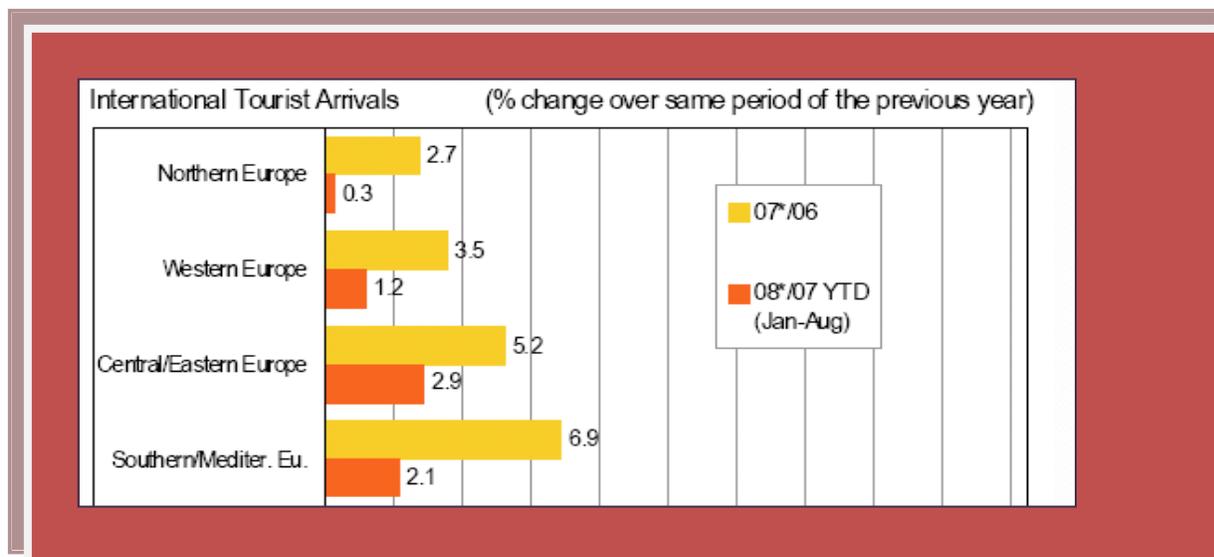
The principal determinant of and influences on international tourism activity taking over the duration of the 1995 and 2020 period are identified as began:

- *Forces impacting the future of tourism*

- Economic
- Political
- Socio-environmental awareness
- Technology
- Emergence of the knowledge based society
- Demographic shifts
- Shifting value systems
- Diversity within a homogeneous world
- Quest for stability and security
- Pressures for mass migration
- Change from a service to an experience economy
- Evolution of leisure time
- Competition for leisure time

Trends in Europe

- Tourism growth in Europe stagnated over the summer months.
- Europe currently stands at +2% for the first eight months of 2008 (well down from the 5% growth of the last two years).
- The slowdown has not spared any of its four sub-regions.
- Rising concerns about the deteriorating world economic climate, the scarcity of credit, the strong euro, higher fuel costs and declines in consumer spending power.
- There is also an expectation that business travel and the meetings industry will be the first to really suffer in major downturn.
- Viability of low-cost carriers will be challenged.
- Little prospect expected for the growth of European tourism over the next few months



-Albania and recession

Albania's economic growth in 2009 could stand at between naught and one percent- this is the forecast by the International Monetary Fund (IMF). Albania is still faring better than the other economies in the region, which should be bracing them for a recession. Now is the time to make changes and adapt policies.

The IMF has suggested imposing controls on spending by blocking wage rises and pensions and keeping taxes at present levels. Macroeconomic indicators attest to a relative stability.

The year 2009 shows a more complex setting, with numerous challenges ahead not only for the real economy but also for the monetary policy, the fiscal sector, the external sector of the economy and the financial system at home. The Bank of Albania assesses that there is an increasing risk that the economic growth may slow down in 2009.

The Albanian business should keep being active, far-sighted and dynamic. The Albanian economy has exhibited admirable immunity to these developments. In this context, the prudent and systematic work of the Bank of Albania, both in terms of maintaining the macroeconomic balance at home and safeguarding the banking system's financial stability has provided an overwhelming contribution.

In October 2007, the government of Albania launched the National Strategy for Development and Integration (NSDI) for the period 2007-2013. The NSDI aims to met achieve rapid, balanced and sustainable economic, social and human development, develop and consolidate a democratic state) establish the rule of law and fight

corruption) integrate Albania in the European Union and NATO. It assigns high priority to policies giving a stronger role to young people in the economy.

The priorities of the Ministry of Labor, Social Affairs and Equal Opportunities for the period 2007-2013 are set out by the Strategies on Employment and Vocational Training, Social Inclusion, Gender Equality and Domestic Violence that were approved in 2007, as well as in the National Strategy on Migration that was approved in 2004.

The objectives of the Employment and Vocational Training Strategy are centered on the promotion of an active policy on employment through the establishment of a modern system of employment services (8 of 12 objectives), the development of an active policy of employment,

the strengthening of the vocational education and training system, the reduction of informal employment, the improvement of conditions of work and the promotion of social dialogue

Albania tourism and recession

Previously a little-known destination within Europe, Albania is now becoming one of Europe's hottest real estate spots. Property prices in Albania are up to 70% cheaper than those in many parts of Europe including its neighboring Balkan countries such as Croatia, Greece and Montenegro.

Albania has also just received some good economic news. Currently home to one of Europe's better-performing economies, Albania looks well set for 2009. At a time when many EU countries have entered recession, the International Monetary Fund predicts GDP growth of between 3.5% and 4% for Albania during 2009.

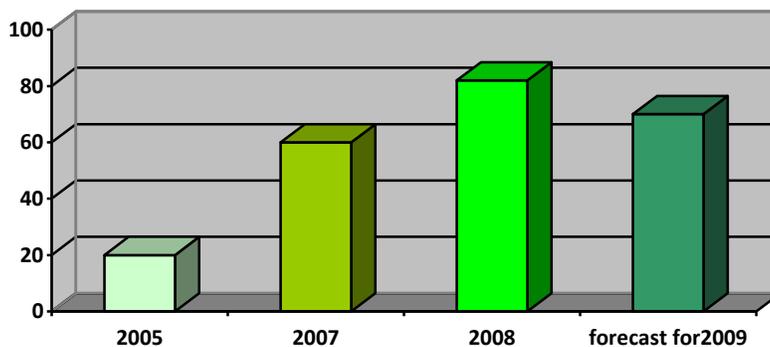
The growth in tourism in recent years confirms that Albania is on the path towards making tourism an active generator of its economic development. If Albania could use its own resources to the interest of tourism it could be much more developed than it actually is.

Today, Albania is gaining its rightful position, not only in the political and economic sense, but also as a tourist destination.

Number of tourists visiting Albania; January - August 2008

Tourists/ visitors		Purpose of traveling in percentage (%)	
Total no. 2.089.583		Holiday	85
During summer 2008		Business	6
Total	287.000	Daily visitors	6
Foreign visitors	984.083	Others	3
Daily visitors	56.732		
Visitors that stays also at nights	927.351		

Number of foreign visitors in Albania by year



Source: Albanian business and investment agency

As we can see tourism in Albania until 2008 was far away from recession: from 2007 to 2008 the number of international arrivals has been rising up with 20%.

There are some reasons for this growth:

- Albanian economy wasn't catch by recession
- Good promotion (in all forms) for tourism in Albania
- Important growth of Macedonian' visitors
- Important growth of Kosovo' visitors which get visas barriers to make tourism in other countries.
- Albanian tourism even yet discovered by inbound and outbound visitors

Albanian tourism prospects for 2009 tell about a 10% decline of foreign visitors.

Reconstructing sector has been caught by recession and the number of investments in tourism is getting down even by the high risk that investments have in this sector.

Neighboring countries perceive recession.

Much more Kosovo and Albanian' emigrants are perceiving recession in their living countries.

Management of tourism sector in Albania

- The realization of ownership conditions and the completion of concerning privatization process.
- Albania's competitiveness on the international market of investment capital.
- Establishing a developmental spatial plan for Albanian tourism.
- Continuous protection, implementation and respect of high ecological
- Standards and long-term sustainable assessment of tourist potentials.
- Education of all management and other staff in tourism.
- Construction of transport infrastructure and the optimal organization of transportation to service tourism.
- Development of an integral and integrated offer in a tourist destination.
- Increasing the level of quality of all accommodation facilities, primary and secondary, and adapting categorization criteria to international quality standards.
- Ongoing entrance of recognized international hotel "brands" on the Albanian market.
- A more effective distribution and use of modern trends in communication and marketing.

-Strategies & Tactics

1. Build and execute a compelling brand strategy
2. Implement a disciplined and focused media strategy
3. Drive inquiries and increase visitation through direct marketing
4. Create and reinforce credibility with public relations
5. Initiate a targeted and disciplined direct sales strategy
6. An industry leading web/interactive strategy
7. Leverage key events to bring visitors to bend
8. Expand marketing reach and diversify revenue streams through corporate partnerships
9. Play an active leadership role within the community
10. Establish an industry-leading financial management program
11. Enhance the visitor center experience
12. Intensify sales & marketing focus on increasing tourism during

tourist seasons

Conclusions

- Recession will be present, even in second part of 2009 in the world economy.
- Tourism industry will be growing up slowly during 2009-2010 period.
- Recession will going deeper during second part of 2009 in Albania economy but its impacts, will be lower in tourism sector.
- Figures shows, an increased number of tourists booking from West European countries as a result of promotion campaign online.
- Albanian government projects are focused in tourism management in order to reduce the negative effects of recession.

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THE IMPACTS OF RECENSSION AND DINAMIC OF INVESTMENT IN TOURISTIC TRADE

Abstract

The tourism has all the opportunities to stimulate a genuine economic “revolution” for Albanian . Tourism contributes in GDP rising, it ensures a positive balance sheet of the foreign exchange into the touristic industry and it reflects a positive image for the integration of the country in Europe.

The touristic industry as the others sector of our economy, will be effect from the global crisis. In order to protect its contribution in economy, it should encourage and efficiently manage public or private investments, especially the foreign ones.

The recession effects, in which the EU countries and others are involved, are added to the social environmental unrelenting crisis of long transition in Albania.

Analyzing challenges, difficulties and complications, with which the encouragement of investments is faced, we will try to introduce a variety of strategies that will prevent the recession’s effects on the degree of investments.

These strategies must be supporting on effective investments promotion, and especially on fiscal policies and the facilities offered in tourism. In this way, it will be possible to preserve the stability, the image and as well the investments rate opposing the inflation pressure and the economic crisis.

These strategies are going to bring to the tourism in Albania, what has missed for a long time or that is in risk of recession: the Vision, the Expertise and the Political Will.

Keywords: Investment; Recession; Public investment; Private investment; Promotion; Fiscal policies.

The actual global crisis is the biggest that our capitalistic system is facing from its beginning. If we look back in history we will consist that the economic and financial crises, regardless of their size, time or dimension, has always accompanied the capitalistic system.

Maybe this is the force or the “efficiency” of this system. The current crisis is a global one, which now is out of the frame of a financial crisis. The most affected countries will be the poor one or the countries with a fragile economy.

The crisis is moving faster touching all the economies and of course the tourism as one of the main industries. The difficulties and the problems of this industry are strongly related with the decrease of the foreign and domestic private investments, as well as the lack of a governmental strategy.

How should be encouraged and promoted the investments in tourism industry in Albania under such conditions?

The development of tourism and the impact on Albanian Economy

Despite the continual social-environmental crises of the transition period, Albania has a lot of potentials to develop the tourism which secure an economic progress and a social prosperity. Albania has 450 km coastline with 24 regions for the development of tourism. Half of the Albanian area is mountainous with 600m over the sea level and 15 priorities zones for tourism development.

There are three big lakes and a lot of small artificial ones, 13 National Parks and some ecologic woodland. Albania has an archeological heritage from different periods, a lot of monasteries, churches and medieval castles.

There are two museum cities in Albania and hundreds inhabited zones with special architecture, part of world heritage. The Albanian culture has a varied folklore, tradition, national customs, and handcrafts. The people are friendly and hospitable with good knowledge of foreign languages, but Albanian tourism lack the vision, the expertise and the political will.

The tourism in Albania was severely damaged by the communistic isolation. In the beginning of '90s, although there was no experience, some good efforts were done to establish a stable development of tourism industry.

During this period some organizations which supported tourism were created, were sanctioned laws and were completed studies for the investments. The creation of the legal frame and urban plans opened new roads for foreign investments which took place in Albania.

These investments were followed by domestic investments as well, mostly in the seaside or mountainous regions. Unfortunately, this development stopped in 1997. The tourism sector suffered most than the other industries from the episodes occurred in this year which brought massive desolation.

A lot of firms suspend their activities due to the feel of insecurity or the lost of confidence as the institutional structure of tourism was unstable. The relative stabilization of the situation encouraged the pressure of firms for investments and improvement of legislation in order to support more tourism sector.

In some cases there were chaotic buildings and lack of public investments. In the following years, positive action were taken, but was still very difficult to change the image that tourists had established for Albania.

The situation brought disappointment due to the polluted environment, the lack of infrastructure, the limitation in electrical energy and water, the lack of an informative campaign about the Albanian tourism and the country's problems about its image internationally.

The tourism industry is one the most important in an economy and tourism development level affects directly the economic growth. The figures that show tourism industry impact on Albanian economy are not very encouraging.

The income generated from tourism reaches 600 millions USD but approximately the same number is spent abroad. As we can see is impossible to pretend for a positive balance. Albania is promoted worldwide for its touristic potentials, but the income that it generates is very low.

This shows a problematic situation as far as investments in tourism sector are concerned. The tourism is a national heritage, so immediate measures must be taken in order to face this situation.

The tourism is not related only with the respective Ministry, but with various institutions which should combine their work and efforts in order to change the Albanian mentality so this country will adhere to the other values dictated from the democratic society.

Based on the above mention the main recommendation is to increase the investments for the development of a stable and harmonic tourism.

The guide principle must be the development of tourism in every region and in other sectors of economy in order to keep and develop the country heritage. This will secure:

- the change of Albania's image in Europe
- new job positions
- the increase of foreign investments

The difficulties and the problematic of investments in tourism through years

The tourism policy that Albania has followed, determined tourism development. Till 1990 tourism development was totally depended on the general policies of that period.

This policy was prohibitive and denied the development of tourism in Albania, same as in other Mediterranean countries. The tourism was a state monopoly which was organized by only one institution, the Albtourism.

In 1995 the first investments appear, consisting only in the building of touristic hotels that would host foreignness. The first tourists from abroad, after Albania opened its borders, were Greeks, Macedonians and the one from Montenegro.

In 1998 was published for the first time the tourist map of Albania, although the first presentation was done in 1960 by Albtourism. In 1990 Albanians were supplied with passports and they had the right to travel abroad.

Albania has a lot of potentials to attract foreign investments, like its underground and surface resources, a qualified labor force and a favorable geographic position. But this is insufficient for investors, as they are looking for some basic conditions like a stabilized politic clime, low level of criminality, less bureaucracy, and a technical infrastructure where there is still a lot to be done. So what they need to see are concrete results and not just words.

The annual level of foreign direct investments in our country reach, while in tourism sector the investment level. This low investment level can be explained by:

- The late beginning of transition in the country, compared with other Western European Countries
- The inadequate presentation of Albania in the world market due to the long isolation
- The weak infrastructure, the technological problems, high political inconsistency and criminality, both economic and physic, mostly after 1997.
- The lack of the legal frame and the wrong accomplishment in practice, the barriers and the difficulties in the implementation of fiscal legislation, as well as the corruption and state bureaucracy.

In the present day, the main barriers that prohibit the encouragement of investments in tourism and other sectors are the politic instability and different governmental crises.

Out of 291 million dollars of foreign investments, 50 million dollars or approximately 17,2% are material damages. Till 1996 the foreign investors were optimistic and the tendency of their investments was growing, increasing in this way the number of tourists visiting Albania, where more than 49% of them were for business purposes. After 1997, in the following three years, these investments decreased (approximately 50%) and there was no growth till 2002.

There were, always two main factors that stopped million of dollars to enter in Albania through tourism:

Objective factors: difficulties that came from the lack of engineering, technical and urban infrastructure which need a lot of time to be improved.

Subjective factors: corruption, bureaucracy, criminality which can be easily improved. The improvement of subjective factors will affect directly in the increase of financial budget, so the first factors will be improved too.

Tourists' categories

- Ethnic Albanians (from Kosovo and Macedonia), emigrants who spend their vacations in Albania, transit excursions (80% of all foreign tourists)
- Europeans for business (20%)
- Domestic vacationers
- Employees of foreign organizations.
- Foreign tourists group
- Foreign groups for daily excursions.

The most important investments in tourism industry are:

- *Governmental investments*

1973-82 11 hotels

- *Foreign investments*

1994 Rogner Hotel from the Austrian, financed by EBRD

1995 Renovation of Tirana Hotel, join venture government – EBRD

1995 Mak Albania, chateaux Linza, Rob Mountain

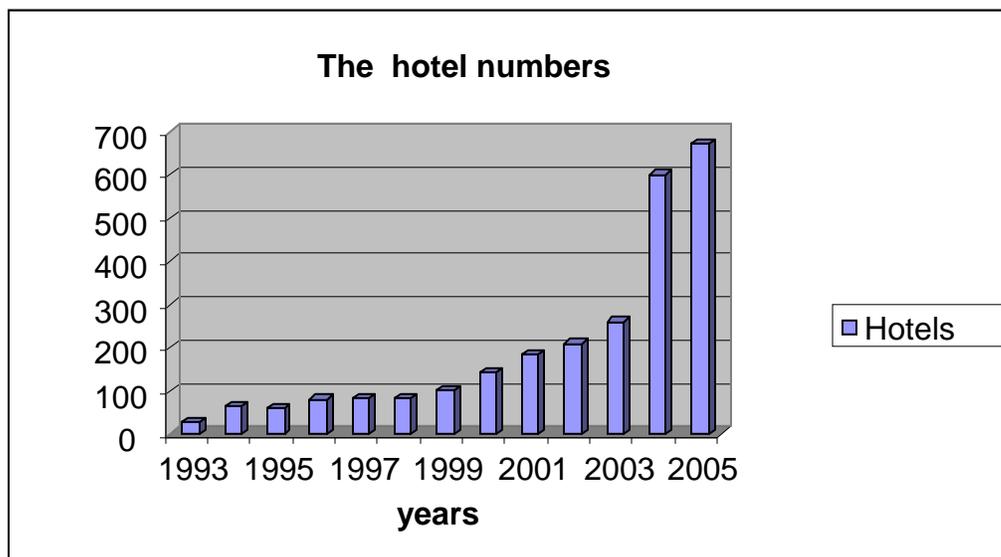
2003 Sheraton Hotel, buit from Al Karafil, managerial contract

- *Domestic investments*

After 2000 the renovation of Butrinti and Adriatic Hotels

- *Bigger transactions*

The sale of “International” Hotel and “Butrinti” Hotel



The tourism challenges in recession, the promotion of tourism, a prerequisite for effective investments

The most affected countries from the current crises will be the poor one or the countries with a fragile economy.

In a global economy, the crises effects are quickly expanded and naturally the weakest and smallest countries will be the one that will suffer more the consequences. The general effects that will occur in developed and developing economies, according to the economists, are the increase of unemployment level, the increase of prices in raw materials and services, expensive credits in international markets and the decrease of aid from developed to developing countries.

The economic global crisis risks increasing the poverty level in Albania, a conclusion from the last report of World Bank, published on its internet site.

According to this report, the effects of the crises in Albania the next year will be moderated for the following reasons:

- Albania has not been involved in financial markets
- The banking system in Albania is relatively stable and the credit policies in years were very strict.
- The banks in Albania have saving rather than investing character.

Which is the tendency for 2009-2010? How will respond the tourism policies to economic crisis?

Albanian politician and the executive of the country have not evaluated as much as they should the consequences of the global economic crisis. Of course tourism is one of the industries that will suffer most from the crisis.

There will be a decrease in the number of tourists with limited capability of paying who visit the Albanian Riviera for the last 10 years. The next season will accept fewer tourists, so all the touristic employees, the hotels and the individuals who let rooms have to decrease the prices in order to survive.

Crisis effects are present in the following aspects:

- The number of foreign businessmen who visited Albania for business reasons is reduced which is shown in the decrease of hotels occupancy in the last three months.
- Decrease in touristic entrances, as the income of foreignness and Albanians leaving abroad is reduced. The reduction of unnecessary expenses will lead to a decrease of touristic entrances; as a consequence the financial contribution from this industry in the annual budget will decrease.
- There is an evident decrease in the direct foreign investments in the tourism industry as a result of global crisis.

Considering the crisis as an opportunity, the specialists are still in time to forecast and take measures in order to take advantages from the crisis and turn this international weakness into a local opportunity.

First of all, is very important that the in-coming touristic packages must be VAT excluded.

These packages are offered into the market through the Albanian agencies which cooperate with their international partners.

The VAT abolishment will decrease 15% the price of the offer to visit Albania. A successful example is that of Croatia. This measure will lead to three effects.

1) Will generate a well organized flow of foreign visitors or Albanian emigrants that will buy the touristic package, as their trip will be more organized.

The organized client behavior will increase the touristic demand and its quality, generating a chain improvement in regional level. The researcher tried to explore most promising tourist spot that could be commercially profitable for the poor country like Albania

2) Will increase the cooperation of touristic operators in the domestic market. The Albanian touristic operators count 100 Turkish hotels and only 3 Albanians. This cooperation will harmonize industry interests and operators' interests, building a vision more effective with dualistic benefits.

3) This measure will generate a high competition in the regional touristic market. Albania will be more attractive, in a time where Europeans are looking for cheap destinations.

With careful and low-cost promotional campaigns, Albania will be able to attract more tourists, due to flexible offers or combined promotions of mountainous, cultural, environmental or sportive places.

To keep a high level of incoming touristic flow helps to create a good and reliable image of Albania internationally. This is strongly related with the increase of direct foreign investments. If Albania adopts these measures will not only be able to keep the predicted increase of tourism but will also create revenues for other industries that are related with tourism.

Secondly, Albanian market is very small, and can not be compared with other touristic markets that can better use the economies of scale. Priority will be the development of rural tourism, the improvement of infrastructures and the facilities that Albanian legislation offers.

The present and future tourism opportunities

a) The creation and the implementation of fiscal policies which will encourage and facilitate the foreign investments mostly during the first period of firm's operation, as well as the control and their correct implementation in practice which will serve to encourage the development of these investments.

b) The current legislation offers a lot of facilities like: investors are excluded from custom duties in machineries and equipments, they are excluded from taxes in the first 5 years of their operation, low rent for state properties or the possibility to rent land for 99 years (4 times by 25 years). In the case of private properties, the state recognizes the act of buying.

c) The reduction of purchase power of Lek (Albanian Currency) will increase the number of tourists, this combined with the will of Albanians to keep the prices low. On the other side, the number of domestic tourists that frequent Greece or Turkey will decrease.

d) The increase of investors' security as a result of Albania joining NATO.

Last but not least, under the circumstances where the monetary policies are not enough effective, the solution will be the fiscal policies and an aggressive marketing in tourism industry.

Through these policies we must "awake" the interest of the Albanians who the last three years prefer to travel across borders due to low qualities offered in their country. Only in this way we may hope to conduct a deeply national policy and financially profitable for the promotion of Albanian touristic market.

The tourism marketing is a system that coordinates efforts, in order to optimize the satisfaction in tourism. The tourism marketing is also supposed to be a device to make a possible reorientation in the business policy and overhaul in the management concepts.

Tourism planning has been defined as a process based on research and evolution which seek to optimize the potential contribution of human welfare and environmental quality. It includes a decision-making process between the tourism industry and other sectors of the economy and between types of tourism.

In order to compete in the world market, Albania should offer some facilities in infrastructure, combined with original touristic products with high market demand like hotels, touristic villages, traditional rural tourism and tours in archeological areas.

In a later period, when a political stability will be established the economic offers will be enriched with other types of investments like hunting, mountaineering, exploring and residences for private use.

The progress will expand the touristic market not only with tourists from Kosovo, Macedonia or Albanian emigrants, but also with tourists from Southeast Europe, European Union countries, North America etc. The domestic market will be expanded too.

Other categories which must be treated carefully are the groups with specific travel interests like cultural and sportive events, visitors for business or conferences, or the one who like quality, clean places and a rigorous controlled environment.

To examine institutional framework of tourism industry in Albania and to promote sustainable tourism concepts in-cooperation with local government and all stakeholders.

To implement such scenario is not easy. We should consider all the existent difficulties, as well as all the coming difficulties due to the crisis. There are some problems in Albania which even before crisis are considered as emergent. These problems are related with:

- The lack of infrastructure (bad conditions of roads in touristic zones and not only, limited furnishing with water and electrical energy, garbage recycling and sewages)
- The lack of touristic capacities with low accommodation standards.
- The lack of supportive subsectors and tourism animators.
- Low civil culture and low service. Lack of environmental conscience.
- Unsolved problems related with private properties.

The improvement of the above mentioned requires specific plans, coordinative policies and strategies for Albania's marketing as a destination with high touristic interests.

The first steps should be a raise in budget for this particular industry, the opening of information offices abroad, the opening of information offices all over the country and the intensive presentation of Albania in international fairs which will increase the interest of well known medias as CNN, BBC, Euronews or Financial Times.

The solution of all these problems will normalize the situation and will increase tourists' confidence. The government must also create the appropriate conditions (institutional and legal) so that the business should have the priority to contribute in the development of infrastructure and tourism industry through concessions.

The beginning of urban planning, fiscal policies, the forms of credit and the funds given from state budget will be the main impulses of change.

Conclusions

- To promote tourist undertakings and to control and regulate tourist installations and services.
- To project the image of Albania abroad, for the purpose of attracting the culture of the country.
- To encourage and develop domestic tourism harmonizing the types of tourism with touristic destinations.

The government must also create the appropriate conditions (institutional and legal) so that the business should have the priority to contribute in the development of infrastructure and tourism industry through concessions.

The beginning of urban planning, fiscal policies, the forms of credit and the funds given from state budget will be the main impulses of change.

- The training in management, marketing, and hospitality, in order to arrive effectiveness in public and privat investments.
- The developement and promotion of destination brand will be a strong roll-call for investors.

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THE ECONOMIC CRISIS AND THE INVESTMENT PATTERN IN TOURIST MARKET IN ALBANIA

Abstract

Albania is a rich country with assets in tourism. Albania has a favorable position geographic which brings opportunities to developed tourism in sea, lake and mountain. The change in the country's economy orientation brought increased investment in tourism. This study will focused in same direction

- 1- Market structure and investment patterns in tourism, 2-The economic crisis and its impact to the number of tourist. The number of hotels increased, servicing facilities sector improved and the number of tourists rose substantially year after year.

Cultural tourism has take a great attention, because in Albania have more cultural value expressed in archeological place, very old church etc. This study will find out not only the increase international tourist arrivals, but and domestic tourist traffic.

Tourist development has had a substantial impact on direct employment in tourist establishment and on employment in other sectors such as transport. The tourism industry is expected to become one of the largest source of revenues in country.

For part one the study will take in consideration the hotel market ownership, management and profitability also and the tourism –related services. An assessment of the tourism cluster will show the strengths and the weaknesses of the support services which make up the tourism industry.

The market for hotel business and tourism services is in general highly competitive, with a very large number of actors across locations, nacionality of ownership and management and level of services provided.

The Albanian government has undertaken several activities related to tourism services, which included ;improving on the existing roads and construction of the new roads, the biggest project is road Durrës Kukës encouraging international events such as sports, conference and exhibitions film and music festivals, also the advertaising in international media such as CNN.

About the second part, the study will focused in economic crisis and its impact to the tourists'number also, and in promotional tools for attracting foreign direct investment in tourism.

Key words: tourist market structure, investment patterns, tourist development, tourism services, FDI in tourism.

1-A brief overview on tourist assets and tourism development in Albania.

Albania is a small country lying West of Balkan Peninsula considered as the port of South Eastern Europe. It is bordered by Greece to south, Macedonia to east, Montenegro and Kosovo to

north and north-east. Albania has a favorable geographical position, and this is the reason why it has been called “The Gate of the Balkans”.

Albania is a Mediterranean country, but it has some particular characteristics which are intertwined with its geographical and geological features, the landscape and relieve. Albania is rich in forests, Mediterranean shrubs and coniferous woods. There are a lot of lakes, lagoons, reservations and springs.

The coast has small, but beautiful sandy and rocky beaches. Being a Mediterranean country, it has favorable conditions for the development of tourism, 457 km of the total 1094 km national border line are a wonderful coastline with virgin and unexploited lands which inspire curiosity, perfect nature and a variety of relieve forms.

The Albanian favorable position as the connection of the East with the West, and the other reasons mentioned above are the reasons why international tourism experts consider our country an extraordinary potential for tourism development, and in the same time with premise to be a unique centre of European ecological tourism. Albania has many objects and testimonies with cultural, historical and artistic values. There are part of the Albanian inheritance and are protected by law.

Changes in the economic orientation of the country increased investments on tourism. Government has put a great attention on tourism industry considering it one of the sectors which would help the economic growth of the country. To this goal served the Tourism Strategy and Developing Plan dated 21.06.2006, as well as the new law on Tourism Nr 9734 date 14.05. 2007. This law aims to determine the principles and rules operating in tourism and development of standards of tourist services and others related to them. Increase of number of hotels, service facilitation and improvements done in this sector increased also the number of tourists year after year. Table 1 shows the number of hotels and their capacity.

Table 1: Hotels and their capacity.

Years	2003	2004	2005	2006
Hotels	199	170	220	251
Rooms	4161	3368	3874	4266
Beds	8420	6600	7642	8362

Source: INSTAT

As mentioned above, the number of tourists is growing. According the data from the Directory of Border Police, Ministry of Domestic Affairs in 2006, number of foreign visitors rose from 309 000 in 2003 to 1 110 000 for 2007.

Also, their staying in hotels whether residents or non-residents has increased in about 15-16% during 2007. Special attention was focused to tourism diversification combining sea tourism with cultural and natural attractions tourism or agro-tourism. Such an opportunity comes from the fact that although Albania is a small country, it is able to provide beaches and seaside, ancient culture or mountainous climate, thus a diversity of attractions within a short distance.

Also, contribution of tourism in the Albanian economy is 11%⁸, and tourist income in GDP estimated 3.8-4% or almost 45 milliard Leke⁹. The great interest to this sector increased gross tourism incomes during last three months. Table 2 shows gross tourism incomes.

Table 2. Gross tourism incomes

Years	2004	2005	2006	2007
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⁸ International Tourism and Travel Council 2007

⁹ International Tourism and Travel Council 2007

Incomes (million Euro)	592	692	805	1 milliard
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Source: Bank of Albania 2007.

2-The investment patterns in tourist market.

Investment is one of the prior conditions for success in tourism development. The current Albanian Legislation protects, stimulates and supports the investment in this sector. Before 90s, industry of tourism in Albania was very poor because of communist system.

Level of service quality was low; staff was lacking preparation and motivation to work better. After 90s, tourism sector has a great attention considered as being the one which would strongly contribute the economic growth of the country. Sectors having a rapid growth with considerable investments were hotels and restaurants. This sector was characterized from some tendencies.

The first one was the investment of domestic capital in building hotels, restaurants and travel agencies. A main feature of this investment was the fact it was realized in main towns of the country and rural areas. For example, in Korca Region and some of its tourist villages as in Voskopoja, Dardha, Vithkuqi many hotels are built with investments from domestic investors.

Their capacity varies 15-30 rooms. In rural areas especially the mountainous ones and the urban areas especially the beach ones family tourism is widely spread and is competing being low priced. It is preferred indeed mostly from domestic tourists coming for holidays from one town to another. Family holiday residences rent 1-2 rooms with 1000 Leke per room, while hotel prices in these areas vary from 3000- 4000 Leke.

Second tendency was foreign investment, in building hotels with 4 or 5 stars most of them foreign-managed. One main component of Government privatization programs in tourism sector included sales of single assets or asset packages to investors. Foreign investments mainly were realized in the form of hotels and restaurants.

Some of the greatest investments in Albania are Hotel Europa Park estimated \$22 million rebuilding of Hotel Tirana estimated \$12 million, Linza Motel, etc. Role of foreign investments is very important in tourist sector and all its segments.

Another important investment form are hotel chains as is the case of Sheraton, Rogner, Tirana International hotels which operate in Tirana where organization and management procedures are applied in details.

To help and stimulate tourism investments, National Tourism Entity was established in 2005. After the new tourism law came into power, this institution had more competences to assist tourist investors in presenting new programs.

Other promoters were tax exceptions for imported hotel equipments, transport or bank loans. Besides private initiatives, Government budget granted funds on tourism which have been increased year after year. These are displayed in Table 3.

Table 3. Budget funds for investment on tourism.

Years	2006	2007	2008
Funds (million Leke)	10	25	37

Source: Sector strategy of tourism development 2007-2013.

A greater stimulation had tourist structures mainly in seaside areas. According the same above-mentioned source, there are about 96 residences, 51 of which are government non-public ones

and 45 are private owned. Besides individual hotels, subgroups of tourist projects have been increased such as tourist villages or plants. Referring to sector strategy of tourism development in Albania, there are 16 tourist villages and 18 tourist plants (complexes).

Hotel market, management and profitability - As mentioned above, the number of hotels built in Albania has been increased. An interesting fact is that the majority of them are 2 and 3 stars hotels respectively 25% and 35.71%, 1 star hotels 14.29%, and 4 and 5 stars hotels have a smaller percentage respectively 14.29% and 10.71%¹⁰.

These facts show that hotel services in Albania should make great efforts to reach the standards of their quality. The will to invest is not enough; there should be made well-studied investments concerning the type of clients we want to attract for meeting better their needs. One of the competitive advantages of Albania mentioned in World Economic Forum 2009 is hotel prices index, where Albania is classified in the 48th place out of 133.

Services related tourism - An assessment of tourism cluster will show the strengths and the weaknesses of support services which make up the tourism industry. The market of hotel business and tourism services generally is highly competitive with a large number of actors across locations, nationality of ownership and management and level of services provided.

The Albanian government has undertaken several activities related to tourism services. For example, transport services are enlarged with public bus services and private taxis, while railway transport service is less used because of its low quality.

As far as air services are concerned, there are considerable investments in Tirana Airport making it an airport according the international standards. Airport is the first contact of tourist with Albania which creates a positive image since the very first landing. This is very significant.

Although considerable investments in infrastructure, tourism development demands not only highways, but as well roads which connect villages and towns with each-other and which should be of a high quality. In World Economic Forum Report 2009 while comparing 133 countries in the world, Albania is classified in 114th, 108th and 124th places concerning respectively roads, railway and ports infrastructure.

This is a classification which shows that Albanian infrastructure needs many improvements to reach high parameters serving tourism industry. Other problems relate with road signals, orienting signs which show cultural monuments. Table 4 shows the funds that the Ministry of Tourism, Culture and Sports spent on tourism development during 2007-2010 period.

Table 4: Funds spent from the Ministry of Tourism, Culture and Sports

Funds spent from MTCS (thousand Leke)	2007	2008	2009	2010
Government budget funds on tourism in total	49,000	84,00	91,750	97,650
Expenditures on tourist promotion	24,000	47,00	52,850	54,950
Expenditures on investments	25,000	37,00	38,900	42,700

Source: Sector strategy of tourism development 2007-2013.

As seen from the table above, a considerable part of government budget on tourism is spent on tourist promotion. This amount tends to increase in the coming years. The first one is closely

¹⁰ Sector strategy of tourism development 2007-2013

related to establishing and building a positive image of the country, attracting the attention of international tourists.

Expenditures on investments for 2007-2013 period concern establishing offices which provide tourist information and tourist signals. There is a problem about how efficient were these information offices in fulfilling their duties as they should. They were not always able in offering qualitative services such tourist information, promotional materials or suggestions.

3-The economic crisis and its impact to the number of tourist.

The economic crisis has its impact in many country of the world. According to the opinion of different Albanian and foreign experts the impact of crisis in Albania is smaller than the other country.

The business that feeling more the effect of crisis are the fason industry which has dismissal the great number of workers. Meanwhile, referenced the dates of the last year, the tourism is one of the sector that had a considerable increase. As mentioned above, tourism development in Albania is considered an important activity pretending to increase its role in future.

Tourism development has a substantial impact on direct employment in tourist establishment and employment in other sectors such as transport. Tourists who visit often Albania are Albanian from Kosovo, Macedonia and Montenegro as well as emigrants working and living abroad.

They come with their families to spend the vacations in Albania. During last summer, a greater number of tourists came from Macedonia because of the problem between Greece and Macedonia concerning the name of the country. Macedonian tourists preferred the seaside area, mainly Vlora, while Kosovo people preferred Durres the better. Classifying tourists after their purposes, 85% of them came for tourism and relax, 6% to visit their relatives, 6% for business and 3% for other reasons.

However, statistics in Albania not only those tourism-related, have not always been accurate and reliable because of the same problem. This was the result of methods used in data collection. INSTAT and the Bank of Albania are main sources in providing information.

However, as tourist destination Albania still remains unknown. This created the main motto of tourism development strategy: "Albania, yours to discover". Values and resources of Albania will be made known to this discovery, by introducing cultural, historical, archaeological attractions, Albanian life, gastronomic specialties, and hospitality.

Albania has made efforts to increase the number of tourists by encouraging them staying longer in country and offering market services for increasing average expenses per tourist. In Albania there are many objects containing high cultural and historical values. They form the richness of cultural heritage and are protected by law.

Heritage towns like Gjirokastra, Berat, the archaeological area of Durres, Kruja Old Bazaar, National Park of Butrint, etc, are places which represent the archaeological values and cultural richness.

They are considered opportunities for tourists to visit. However, Albania takes 0.6% of the total tourist demand in Central and Eastern Europe market.¹¹. Investment is one of the prior conditions for success in tourism development. Current Albanian Legislation protects, stimulates and supports the investment in this sector.

To this goal served Tourism Development Committee of Albania, which encourages and facilitates investments in Albanian industry. The role of Committee is to: Provide investor

¹¹ World Tourism and Travel Council 2007

assistance, such as identifying suitable opportunities, evaluating the merits of proposed projects, preparing proposals for domestic and foreign investors and assisting in obtaining funds.

All requests done by investors should be according the standard form of the Committee. As competition in tourist services from the countries of the Region is high, it is important duty: - to consolidate strict regulations for planning and protecting historic sites and preserving the ecological balance in developing new seaside areas, -for the personnel and professionals to be well-trained and become effective managers,- an efficient promotion by using a well-studied promotional campaign .

Conclusion

1. Tourism in Albania has been given special attention especially its diversification through sea tourism with cultural and natural attractions tourism or agro-tourism.
2. The number of tourists has been increased.
3. Investments in tourism are characterized from a series of trends: 1. Investments of internal capital in building hotels, restaurants and travel agencies; 2. foreign investments in establishing hotels with 4 or 5 stars, most of them foreign-managed and buying public hotels under privatization program; 3. another important form of investment are hotel chains.
4. Infrastructure in Albania needs many improvements for achieving high parameters serving to tourism industry.

Recommendation

1. To enforced strict regulations for planning and protecting historic sites and preserving the ecological balance in developing new seaside areas.
2. To make efforts for the personnel and professionals to be well-trained and become effective managers.
3. In order to make a more efficient promotion, we should create a unified national theme for achieving clear objectives about tourist segments we want to attract

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ACTIVE RATE OF INTEREST AT KOSOVAR BANKS

All commercial banks in Republic of Kosovo are established on the basis of the Regulation nr. 1999/21, on 15th of November 1999, as well as changes and later additions, with the aim of following and applying those changes, which have happened in the process of evolution of the Kosovar society.

Even the banks, a financial institutions, in one way or another have followed economic and legal changes, which happened since 1999, and particularly after 2002, by tending to be one of the most important chains of the overall development of Kosovo, which emerged from the war on 1999 with many problems, contradictions and with extra needs in establishing the basic conditions (at the beginning) for a stable life.

The traumas and war consequences were very horrible and for this reason, for a relatively long term (almost three years), the international community had to create a legal basis and a good climate for establishing commercial banks, with very different principles from those before the war.

A region which was destroyed and an exhausted population from exploitation of all forms of their wealth, was not expected to have its own capital or to join for establishment of commercial banks.

Such a step was taken by business persons from Europe (Germany, Austria, Slovenia), who initiated the first procedures of establishing commercial banks based on certain regulations, which were rules, norms and standards of the developed Western countries, where the perfection of principles and goal of commercial banking is the main moto.

In parallel with the establishment of the first bank – ProCredit Bank (with an other name), were initiated the procedures and standards of commercial banking on entirely different basis from the experiences of the previous banks.

At this moment, there was a basic need for establishment of mechanisms and procedures, which would enable citizens to join the normal financial flows, according to the standards of the free market economy.

At present, after almost eight years since the establishment of the first commercial bank in Kosovo, much has changed. In the small market of Kosovo, there are many commercial banks, the mechanisms, norms and rules of the overall business of the banking system are perfected..

Capital now is used mainly in banking system, not as it was before the war - cash in hand. Each form of exchanging goods and services is done through bank accounts, all incomes and obligations of companies, employees are part of the banking system and circulate through commercial banks.

Therefore, we can clearly consider that money is found in one way or another (as savings, as deposit) in different bank accounts.

Kosovars, at a higher percentage, have linked entirely their economic activities with banking system and its financial flows. This can be proved with the relatively high number of the different accounts of citizens in commercial banks.

According to the prearrangement and structure of the balance, banks in Kosovo (and in other countries) conduct three different types of activities, which have different implicating influence on their balance:

- Passive banking (activities and actions in collectioning and accumulating of funds from different subjects and citizens);
- Active banking (credits and other banking products); and
- Banking activity with commission (intermediary activities).

As the main question of this professional study is interest rate in active banking of Kosovar banks, at the beginning of this study it will try to present in short words who are the credit seekers, respectively to determine from which field of economic activity we have the majority of the applications for credits and other banking products.

Based on the data of the Ministry of Trade and Industry, as well as from the Economic Chamber of Kosovo for the year 2006 (31 December 2006), the structure of the registred businesses is as follows:

Sector	Economic activity	Number of enterprises for 2006	Percentage (%)
A	Agriculture, hunting and forestry	892	1.59
B	Fisheries	26	0.04
C	Mining industry (coal and other minerals)	230	0.41
D	Food and drink products and tobacco industry	5179	9.36
E	Power supplying, gas and water	50	0.08
F	Building industry	2948	5.27
G	Trade	26712	47.79
H	Hotels and restaurants	5168	9.24
I	Transport, storage and communication	7734	13.83
J	Financial intermediary	173	0.30
K	Real estate, renting and business services	2004	3.58
L	Public administration and protection, social insurance	99	0.17

M	Education	632	1.13
N	Social and health protection	1079	1.93
O	Other personal activities and services (cleaning, movement of black waters)	2956	5.28
P	Other activities of private and family business with employed persons	2	0.003
Q	International organisations	0	0
	Total	55884	100

From the overall number of all businesses, the highest percentage is shared by trade enterprises with 47.8 percent, with a high diversity of declaration on the size and the structure of their own capital, as well as on the level of organisation.

In particular, it is noted the small number and the weak qualifying structure of the employees, which in fact does not promise a long-term development regarding the ambitions which existed at the beginning of these enterprises, as the only escape to avoid unemployment.

Taking into account that these enterprises, at the very beginning have problems due to lack of funds and the proper professional staff, after a relatively short period, face problems of financial and organisative nature.

In order to solve out these problems, and in particular the lack funds, they are doing right when seeking credits (without asking for the level of the interest rate) from banks usually in short-term (up to one year) or for bank guarantee, since other products offered by commercial banks are relatively small or unknown to Kosovar businessmen.

Also, it is noticed that all Kosovar banks, without exceptions (we conditionally are calling them Kosovar, in reality the owners or the shareholders of the biggest banks in Kosovo are foreign citizens), do the creditation of economy and Kosovar citizens merely by from their passive capital, which in its entirety (except for the capital at moment of creation) is formed by bank deposits of the Kosovar citizens and economic subjects.

The data from the Central Bank of Kosovo, published for the first quarter of this year, prove our previous conclusion. Therefore, according to the data, the economy and the citizens, by the end of this quarter, had in total deposits in the sum of 1 444 882 000 euros, meanwhile commercial banks have given credits in all forms (except for long-term investment credits, which is not practiced by Kosovar banks at all) at the sum of 1 204 732 000 euros, with different interest rates.

These unfortunately are not published and have the character of "business secret" by passing only to Kosovar citizens and businessmen.

During the last year (2008), based on the reports by the Central Bank, the interest rates in deposits were 3.89 percent, while the interest rate of the credits was 15.10 percent or 3.88 times higher than interest rate in deposits.

This big difference between the passive interest rate and the active interest rate does not need a comment, except that it feeds foreign interest and those Kosovars (shareholders in the banks), who get rich in a legal way at poor citizens' expense.

Republic of Kosovo is a country which emerged after the recent war, undeveloped and very dependent on foreign aid and import of many products, particularly food products, which are imported by trade enterprises, which at the same time have the biggest share among in the credits with interest rate above 15 percent).

Being so, this high interest rate is part of the prices of essential products and articles for citizens' life, having influence in this way in the decrease of the living standards and the buying force which in anyway is very low.

The continuous repeat of this phenomenon encourage commercial banks' actions, where in some way the qualitative competition does not exist, owing this to the restrictive policies that banks apply when they choose their creditors. Therefore, here we have the case of a latent inequality between the two basic catalysts of the market – the offer and the demand for banking products.

The demand dominates the offer and starting with this principle, Kosovar banks over the years are functioning in the financial market and, with a few exceptions, have the highest level of active interest rate in eurozone.

It is a surprise how a certain number of Kosovar banks, which are branches of different banks from Europe, allow themselves such a 'plundering', while they know that in their country, the interest rate is many times smaller and always under the control of the financial authority, meanwhile here such an action is 'argued' with the existence of many risks and firstly with lack of state.

To be a bigger absurdity, these exactly the states who are supporting business policies of Kosovo and at the same time are guardians of security and integrity of the Kosovar population and economy (NATO, EU). Therefore, a question is raised: is there a wrong perception or we have dissonant positions?

There is an impression that management structures of these banks are aware that such a high level of interest rate in banking products is not proportional to the risks which are threatening the return of the contractual obligations.

However, there is a lack of courage to make the first step and to accept the fact that one of the main risks is the problem of organisation, which lies within the bank¹² as well as the 'deformed crediting culture'¹³ which can be a problem for any bank.

¹² BIS, Basel Accord of January 2001

¹³ Greuning Van H. and S. Brajoviq – Bratonoviq, Analyzing and Managing Banking Risk, Second Edition, The World Bank 2003.

In order to minimize the effect of the internal risk, the easiest way for the bank management is to suggest that the main problem is lack of the state, and increasing without reason the interest rate, which in any condition would have minimise the acting effect of organisational risks.

It is frustrating also the lack of transparency of all banks when the question comes to active interest rates, while passive interest rates are published in all media, with all details. Why this is not the case with active interest rates? Why they are always non-transparent and explained in details for their internal structure?

This questions, as many other ones, are closely related with mechanisms and crediting policies, and even further remain secrets and main 'weapons' of the strategy of isolation to he potential credit seekers and the widen audience.

Any given reason that in this way business secrets are being kept is a kid tale, since almost always, within a short-term, business circles exchange information among themselves. Even that commercial banks do not publish their cathogories of active interest rates, it is not difficult for random citizens to be notified by the banks for those rates.

As a conclusion, I am convinced that commercial banks who are functioning in Kosovo must not be oriented in high rates of their products, because changes are happening every day, this way even Kosovar credit seekers will be clients of banks outside Kosovo, where naturally they have to fulfil obligations, however their requests will be realised with lower costs than present.

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IMPLICATIONS OF BASEL II IN NON MEMBER OF BASEL COMMITTEE ON BANKING SUPERVIZION COUNTRIES

Abstract

In June 2006, The Basel Committee on Banking Supervision (BCBS) approved the supposedly final version of the Basel II regulatory framework on "International convergence of capital measurement and capital standards".

Compared with the original 1988 Accord, its three-pillar approach (minimum capital requirements, supervisory review process and market discipline) offers a more comprehensive framework for banking regulation and supervision, while the revision of minimum capital

requirements allows for both a menu of choices and a migration to more risk-sensitive methodologies.

Under Pillar 1, regulators and banks may choose between a Standardised Approach (SA), which constitutes a revision of Basel I, and an entirely new internal ratings-based approach (IRB), whose two methodologies (Foundation and Advanced) are intended for banks with more sophisticated risk management.

While Basel II remains primarily focused on the operations of international banks, the presence of the SA de facto recognises that in the meantime around 100 countries adopted Basel I as the regulatory framework for their entire banking system.

Basel II continues to consider capitalisation and good risk practices as the main tools to make banks more resilient. The IRB methodologies are seen as the necessary step towards aligning regulatory capital with the advanced risk-sensitive methodologies employed by the more risk-sophisticated banks to compute their economic capital.

In this perspective, Basel II, particularly its Pillar 1, must be considered as a dynamic regulatory environment ready to accept more advanced risk methodologies as soon as they appear reliable enough to be incorporated in its prudential scheme. This presumably also aims at containing the wide discretionary powers and the crucial role of supervision that an opaque Pillar 2 now establishes.

The substantial innovations represented by F-IRB and A-IRB are intended only to apply, at least for the near future, to international banks. However, the unchanged governance structure of BCBS - with delegates from central banks and supervisory authorities of the G-13 - does not recognise that a framework initially thought to apply only to international banks became the standard for entire banking systems, also for many non-BCBS countries.

Although some representatives of the developing countries were enrolled as sparring partners after the initial proposal of revision advanced in 1999, this did not change either the logic of the New Accord, or its main features.

Furthermore, although BCBS recognises that, as a result of the financial liberalisation of the 1990s, the home-host countries supervisory relations have become a crucial articulation for the effective implementation of the Accord, the relative institutional arrangement basically remains as loose as that of the original 1975 Basel Concordat.

When we assess the implications of Basel II for developing countries, some of its features are often criticised as posing serious dangers to the financial efficiency and stability of these countries.

The aim of the present paper is to analyse these criticisms distinguishing those related to the efficacy and efficiency of Basel as a micro-regulatory tool, from the ones deeming it insufficient as a defence against systemic instability. We conclude that for developing countries a change of

approach is needed, going from Basel's regulatory level playing field to a stability level playing field.

This means opening regulation to country-specific micro and macro features and making it coherent with the domestic institutions and policies on which realistically these countries can rely.

To this end it is worth considering alternative schemes made up of 'weaker' versions of prudential regulation accompanied by structural interventions for both the banking system and the economic system in general.

Key words: Basel II, three-pillar approach, non-BCBS countries, diversification of banks' portfolio, pro-cyclicality, home-host supervisory relations,

It may be useful to recall the historical foundations of the Basel construction. The first Accord was being thought in a period in which the old banking regulation, afterwards termed as structural, was still operating, especially in the US.

The foundation of the old regulation, where it existed, was to address the systemic nature of (in)stability. The experience of the 1970s and early 1980s showed that something was missing with respect to large banks operating at an international level, whose scope of action had been constantly widening.

These banks were thought to be sufficiently well managed as regards operative efficiencies and the pricing of expected losses, but not enough aware of how large international shocks, then already increasing in frequency and seriousness, could undermine their survival and put at risk the functioning of the international and domestic financial systems.

The above experience showed how easy it was for a serious shock to produce balance sheet write-offs of an order of magnitude higher than banks capital (hence a gap between social and private optimal amount of capital).

Historical studies were furthermore suggesting that for a long period of time banks had steadily decreased their capitalisation. It was then natural to suppose that putting a brake to, or reversing this trend could improve the resilience of international banks, i.e. their ability to buy time to rebuild their viability.

Furthermore, a risk-adjusted capital requirement could act as an *ex ante* incentive against excessive risk-taking. Hence the formulation of Basel I, whose widespread adoption was seen, often primarily, as a way to reach an international regulatory level playing field directed at limiting unfair competition.

From the time of the formulation of the first Accord many things have changed. In our perspective the more fundamental change has been that many countries, developed and

developing, adopted, more or less willingly, Basel I to move from the old systemic (structural) regulation to the new prudential one.

This widened its scope from dealing with international banks to applying to entire banking systems. However, no real fresh thought was given on whether capital requirements could always constitute the central piece of stability regulation for an entire banking system.

This new 'Basel Consensus' stems from two premises and has two main consequences. In the long run domestic stability derives from freeing the market forces, since incentives coming from competition are seen as compatible with both micro-efficiency and stability.

In the short run supervision must push all banks to compute their economic capital according to best practices. As for the consequences, first, it was no longer possible to extend to the new context, also made up of medium and small-sized banks, the presumption of efficient and well managed institutions, hence the need to produce in 1996 a manual on the Core Principles for Effective Banking Supervision and the prominent role given to the Second Pillar in Basel II.

Second, some of the barriers erected by the previous banking regulation against systemic crises (such as limits on competition) are in many countries no more in place.

While the experience of Basel I in developed countries (most of them are member on BCBS) is generally considered beneficial to the stability of their banking system, serious doubts exist that this was actually due to the capitalisation rule.

First, we must discount that prolonged economic growth in many of these countries has produced fat profits also in the financial sector, hence an increase in capitalisation. Second, supervisors' action towards weak but not failing banks has been strengthened in many cases by the reference to an international rule, using it to push those banks to accept acquisitions or to look for mergers.

When looking at their potential implications for non-BCBS countries, the new features of Basel II have, however, attracted several criticisms that may be grouped into five main classes.

Reduction of risks through diversification.

A major criticism of the 1988 Basel Capital Accord was its failure to account for the reduction of credit which can be achieved through the diversification of banks' portfolios. This criticism has been addressed only up to a point in Basel II.

- The Standardised approach of Basel II is basically a new version of the 1988 Accord with a more elaborate calibration of credit risk and is thus open to similar criticisms.
- Under the IRB approach the correlation terms in the formulae for the risk weights are designed to take account of risk diversification within the different categories of assets specified. They have been adjusted during the Basel II exercise in response to representations from economic sectors and politicians.

- As a result of another change under the IRB approach the correlation terms for corporate, sovereign, bank, and other retail exposures are now decreasing functions of PD to reflect the fact that the credit risk of riskier firms (i.e. those with a higher PD) is affected more by idiosyncratic factors and less by systematic, macroeconomic factors.

None the less the correlation terms of the IRB approach of Basel II can only take account of diversification effects within the categories of assets specified and not across these classes.

Diversification across these classes has been suggested as a vehicle for reducing the capital required for, and thus the interest rate on, international bank loans to developing countries, the proposal here being based on estimates of the reduction in credit risk which could be achieved through a portfolio appropriately diversified across borrowers from developed and developing countries.

The inclusion of rules for the design of such a portfolio in Basel II can be conceived in principle but would have the effect of further complicating an already complex accord. Such design within the parameters of the IRB approach of Basel II could, however, be undertaken as part of implementation by national regulators and is perhaps best left to action at this level.

Pro-cyclicality impact of Basel II

The second criticism concerns pro-cyclicality and instability. For Basel I, pro-cyclicality was not referred to changes in risk-weights but to movements in actual capitalisation around its regulatory level.

For Basel II many analysts agree on the further danger that more risk-sensitive methodologies, directed at increasing horizontal risk-differentiation, could also increase time-sensitivity. Given the higher instability characterising non-BCBS countries, the result could be an accentuation of pro-cyclical lending of international banks towards these countries.

The discussion has then centred on technical issues, such as the ‘point in time’ or ‘through-cycle’ methodologies adopted by rating agencies and by banks in their internal risks assessments. As far as these methodologies allow for some time-sensitivity, the adoption of quite similar methods to assess risks by the major banks could also produce large swings in both directions, increasing instability.

The Basel Committee is of the opinion that the flatness of the risk-weight curve and the stress tests required for supervisors’ approval of banks’ internal models should guarantee a neutral impact of regulation. The discussion is not always clear on the distinction between ‘normal’ cyclical movements and less frequent, but more disruptive, systemic crisis events.

To keep capital requirements within acceptable limits, VAR calculations exclude exceptional losses. It follows that, despite the possible existence of flattening methodologies, ‘disaster points’ are out of their reach (on this more in the next section). Of some help would be a

regulation capable of reversing the intrinsic pro-cyclicality of banks, for instance giving to some parameters an anti-cyclical variability.

The results ultimately depend on the level and movements of the buffer capital, i.e. the surplus of capital with respect to the minimum regulatory one, that Pillar 2 openly requires. Again, Basel II gives supervisors a potentially wide discretionary power of intervention.

Asymmetry in supervision

A third area of criticism relates to the impact of Basel II on host non-BCBS countries regulator's ability to properly regulate these banks. Though this concern is particularly dramatic for small and low- non-BCBS countries, similar concerns have also been expressed by fairly large middle-income regulators.

However, consolidated supervision may be a source of difficulties for the implementation of Basel II for a bank with cross-border operations if the supervisor in its parent country approves its adoption of the IRB approach, while that in the host country of one of its foreign entities, which has prescribed adoption of the Standardised approach in its jurisdiction owing to constraints due to its supervisory capacity, is unwilling to accord such approval owing to fears about the adverse competitive effects on domestic banks.

Such effects would be a consequence of the possibility acknowledged by the BCBS that “a variety of approaches for determining capital adequacy could justifiably result in different capital requirements for the same type of transaction”.

Under the Basel Concordat of 1983, which prescribes the distribution of supervisory responsibilities for a bank with cross-border operations, responsibility for the supervision of solvency, which includes that of capital, differs for branches and subsidiaries.

For a branch (which is an integral part of its foreign parent and does not have a separate legal status) solvency is primarily the responsibility of supervisors in a bank's home country (although supervisors in the host country retain a general responsibility for monitoring the financial soundness of foreign branches).

For a subsidiary (a wholly or majority-owned legally independent institution incorporated in the host country) supervision of solvency is a joint responsibility of home and host supervisors since the entity is legally incorporated in the host country but the bank's overseas exposures also need to be taken into account in the consolidated supervision performed by the home supervisor.

However, these guidelines were designed to serve the objectives of prudential supervision and not to deal with problems posed for supervisory coordination by considerations of banking competition. Thus in the case of a subsidiary the host supervisor would be acting in accord with its rights if it insisted on the Standardised approach.

However, this would impose on the parent bank and the supervisor in its parent country the burden (and additional cost) of integrating the subsidiary's approach into the consolidated framework of its operations.

In the case of a branch, according to a strict reading, the guidelines of the 1983 Basel Concordat do not accommodate the case in which a banking group's home supervisor has accepted its use of the IRB approach but a host supervisor in the country of one of its branches has decided that banking entities in its jurisdiction should use the Standardised approach.

However, it is limited to the following fairly general guidance.

- Enhanced cooperation between supervisors will be required, especially for the cross-border supervision of complex international banking groups.
- RF should not change the legal responsibilities of national supervisors or the arrangements for consolidated supervision set out in the existing standards of the BCBS.
- Supervisors should communicate the respective roles of home country and host country supervisors to banking groups with significant cross-border operations in multiple jurisdictions.
- A pragmatic approach of mutual recognition is recommended. This "implies recognising common capital adequacy approaches in host jurisdictions, as well as the desirability of minimising differences in the national capital adequacy regulations between home and host jurisdictions so that subsidiary banks are not subjected to excessive burden".

This guidance is consistent with that in a paper of the BCBS of August 2003 where issues involving cross-border supervisory implementation of Basel II are addressed more fully: "where a banking group has operations in at least one country other than the home country, the implementation of the New Accord may require it to obtain approval for its use of certain approaches from relevant host country supervisors on an individual or sub-consolidated basis, as well as from its home country supervisor in respect of consolidated supervision".

The paper acknowledges that whereas "host country supervisors have an interest in accepting the methods and approval processes at the consolidated level, in order to reduce the compliance burden and avoid regulatory arbitrage,...[they] have other legitimate interests which may prevent them from recognising for use at the sub-consolidation level an approach approved at the group level".

Here too the general approach of the BCBS to the distribution of responsibilities for the supervision of bank capital is based on the 1983 Concordat with emphasis on enhanced cooperation and information exchange between home and host supervisors.

But effective supervisory cooperation is not always easily achieved, and the difficulty may be greater when there are substantive divergences between the supervisors involved as in the case described above, i.e. divergences regarding acceptance of the Standardised and IRB approaches under Basel II.

The BCBS is apparently evaluating case studies covering various aspects of supervisory cooperation regarding implementation of Basel II which may include the issues just raised and lead to more fleshed-out guidelines as to how to deal with them.

Operational risk is a subject concerning which more concrete guidelines concerning the respective responsibilities of home and host supervisors in the context of consolidated implementation of Basel II have been published since CP3 but before RF. Here the subject is the AMA to setting capital requirements for banks with cross-border operations involving subsidiaries, and it is reasonable to assume that these guidelines supplement the rules of RF.

The concern of the BCBS results from the multiplicity of bank functions involved in the management of operational risk with the result that “in any banking group, some of these functions will be carried out at the group level, while others will be performed at the level of the individual entity”, but that capital is not necessarily transferable within a banking group during times of stress.

In consequence the BCBS emphasises that the allocation mechanism for operational risk across business lines under the AMA should be approved by both the home and the host supervisor, and that the latter should retain the right to impose additional capital requirements if not satisfied that the capital allocated to the subsidiary in its jurisdiction is commensurate with its operational risk profile.

Competitiveness issue

The fourth criticism rests on the quantity and quality of resources needed for banks and supervisory authorities to comply with Basel II efficiently. The problem also concerns the balance of costs and benefits arising from the New Accord.

While large international banks expect net benefits from adopting the IRB version of Pillar 1, and regulators in rich countries may have the proper resources to supervise them efficiently, this is clearly not the case for most non-BCBS countries regulators and for medium- and small-sized banks.

Thus the Fifth Quantitative Impact Study (QIS5) conducted by the BIS shows that the AIRB would bring large reductions of capital requirements for several banks of almost 30%; the standardised approach would imply for some banks a substantial increase of nearly 40%.

Such huge differences could give foreign banks a huge competitive advantage if they adopt advanced approached and local banks stay on the standardised approach.

The goal to attain a regulatory level playing field is therefore at risk, with a foreseeable large dispersion of regulatory menus among countries and banks, and wide differences in regulators' ability to manage, also with the necessary independence, the strong discretionary powers coming from an opaque Pillar 2.

Challenges for the Corporate Sector

Linked to the previous point is the fifth criticism. It is common opinion that large banks and financial conglomerates adopting the more advanced options of Pillar 1 will benefit from lower capital requirements than medium and small banks, constrained to adopt the standardised approach or a revised version of Basel I.

This should give an advantage to the large dimension, pushing further the consolidation process in the banking industry.

The use of risk based IRB models by foreign and large domestic banks to determine the amount of capital to be allocated for different types of borrowers is likely to result in both more expensive and rationed credit to borrowers perceived as of higher risk, and more and cheaper credit to borrowers perceived as of lower risk.

For reasons such as information asymmetry (and the fact that Basel II explicitly heavily penalises lack of or limited information), SMEs are likely to be judged as of higher risk than the larger ones, such as large companies.

This can cause a concentration in banks' credit portfolio away from small borrowers and towards the larger companies. Furthermore, portfolio concentration implies that risk is being concentrated thereby making financial institutions more vulnerable to shocks and unexpected changing circumstances.

This goes against the intended objective of regulatory measures, which is to reduce risks and vulnerabilities to which banks are normally exposed.

If foreign banks adopt the IRB approach, they would have the incentive to further concentrate their portfolio in the upper end of the market as this would save them capital and thereby would have a competitive advantage to lend to "good" companies over local banks using the standardised approach.

The latter group of banks would, in turn, be pushed towards lending to the riskier segments of the markets, making them potentially riskier. This trend could be further strengthened by the fact that, according to some non-BCBS country regulators and IMF officials, the Basel standardised approach may actually somewhat underestimate the risk of lending to SMEs.

This would create a division of labour between foreign and local banks that would not bode well for the stability of the entire financial system. It is true that such division of labour may already exist where foreign banks co-exist with local banks, (and recent empirical research at the IMF clearly seems to indicate that foreign banks seem to lend less to SMEs than other banks), but in introducing a dual regime Basel II would reinforce this pattern.

Furthermore, in countries where foreign banks are very dominant (e.g. Mexico, Eastern Europe) access to credit by SMEs may be particularly discouraged once IRB approaches are introduced.

This could require complementary action by governments or development banks to increase public lending to SMEs.

Conclusion

- a) The effective implementation of Basel II in non-BCBS countries encounters many obstacles, perhaps the most important being setting up supervisory authorities with enough independence, resources and skills.
- b) The implementation of Basel II will not achieve financial stability in countries that lack the necessary structural and macroeconomic preconditions for such stability.
- c) Given its stress on regulatory capital, Basel II is particularly ineffective for non-BCBS countries where:
 - The concentration and contiguity of real and financial capital renders capital requirements ineffective.
 - The frequently experienced large shocks are not met by reasonable amount of banks' capital. Following a prudential regulation approach, the attempt to prevent systemic crises by adding up several types of minimum requirements, and strengthening them, produces large and inefficient regulatory costs for banks.
- d) The sum of Basel II, cross-border banking and the FSAP programme may create important distortions, pushing non-BCBS countries to adopt a standard that is incompatible with important aspects of their specific financial fragilities and with the sustainability of their development path.

These arguments should lead non-BCBS countries to cooperate in order to ask internationally to be evaluated not in terms of the Basel book of rules but in terms of the adoption of very broad principles of risk measurement and management, supplemented by a complex set of policy measures and institutional settings that should be both coherent with their specific characteristics and capable to maintain regulatory costs within acceptable limits.²³ Financial regulation should be seen as part of a coherent scheme of structural and policy framework appropriate for each country.

Given that only advanced institutions and markets can be counted on to respond effectively to prudential rules and incentives²⁴, structural measures of financial regulation should be considered, when deemed appropriate, in substitution or in addition to prudential ones.

Anyway, the interactions among preconditions, regulation and supervision must be played inside a structural dynamic context; in particular, since it takes more resources to supervise and enforce complex standards than simple rules, regulation should dynamically match prior supervisors' ability to manage it.

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THE INSURANCE, LIQUIDATION AND BREAKEVEN AS ECONOMIC CATEGORIES IN INSURANCE

Introduction

There has been a lot written in economical theory about the production, economisation, breakeven and liquidation. There are many definitions about those notions which do not differ much , however, there has been less work written on insurance.

The importance of insurance can not be compared with the importance of the above-mentioned concepts and notions. In this essay we have reflected upon the importance of insurance, as security in insurance has a great significance in the work of insurance organisations.

2. Insurance

According to the economical theory, the workplace insurance in enterprises and organisations is not an essential principle of work. However, it remains as one of crucial ways of liquidation policy. Workplace insurance in insurance companies (insurance associations) is one of the main work principles.

The business basis could be build following the economic principles, but the unsuitable mobility of damages (such as catastrophal damages, cumulative damages and other large damages) can lead to the inability to fulfil the obligations towards the insured clients.

Therefore the insurers, when not able to cover large risks with their own capacities, separate and distribute such risks into the market and re-insurance.

Through the due diligence of personal capacities for the transfer of risk and plasma of surplus of risk on the re-insurance capacity, the insurer gets a maximum insurance.

This can be seen on the fact that it enables the insurer to cover the large, cumulative and catastrophic damages that can eventually get higher than the expected damages and reimburse the insured without any problem.

In the same time insurance means that even in the case of unfavourable mobility movements of damages within a financial year, due to all kinds of damages happened at an earlier stage, the insurer realize more income than expenditure for that year.

Large and massive damages can influence the financial result for a specific year. This could be negative one as the insurance premium set according to average figures is not sufficient.

Those retreat backdrops of average are called 'case retreat' and could be approached in two ways:

- Through the calculation of high income – (additional payments) of the required premium for insurance or the formation of personal capital and maintenance of the technical/insured risk.
- Through the leading insurer (direct) re- insuring the risk with someone else, so in this way as an insurer to exchange its insuring variable expenditure with fixed expenditure.

In practice there isn't one way or another to come to the solution of a problem but there are many ways which can be combined to approach a problem.

We can certainly claim that there is any direct insurer, neither locally nor anywhere in the world, that doesn't use certain re-insurance protection. We can also claim that there isn't any direct insurer in the world that doesn't cover a part of its own damage/risk.

Certainly, there is no other activity where there is a connection and such cooperation as in the delivery of the risk among the insurer and the reinsurer in the local and global market.

Lately this is even more concentrated as the risk concentration and the growth of risk size due to the advancement of technology and significant changes in the importance of specific risks.

Last decade has seen an increased attention, mainly in Europe, in the importance of risk due to many catastrophic risks and mostly in the natural risk such as tornado, hurricane, flooding, earthquake and so on.

All those changes that happen in the spectre of natural disasters present a very large problem to the insurers (and re-insurers). The question is how to insure them, how to balance them within certain time and place and how to prove with due diligence the right premium so it is financially reasonable for the insurance contractors.

But when the premium is quoted many things should be taken into account and evaluated. For example the external mobility factors of the particular place and within the specific time.

In that way new methods have been developing and are being developed to calculate the required premium so the income from the premium can be balanced with the other elements of financial policies of insurers and reinsurers.

II. Liquidation

Liquidation in insurance has certain specifics in relation with trade enterprises. The insurer gains funds through the payment of the insurance premium and through other means.

The insurance premium is paid before according to the rule, while damages can happen, respectively this is the case at a great number of insurance agreements. Damages and the exact term time are difficult to be foreseen and to be planned. The main obligation of the insurer is to compensate the damage to the insured within the insurance agreement.

The happening of the insured case does not mean merely that there is an obligation for a payment by the insurer. From the day of the case until the payment of the damage it is necessary to pass a certain period. A certain period can be days, weeks, or in some special cases even one year.

The time depends on the causes of damage, the size of the damage, the types of the damaged property or property interest, the necessary time need for repair or collective movement of objects in the previous conditions, the necessary documents etc.

Each damage has its own specifics which determine necessary actions, documents and time. In some cases, the damage may be paid partially. This is done according to the rule at big damages where it is not sure if more time would be needed to determine the final height of the damage.

In the big amount of the work, based on the statistical references, it is able to foresee the overall happening of material damages. In that case, 'material damages' are meant some small or medium damages which may be not planned exactly. It is not possible to foresee big damages (particularly in case of accumulative damages, catastrophes, massive damages) because they can happen in long or short intervals. At these damages, if there is an agreement for reinsurance, reinsurers would be included.

With the completion of the insured case, the cost occurs at first and later on the damage payment too.

The insurer shall have available cash flows at the moment when the payment liability for damage has been received. In the insurance area there is always a certain time space between the premium payment and the damage payment.

This is the reason why the liquidity problems in insurance are much smaller than those in economy. At the periods with great non-liquidities in economy, the insurance companies are often liquid, or in other words they have possibilities to write off received liabilities at any moment.

Basically, at the periods with aggravated liquidity in economy it is more difficult to carry out premium payment, respectively the delayed payment is more present, and the ample cash inflows appears later, while at the periods when liquidity in economy is improved the major part of premium is paid during the arrival of insurance agreement, and the inflow of financial means appears earlier.

The premium payment rate of insurance from the market associations is higher during periods with good liquidity in economy whereas is lower during periods with aggravated liquidity in economy.

Payment rate of premium from persons (citizens) is normally higher in contrast to the market associations because the payment schedule of premium is generally quicker. Undoubtedly, the payment rate of premium is depending on the business policy applied by the insurer in the area of insurance premium payments upon the agreements made for insurance.

II. 1. Elements for liquidity confirmation

Liquidity elements in insurance are the liabilities taken on the basis of agreements made for insurance and liabilities arising from agreements done for co-insurance and re-insurance, time frames for receiving those liabilities as well as funds for payment.

In order to achieve a liquidity the amount of fund available shall be sufficient to write off the liabilities received in the time of their inflow. That means that the inflow of ample cash flow and the outflow of financial means shall be in compliance with inflow periods.

In the insurance area main flow of financial means inflow occurs when the agreement is made for insurance, respectively the payment of insurance premium is done, while the main flow of the reduction of financial means occurs during the damage payment and contracted sum on the basis of the agreement made for insurance.

II.2. Ample cash inflow

Main inflow of financial means occurs during payment of insurance premium upon insurance agreements. The insurance premium is normally paid simultaneously with making agreement for insurance, but can be also contracted with instalment payments. In such cases it is the obligation that the instalment received in the name of premium is paid in due time.

The ample cash inflow is performed by the insurer under several foundations: cash inflow on the basis of premium payments; cash inflow on the basis of payments from the co-insurer, re-insurer in accordance with participation in liquidated damages and partially liquidated; cash inflow on the basis of payments from the invested means from insurance; cash inflow on the basis of payments due to other remaining causes.

II.3. Cash flow

Inflow of funds of the insured is entirely realised based on:
financial inflow on the basis of partial liquidation of damages; financial inflow on the basis of co-insurance and reinsurance and financial inflow according to other reasons.

II.4. Specifics on keeping flowing liquidation in insurance

The problem of liquidation in insurance is shown in different way than in trade enterprises. Based on reached agreements for insurance, the insured sum is paid previously for the period that is covered and which is counted (from the first deadline to the next one, contracted insurance for a certain period).

Insurance agreements are continuously reached and the insured sum is paid during the year. During the year, damages and insured sum also are paid and liquidated, insured according to the reached agreement.

On the entirety of the overall sum, it is paid also that part of the sum which has to do with next years. That part of the sum which has to deal with next years is called the delivered premium because it serves for covering the obligations according to the reached agreements in insurance which start in the year it is signed and end in the other years.

Also the damages that happen during the year are not solved out and paid according to the insurance agreement became part of that year' expenses. The insurer can be a high liquidator and work with losses.

The insurer is a liquidator in case of the loss until that sum is not bigger than the delivery position (delivered premium and reserved damages). The biggest sum of the delivered premium is paid according to the level of payment of other premium and this part is declared as inflow of funds.

They will be declared as such at the moment of payment of some damages or partly damages. Under the assumption for other non-estimated categories, we can prove that:

- a) If technical premium is increased, in a same time is improved financial results and liquidations (and vice versa);
- b) If the paid damage is increased at the same sum of obligations (with reserved damages), the liquidation is decreased and vice versa, while financial result does not change;
- c) If the reserved damage is increased in the same sum of obligations (with paid damages), the liquidation is improved and vice versa, while financial result does not change;
- d) If delivered premium is increased, financial result is exacerbated, while liquidation remains the same.

The above conclusions are given on the basis of the report between the financial result and the liquidation from the technical work. If we want to see the report completely than during prove of financial result must be included all the elements of expenses and incomes from insurance funds, while during liquidation all the elements of incomes and inflow must be included.

II.5. Measure of liquidation policy

Within its business policy, the insurer, respectively the branch takes decisions that have impact on liquidation, but the same time try to achieve the best business results. In special measures for improvement of liquidation are included those who are taken because of the shifts in cash flow.

Measures for improvement of liquidation can be in two directions: measures for increasing the incomes and measures for decreasing cash flow.

In the main measures for increasing the income we can include: the increase of the work amount; acceleration of payment of insurance premium; and the increase of outcome of flowing funds.

Bigger effects in the perspective of liquidation improvement can be achieved during the increase of the work amount and the acceleration of payment of the premium during the year.

III. Breakeven in insurance

Breakeven is one of the main principles in the work of trade enterprises, however as notion in professional literature (but also in practice) at us is not used or is used rarely.

Sometimes in written material for insurer's work can be found that the insurer has worked for some time in a profitable way or non-profitable way. In those cases of a profitable work it is meant a positive realisation of financial outcomes or earning, meanwhile the notion of non-profitable work means negative realisation of financial outcome, respectively loss. Either positive financial outcome or the negative one shown in relevant indicators are called financial outcome scale.

The breakeven in insurance work can be defined as a relation between the realised financial outcome (earning or loss) and the overall incomes of insurance funds. Depending from the business outcome of the insurer for a certain period, the scale of the breakeven can be calculated in this way:

$$\text{Scale of breakeven} = \frac{\text{Earning} \times 100}{\text{Realised outcomes}}$$

or

$$\text{Scale of breakeven} = \frac{\text{Loss} \times 100}{\text{Realised outcomes}}$$

The financial outcome scale can be calculated for the insurer as a whole or for its parts separately. This scale can be determined accurately only for those parts of work subject of

balance, respectively parts that are confirmed in terms of revenues and costs for the audited period.

Furthermore, the scale of financial outcome can be also confirmed through the insurance groups as well as through types of insurance and/or other working categories.

In such cases the problem arises in terms of determining realistic scales including the numerator and constituent since the revenues and costs not being confirmed within the framework of final calculation as well as final result to those types of work.

Should the one require calculating the scale of financial outcome for those types of works, which in practice would be necessary to drive on the business policy, particularly a tariff policy, it is necessary firstly to set up a methodology for verification of general revenues and of the financial outcomes. On the basis of the methodology set for certain types of insurance or for concrete works, the total revenues and costs are calculated including a financial calculation at a later stage.

Special problem in calculating general revenues and general costs represents the issue of size determination based on co-insurance and re-insurance and the determination of revenues from invested funds onto the general revenues, which are completed in certain types of insurances or concrete works.

To the co-insurance and re-insurance the amounts inputted to total revenues (participation in damages and other incomes) and the amount inputted to costs (re-insurance premium) can be calculated accurately.

Distribution of general incomes from investments can be carried over through the direct account on the basis of a certain criteria or in combination (with calculation or based on a certain criteria). Due to the reality of the outcome the direct calculation shall prevail. If it utilized as a criteria for distribution (in general or in particular) of revenues deriving from investments, the selected criteria should give a most realistic outcome.

It shall be realistic provided that the criterion for distribution is set on the basis of a status of financial means in groups and types of insurance. Most accurate criteria is obtained if the status of cash flows is calculated on the day-to-day basis.

The longer the period of determination of the cash flow status is the higher is the likelihood of a greater excessiveness of the status obtained from the realistic status. At the same time, critical excesses may occur to the periodic status (weekly, monthly, quarterly) due to a non-uniform flows and outgoings of cash, which is in fact a special feature for insurance, particularly in the area of damage payments.

Thus, the insurer has to organize the work in such a manner that would enable a realistic setting of revenues deriving from the invested funds for the activities that are being followed and for which we want to set up a breakeven point.

This is of specific importance because of information availability in due time in terms of what results are being accomplished from a certain activity and to which activity (i.e. types of insurance) respective measures are to be undertaken in order to match time-wise the revenues and costs.

Likewise, the breakeven in branches can be verified, as well as in groups and types of insurance or in single activities inside.

Owing to the specifics in the insurance area, the grade for total work or for a part of work cannot be set purely on the basis of financial outcome movements, respectively on the basis of the degree of breakeven, without detailed analyses.

With such analyses it is necessary to verify whether the audited period is long enough, bearing in mind types of works, for reliable conclusions as to the trends of work and financial outcome movement; whether during the audited period or at any part of it, massive damages happened affecting thus the financial outcome.

Should the damages be confirmed for the certain period, being those special or massive damages, which could not be redistributed at a great extent to the other insurers and re-insurers through co-insurance or re-insurance process, then the completed financial outcomes as well as the obtained outcome scale (including the scale of negative financial outcome) shall not be treated for granted and consequently a caution must be paid during grading of obtained results.

Despite the fact that in some cases for some types of works and/or types and groups of insurances the completed financial outcome is negative it cannot be concluded instantly that the work was unsuccessful.

Such conclusion can't be made because the damages, either big or massive damages, are unified in a longer run and in addition, in accordance with the rule on probability, it is expected that said damages will not appear every year but rather in certain short and/or long periods.

Therefore, it is crucial for the insurer to economize general property (from the insurers' perspective the revenues from invested fund represent a greater amount), because through the economization, especially for some groups of insurances, a great impact can be made to work performance.

In the environment with full impact of market economy it is a must to build a policy that gives priority to liquidity performance. This doesn't imply that the liquidity is endangered but the level of liquidity of means will be reduced to the least needed amount.

The insurer can calculate the breakeven in general or in single parts. The breakeven shall be calculated up to that level where measures could be undertaken within the framework of work policy by which that part of work would match.

Conclusion

Under consideration of a fact that the insurance deals with completion of four core services: compensation of value losses, scientific treatment of risk tolerance, equal distribution of damage among the insurers and the removal of losses during the path of systematic and preventive protection of values, it can be concluded that its efficiency is determined from capacity of the society for insurance.

Such capacity is defined as the maximum general sum of liabilities that one insurer can hold despite whether in that moment such insurer will be non-liquidator. The latter is more related to the question of respecting work principles in insurance.

The work practice in insurance has shown that the most important principles are the following: insurance principle, liquidity principle and breakeven principle.

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INTERNATIONAL FREIGHT FORWARDERS AND TRANSPORT ORGANIZATIONS

Introduction

Today freight forwarding plays a huge and important role in the international turnover and presents a significant activity in modern economic life. However, at the international level, there are not yet conventions which regulate the international freight forwarding.

Due to the single display and coordinating work conditions, freighters join to specific organizations (associations) both in local and international level. The general conditions about the freighters 'duties are given through such professional freight associations.

Such conditions regulate the position of legal entities that are a part of freight forwarding and transport system as well as the foreign trade system.

The forwarding organizations, as dynamic systems, depending on their common characteristics can be classified into local and international ones. Some of the forwarding and transport organizations will be presented in the further text including a short presentation of their activities.

(European Association for Forwarding, Transport, Logistics and Customs services) -CLECAT

The association which represents the interests of 27 national forwarding organizations of member states of the European Union (EU) was set up in 1958 in Antwerpen, Belgium. Its headquarters is in Brussels today, Belgium.

Small and Middle International Enterprises and the customers' representatives are a part of the CLECAT structures as associations mostly representing of this type.

The importance of CLECAT can be illustrated through the data that the organization protects the interests of more than 19,000 companies which employ more than 1.000.000 people. According to CLECAT through European Freighters and customs representatives, 95% of goods are duty-paid in Europe and 65% of goods are transported through the road (via land), 95% of goods are transported via air, and 65% via maritime.

This association has the main task also in the railway transport and the canals. CLECAT protects the interests of its members and promotes activities related to regulation, in defense of homogeneous transport methods and the transport types which establish the circumstances for a safe and free flow of goods.

CLECA cooperates with the International Federation of Freight Forwarders Associations -IFFFA and is responsible for European affairs which the international freighters within IFFFA are preoccupied.

This organization also cooperates with many other professional associations in the field of freight forwarding, transport, logistics and customs representation in which it participates itself (INDA-Alliance of European Industry sectors involved in the Transport of Dangerous Goods, ERFCP - European Rail Freight Customers Platform, EU Trade Customs High-Level Dialogue and the technical Customs Trade Contact Group).

The International Federation of international managers of goods - FIDI (Federation Internationale des Déménageurs Internationaux)

FIDI represents the largest global alliance which represents worldwide qualified companies which deal with the professional processing of goods. Specialized enterprises which deal with the international shipping of goods participate in FIDI, unlike IFFFA and CLECAT where national freight organizations are members of them.

FIDI was established in 1950 as a European federation to represent the interests of specialized companies for international delivery, which over time grew into world leaders in this organization type. Its headquarters is located in Brussels, Belgium.

Today, this association includes more than 500 companies which are accredited according to FIDI standards for international accredited managers (FAIM - FIDI Accredited International Mover Standard). Companies that are members of FIDI, in this federation are represented by their national freight or transport associations, where they also participate.

FIDI's mission is to provide a forum which will advance the integrity, quality and cooperation among companies - members dealing with professional processing of goods. Within this association are also applied designed training and programs.

Such programs support the members on improving competitiveness in the international shipment and storage in the relevant markets. FIDI's vision is to deploy its members as "the managers' right solution" for international shipment of goods.

FIDI was structured by the FIDI Council, consultative committee, FIDI office, FIDI Association (national specialized associations) and FIDI branches (enterprises high qualified for processing of goods) The Council establishes the strategy of this association, holds annual meetings with the assembly and implements proposals approved by the assembly.

Consultative Committee consists of former presidents of the association and has a supervising role in administration and management, while responses before the Council members.

Daily operational activities of the association are made through FIDI office. FIDI branches and FIDI associations are members of this specialized global organization.

World Freight Organization - WFO

WFO is a global independent network of international freighters in which take part exclusively the specialized freight enterprises with an average size and only one from every country. As a selection criterion is considered their professionalism, experience, specialization, financial stability, reputation of the company, etc.

This strategic alliance enables competition of members and the opportunity for them to respond positively to market requirements in international transport and logistics market through the ongoing reduction of costs and improving quality of services.

WFO has access to the work of individual clients and provides high quality solutions for local problems of the client.

This organization develops and promotes business opportunities in the global freight industry, by protecting the interests of its members and its clients as well. Within this network are built good relations among the members through which are established partners relationships among them,

and in order to improve competition and to provide the client with better service.

Each of the specialized freight enterprises exclusively covers a certain part of the market and with the active cooperation and promotion of remaining companies, member of the network, performs freight forwarding services, transport, logistics, mediation in custom and other services and financial operations in concerning the international exchange of goods.

4. International Air Transport Association - IATA (International Air Transport Association)

This International Trade Group was established in April 1945 in Havana, Cuba by a group of aircraft agencies. In the beginning, the association numbered 57 members from 31 countries. Headquarters of the association is now located in Montreal, Canada, and participate more than 230 travel agencies and airlines cargo agencies from 125 countries that consist 93% of air traffic.

For example, airline companies which are members of this association, in 2007 shipped goods of 44.7 million tons, of which 29 million tons are part of goods turnover.

IATA aims to raise awareness about the importance of the aircraft industry about national and international economy.

This association protects the interests of airline agencies around the world and helps them in simplification of procedures, unification of regulation and increase confidence of clients, considering reduce of expenses and improving efficiency of work. Main priorities of this organization are: security, which is improving steadily with the progress of safety standards, and minimizing the impact of air traffic in the environment.

Benefits from the existence and functioning of this association for users of services are that this aircraft association allows simplification of travelling procedures and delivery of goods with low price.

Aviation companies have also benefits because IATA enables to operate safely, efficiently and through correct rules of economy. It also represents a kind of mediator between the aircraft companies and the freight companies through neutral standards set up for agencies services and to the centralized financial systems.

As an extensive network of companies of the aircraft industry, this association provides a qualitative expertise and various problems solutions to the companies of this sector. IATA cares that governments of different national economies are being informed in due time for the complexity of the aircraft industry, and how to provide with the best long-term decisions.

Only aircraft companies can be formal members of IATA, however, there are also different programmes of this association that enable their partners to achieve their interests and participate in the association's activities. Thus for example, airports in cooperation with the aircraft companies enable improved efficiency of the transport aircraft industry.

Travel and mediation agencies in cooperation with the aircraft companies enable improving of tourist services.

Freight companies or cargo agents may receive IATA accreditation which is recognized by the members of this organization. IATA's program for strategic partners enable suppliers and provider of services in cooperation with the aircraft companies, members of this organization to participate in preparing solutions about the problems which preoccupy such industry.

International Road and Transport Union -IRU

International Road and Transport Union founded in Geneva, Switzerland on 23 March 1948, is an international organization which represents the interests of road transport industry around the world. Participate in this network 180 national association of road transport worldwide participate in such network, which present operators of transport vehicles (buses, vans, taxis, trucks, etc.).

Although IRU has a truly global vision, it operates effectively even at the national level to the local level through national organizations which are members of them. The association aims is at facilitating road transport around the world. Through its Academy (IRU Academy) organizes trainings with which makes the promotion of professionalism in this sector and improve the quality of providing services.

It enables freedom to select customers' transport types, and equal treatment in separate regulation of transport means. In joint cooperation with its members is provided harmonized development of road transport and promotion of its use.

This specialized association represents the interests of the road transport industry in relation to governments, institutions and the private and public media. The organization also promotes cooperation and complements among different types of transport.

Besides the mentioned services provided by this association, it also provides a guarantee of TIR system, established under the TIR Convention, which allows facilitating of transit through the countries which have accepted this convention through the facilitation of customs procedures.

The IRU Constitutive Act obliges the organization to deal with questions relating to the development and facilitation of road transport. These are two key components of the work program of this organization.

International Union of Railways - UIC (The International Union of Railways)

UIC is a worldwide organization for international cooperation among railways, which promotes transport at global level. It was established in 1922 and includes 200 members from 5 continents, among which: railway, railway operators, infrastructure managers, railway service providers, public transport companies, etc.

The union also maintains close business ties with all participants in the railway transport, including business entities of other branches of industry, public governments and railway associations.

The main mission of the International Railway Union is through the progress of international cooperation among members to promote the railway transport with the aim of attraction as the readiness and development by building a strong railway system.

UIC goals are: facilitation of international exchange of experiences among members (benchmarking), proposal for new ways to improve the economic performance of the railway system, reaching interoperability, establishment of new global railways standards (including common standards with other transport models) and the development of the so-called Supervising Center - "Centers of Competence" (technical, insurance, management etc.).

UIC's main tasks are to advance technical co-operation, railway system and inter-operation through: providing of specifications and standards through standardization structures to set the technical platforms that will stick railway work.

Coordination of international cooperation projects of the railways;
Providing recommendations to its members; Achievement of agreements with intergovernmental organizations and other organizations whose commercial interest has to do with questions about transport or a cooperation with the railway transport;
6 regional associations of the International Railway Union (Asia, Africa, Europe, Middle East, North America and South America) were founded in 2007, which should solve the questions of regional members of UIC.

Today, this union is active in regional and global plan to protect the interests of the entities of railway through setting technologies and research, establishment of infrastructure, progress of passengers and goods movements, improving the transport efficiency, etc..

International Maritime Organization - IMO

International Maritime Organization was founded in 1948 by the United Nations in order to coordinate international maritime transport on providing a better security.

The organization enters into force in 1958. Its headquarters is in London, Great Britain whereof promoted cooperation among governments and the ships industry in order to improve shipping safety and to stop pollution of marine waters and ports.

IMO is led by its Assembly members through which are elected members. It also supervises the administration and the organization finances.

The maritime organization's work is implemented through 5 committees who receive technical support from their 5 subcommittees. Members of this organization as part of the UN can observe IMO interpretations. The observer status may take also the qualified non-governmental organizations.

International Maritime Organization also receives support from the Permanent Secretariat, in which representatives- members of the organization are employed. This secretariat consists: Secretary General who is continuously elected by the Assembly; some sectors such as maritime security sector, environment protection sector; conferences sector, etc...

In the framework of IMO wee brought 60 legal instruments that represent the legal act with which member countries will improve safety at sea, will facilitate trade between distant maritime countries, and will protect life environment. Best known of all these legal acts is the International Convention for Safety of Life at Sea - SOLAS

International Federation of Freight Forwarders Associations – IFFFA (FIATA)

International Federation of Freight Forwarders Associations – IFFFA, French: "Internationale des Associations de Transitaires et Assimilés", German "Internationale Föderation der Spediteurorganisationen") was established in 1923 in Vienna, Austria. It was founded by 16 national freight forwarders organizations due to promote common economic and professional interests, and because of the setting and improving standards in the sector.

Today IFFFA is the largest non-governmental and nonprofit organizations in the field of influential fright forwarders work in this sector worldwide. This association now includes nearly 40,000 fright forwarding and logistics enterprises which is also called as the "architect of transport", in which are employed more than 10 million people in over 150 countries worldwide.

In Article 2 of its statute was noted that the purpose of this association, as nonprofit organization is to be coverage of national fright forwarding associations.

It also should protect, promote and coordinate their interests and the sector plans, especially in terms of having good ties to national organizations and associations and supra-national shipping and commercial organization; participation at the work of such associations, branches or groups working in the interest of IFFFA, as their member, or corporation methods; active role in determining regulations of international business;

The image promotion and the acceptance of freight forwarding industry in public relations; publication of professional literature; organizing of training and seminars; to promote solidarity and fair competition in order to exchange experiences; solution of general and specific questions concerning the transport.

The main goals of this association are: to unite the fright forwarding industry in the whole world to present, promote and protect the interests of the industry through the participation of advisors and experts in international objective meetings dealing with transport issues.

to recognize merchants widely, the economy and public services provided by the international freighters through information, dissemination of publications, etc.

to improve the quality of services provided by the freighters through the development and promotion of unified fright forwarding documents, trade standard conditions, etc..

to assist during freighters training, during problems with insurance, during the electronic transfer of data, etc..

There are the following bodies within the federation through which activities are carried out: The General Assembly, Head Council, the Presidency and advisory and working groups. The General Assembly decides on the main issues which are related to this association and elects the other organs.

All members of the federation are included in the General Assembly and they meet once a year in IFFFA Congresses. This association is lead by the head council, secretariat and the chairman. All of them are elected by the General Assembly, so they report to it. The IFFFA institutes deal with technical issues relating to certain areas.

The institutions' activities are performed through working groups which meet when necessary and they report to the relevant institute. There are three institutes within the framework of the International Federation of Freighters, so they are as following:

Airfreight Institute - AFI

Customs Affairs Institute - CAI

Multimodal Transport Institute - MTI

There are some consulting entities cooperating with institutes and their working groups concerning the issue of general freighters industry.

These entities are:

Consulting Entity for hazardous materials

Consulting Entity for information and technology;

Consulting Entity for legal issues;

Consulting Entity for vocational training and improvement;

Consulting Entity for public relations.

Due to the efficient achievement of regional interests, cooperating of regional activities, and solving regional problems, thus, IFFFA divides its the national freight forwarders associations into 4 larger regions including Europe, America, Africa and the Middle East, Asia and Pacific.

Members of the International Freight Forwarders Federation contributing to achieve its goals in compliance with its statute can be as following:

The national Fright Forwarders associations comprising the entire freight forwarding sector of a country.

They have the right to use the IFFFA logo and have the exclusive right to provide its domestic members with IFFFA documents. In special cases, if a country has no national fright forwarding association, such status could be given to any individual member until a national association is established.

Group members present international fright forwarders organizations from a group of countries including international forwarders groups having similar interests as IFFFA, as well as the

international associations whose members are active in subsectors of freighters industry.

Individual members may be freight forwarding companies and legal entities who have close relations with the freighter. They can be a member only with written permission by the International Freight Forwarding Association.

Honour members are persons with special merits in advancing the IFFFA and freighters' work as well. These members have no right to vote and have no other electing rights.

The association's members Admission or exclusion is decided by the General Assembly based on the presidency's request.

Providing with IFFFA documents:

One of the main objectives of IFFFA is providing with the standardized documents that will enable simpler, safer and more rational goods process in the international trade. Freighters' certificates are special types of documents that are issued by IFFFA and which can be used worldwide.

Such documents are particularly practical when arranging joint movement of goods and when a freighter can not present a special shipping document to the committee, because is available only a document for all shipment in the goods-wagon, which has more shipments from sender and receiver. Country decides itself whether to use IFFFA certificates or not.

Freighters' certificates have exactly defined forms in certified columns. In those signs are the IFFFA and the national freight association sign. All certificates have their serial number and a special list is held for evidences.

Within the framework of the International Federation of Freight Associations are issued more types of documents and forms, as presented in the table below.

Table: IFFFA documents:

1955	FCR	Forwarders Certificate of Receipt	green
1959	FCT	Forwarders Certificate of Transport	yellow
1975	FWR	FIATA Warehouse Receipt	orange
1970	FBL ¹⁴	negotiable FIATA Multimodal Transport Bill of Lading	blue
1996	FWB	non-negotiable FIATA Multimodal Transport Waybill	white/green
1984	FFI	FIATA Forwarding Instructions	white
1984	SDT	Shippers Declaration for the Transport of Dangerous Goods	white/ red
1997	SIC	Shippers Intermodal Weight Certificate	white/green

Under the rules of the Regulation on issuing documents within the framework of International Federation of Freight Forwarding Association, authorized to control, printing and distribution of IFFFA documents have exclusively national organizations members of the federation.

Text documents must be in English, French or German and if necessary a complementary to one of these languages can be added as text in any language of the national association.

The document should have the symbol of the country of origin according to the cipher provided to a country by the United Nations (e.g. for Austria - AT, JP for Japan, MK for Macedonia, etc.). The serial number is needed for all documents except the forms SDT <SIC and FFI.

The national associations can issue documents only with prior permission from the IFFFA Secretariat. Due to control of printing these documents, the national associations should have a register of member companies which have accepted such document in which are recorded serial numbers.

Conclusion

The international freight forwarding and transport organizations can be established by the national specialized organizations or qualified freight forwarding companies dealing with freight forwarding, logistics, and transport or customs representation due to the common economic and legal interests.

Such specialized associations can solve certain common problems concerning the freight forwarding, logistics, transport, trade, customs, etc.

The most important transport and freight forwarding organizations which regulate relations between the entities involved in international movement of goods can be divided into: International Federation of Freight Forwarders Associations IFFFA (FIATA); International Federation of International Managers – IFIM (FIDI) (Federation Internationale des Déménageurs Internationaux);

- WFO (World Freight Organization);
- International Air Transport Association -IATA;
- International Road and Transport Union- IRU;
- The International Union of Railways – IUR (UIC);
- International Maritime Organization – IMO; European Association for Forwarding, • •
Transport, Logistics and Customs Services - CLECAT

Footnotes:

¹ The data were taken from the internet official web site CLECAT : [http:// www.clecat.org/](http://www.clecat.org/)

¹ The data were taken from the internet official web site IATA [http:// www.iata.org](http://www.iata.org)

¹ Eg. Passangers can book a travel ticket through phone, and then can pay by a currency, or they can use services from of companies with a single ticket only

¹ a member of IRU is also our national association of road transport in the traffic of Macedonia AMERIT

¹ Prior was known as Inter-Governmental Maritime Consultative Organization – IMCO

¹ FIATA (IFFFA) Doc. 10/114, Act 2

¹P.sh. FIATA (IFFFA) has the status of consultant in the Economic and Social Council - ECOSOC of the United Nations, n in the United Nations Conference on Trade and Development – UNCTAD as well as the UN Commission on International Trade Law - UNCITRAL).

¹ In every IFFFA Congress held once a yaer, there are between 800 and 1500 participants from the Freight forwarding and transport industry. Through such Congress is improved also the Federation work, it is also a case to enlarge the business relations.

¹ Eg. The Instituteabout customs affairs has 3 working groups continuously including the maritime, railway, and road transport; the Instituteof avio-freight has a working group about the affairs concerning the IATA.

¹ FIATA (IFFFA) Doc. 10/114, Act 4

¹ 1992–addition of FBL–multimodal instead of combined transport (blue)

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CHANGING THE ECONOMICS OF INSURANCE - CHANNEL DIVERSIFICATION AND THE CHANGING FACE OF DISTRIBUTION IN EUROPEAN COUNTRIES

Abstract

The world in which we live in, is being subjected to constant waves of change that dramatically alter the economics and financial landscape in which we operate insurance business.

Insurance institutions that once operated in a comfort zone within a defined area suddenly found themselves in direct competition with banks and other financial institutions and intermediaries. Changes in banking, financial and insurance regulations saw the convergence of these industries.

The new types of distribution channels are wider and are expected to be more technology oriented for the urban population in future. There also exists a vast potential for new types of companies coming into the market that support the existing structure of the industry such as agency management systems, the brokerage firms, and bankinsurance.

One of the most significant changes in the financial services sector over the past few years has been the appearance and development of bancassurance. Banking institutions and insurance companies have found bancassurance to be an attractive and often profitable – complement to their existing activities.

The successes demonstrated by various bancassurance operations, although not all of them have been successful, have attracted the attention of the financial services sector, and further new operations continue to be set up regularly.

This paper considers how insurers need to create comprehensive strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches.

Resources and media need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner. In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

Key words: Economic of Insurance, Competition, Diversification, Distribution channels, Bankinsurance,

Changing in Insurance industry demanding role transformation of distribution channels

Although the insurance industry has enjoyed strong business conditions over the last few years, the worse economic outlook will likely pose considerable challenges in the year ahead.

These challenges will be especially pronounced in the property and casualty segment, where growing pricing pressure as the market softens will drive a need for greater efficiency. Insurance is industry, and driving profitable line growth will be difficult. Insurers are also facing increased competition from global players and companies from other industries.

Changes in banking, financial and insurance regulations saw the convergence of these industries. Insurance institutions that once operated in a comfort zone within a defined area suddenly found themselves in direct competition with banks and other financial institutions and intermediaries.

The new types of distribution channels are wider and are expected to be more technology oriented for the urban population in future. There also exists a vast potential for new types of companies coming into the market that support the existing structure of the industry such as agency management systems, the brokerage firms, and bankinsurance.

The world have entered in thee new phase in the development of technology and electronics. Advancing technology is making it possible to develop deeper insights into consumers, products, product packages and distribution partners, and is also helping create new channels for reaching customers.

To take advantage of these challenges, insurance companies will need to review their operating and marketing strategies, and be willing to drive fundamental changes in the way they work. Insurers that innovate have the opportunity to move ahead of their competitors by better meeting evolving customer needs.

Companies will need to manage relationships with an expand array of distribution partners to ensure they deliver a high-quality, consistent experience to customers. They will have to become more efficient and operate in an increasingly integrated fashion. And as they make these changes, they will need to factor in the realities of a labor market.

The challenges and opportunities over the next year are Driving profitable revenue growth is essential to ensure that resources are available to invest in new products and new capabilities, while maintaining financial strength, ratings and investor support.

The importance of profitable growth is clear, but it has often been difficult for insurers to achieve. Insurance is a industry, with the market dominated by relatively few companies. In this environment particular in the mature U.S.A. and Western European markets growth often must come by attracting customers from other companies, which competition. Without success in differentiat products and services, price becomes the lever.

This continues to fuel the commoditization of products and services and shave profit margins. Meanwhile, competition from other financialservices sectors continues to grow.The reality is that insurance companies need to improve their ability to drive growth.

They will need to adopt new, more sophisticatedapproaches to expand and leverage their distribution networks, and successfully employ mergers and acquisitions as part of their growth strategy.

One of the key levers to growth is distribution, and to excel at it, insurers will need to adopt a new strategy that sees distribution not as a cost center, but as a profit center and opportunity of success. By developing distribution-centric strategies that coordinate channels, they can use distribution to drive differentiation and growth.

Distribution plays a large role in an insurance company's operations, and it accounts for most of benefit costs. Insurance firms typically use a variety of channels to reach consumers, including agents, brokers, direct phone and Internet sales, banks.

Companies in many countries have largely shifted to online and direct channels, yet in many other countries, face-toface advice delivered by independent producers remains a vital component in that mix, especially when it comes to meeting complex consumer needs with increasingly sophisticated products.

To succeed in this multi-channel world, insurers need to get closer not only to the consumer, but also to their producers and distribution partners..To work more effectively with producers and distribution partners,insurance companies need to develop a thorough understanding of their distribution networks.

That is, they need to take a systematic approach to assessing the entire distribution partner including independent agents, captive agents and potential recruits, banks, institutional brokers, and employers participating in worksite programs.

What is required is a holisticview of each partner's business and portfolio of offerings not just the business placed with the company and an understanding of how best to work with each.

Without such an understanding, companies will be hard pressed to target the righ producers and cost-effectively their support to producers. Instead, they will be left to compete on price.

Insurers can create packages incorporating product design, compensation, recognition, marketing support, practice development, technology support, sales and business operations support, training and other resources. If designed carefully, these packages can be used to motivate and encourage the loyalty of partners, while aligning their business with the company's overall growth strategies.

The inclusion of direct marketing in distribution plans is becoming increasingly important. The role of direct phone and Internet channels is expected to increase as consumers and producers raise their expectations of financial service providers' Web sites and call centers.

Adding to the increase of these channels, too, is customers' rising comfort level with self-service and with gathering information and transacting business via the Web. For many agent channels of distribution, the Web and call centers are important means of supporting marketing, sales, new business processing and customer service.

For example, such inroads have been particularly dramatic in the personal lines auto insurance market. In this competition between insurance companies and other financial intermediaries, bancassurance is the most popular distribution channel for the integrated distribution of products.

This new type of business is in a sector, financial intermediation, which is in profound transformation and in which the balance between the banking and insurance worlds is also being. Bancassurance is essentially a method for distributing insurance products through bank branches. But it is at the same time something more, a global movement that is gradually breaking down the traditional barriers between the various financial products and services.

Bancassurance presents specific problems of corporate governance, since it entails cooperation between banks and insurance companies. It can be provided through product factories and distribution networks inside (previously defined as captive) or outside (noncaptive) a group, in various banking and insurance mixtures. One of its strong points is the high degree of product standardization and simplicity, meaning that personnel without much insurance knowledge, such as bank clerks, can sell it.

Analysis of Distribution Systems in European countries

From an insurance viewpoint, bancassurance represents one of the new insurance distribution channels, alongside the traditional agency network, direct channels and financial service promoters.. Insurance distribution trends differ greatly from country to country.

In the European Union framework, albeit regulations progressively converging towards a "single insurance market", there has been a long predominance of specific models concentrated on a dominant channel, such as brokers in the United Kingdom and agents in Germany and Italy.

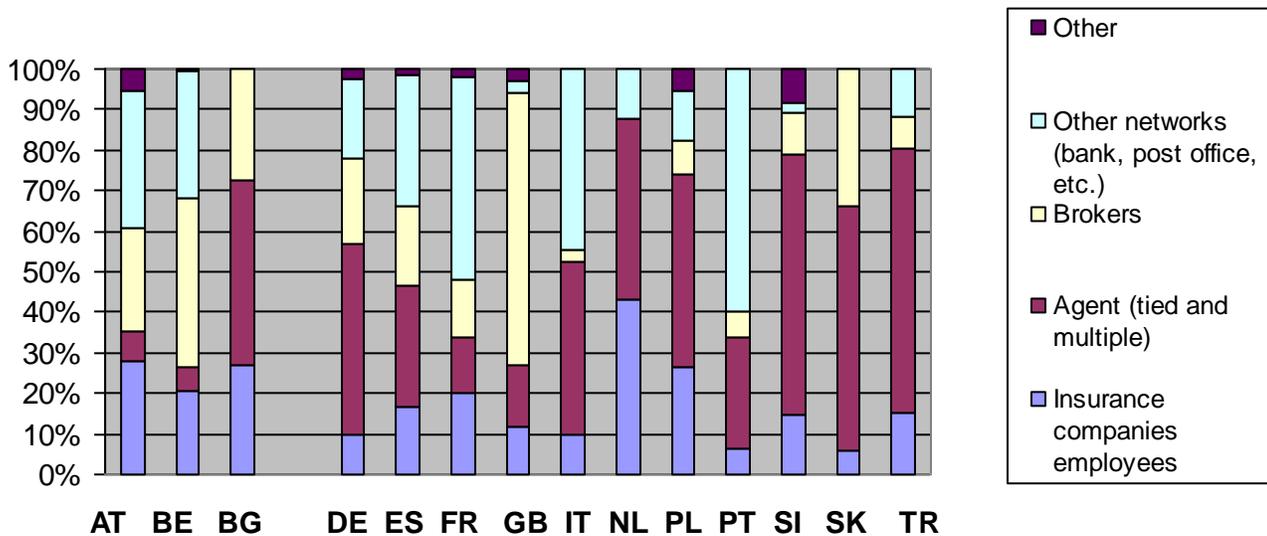
The type of bancassurance integration adopted has been influenced by different regulatory systems and various formulas for separating the risks implicit in banking and insurance.

A progressive deregulation was launched in some European countries, starting with France and the U.K. during the 1980s, which then spread to all Community states by the beginning of the 1990s with the third-generation Directives.

In Europe, the sale of life insurance from bank branches has had positive results. This is mainly thanks to the reduction in distribution costs and the ease of access to, and contact with, the broad client base; the synergy between traditional savings formulas and individual social security plans (often with tax incentives); and products with a high financial content in stock market expansionary phases (index- and unit-linked) and guaranteed ones in falling stock market phases.

This has enabled the bank to offer a diversification of products to consolidate brand loyalty, to cope with the disintermediation process and increase profitability.

Chart No 1. Market share of distribution channels in life and non-life insurance in European countries in 2007



As the chart shows, distribution channels, for the life and non-life sector together, vary significantly from one European country to another. It is therefore very difficult to draw any clear conclusions.

To a certain extent however, one can say that in most countries, insurance products are mainly either distributed through agents (tied or multiple) or through other networks (bank, post offices, etc).

The distribution of life insurance is mainly driven by bancassurance networks with the noticeable exception of the United Kingdom and Belgium where brokers dominate the distribution of life products. Poland, and Slovakia also show a weaker role of financial institutions in the distribution of life products and are characterised by the importance of agents.

Insurers need to create strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches. If bancassurance shows a very high market share in life insurance, the success of this channel appears rather limited in non-life business lines.

In this latter area, insurance products are principally distributed via agents in a large number of countries (i.e. IT, PL, TR and SK). On the other hand, the broker channel predominates in the UK, and Belgium and to a lesser extent in Austria. It is in Spain and France that the distribution of non-life products appears more evenly spread.

The predominance of brokers and agents on almost every market may find its origin in the willingness of the insurer to benefit from proximity at the time of the contract and above all in the case of a claim need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner.

In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

Insurers need to create strategies for balancing and integrating direct-to-customer and producer-sold distribution resources and approaches. Resources and media need to be integrated cost-effectively to deliver the appropriate experience to consumers, producers and distribution partners in a consistent and seamless manner.

In cases where companies go to market through distinct channels of distribution, channels should be managed with discipline, to mitigate unnecessary conflict while aligning each channel's strengths with the needs and wants of target customers.

To support these multi-channel approaches, companies can use advanced analytics to sort through large amounts of data to determine which channels work best for which customers, as well as to integrate distribution approaches more effectively. In particular, life and annuity companies, which have not always made full use of analytics, can benefit.

By using a mix of segmentation, predictive modeling, and competitive information to match the best products with the appropriate consumers, a sales force can increase sales and customer retention. If insurers want to have success will have to look beyond traditional approaches to drive growth.

To tap into the growing retirement market, for example, life insurers will need to develop innovative offerings that provide both income and asset protection. Insurers will need to get closer to consumers, producers and other partners—and at the same time, develop strategies that weave together traditional and electronic channels to work seamlessly with consumers and producers.

Strategic partnerships across financial services sectors are likely to increase as companies seek to concentrate on their core competencies revenue growth in a mature business is difficult; realizing profitable growth is even harder. By gathering and analyzing appropriate internal and external data, companies can establish a far better understanding of, for example, which agencies and producers are more productive and why; what is the scale required to merit a significant investment in agent recruiting and development; what determines differences in the company's cost to serve various agencies; what characteristics of prospective agents better predict success; and how to understand the profitability or quality of business produced.

Informed by a fact-based and disciplined approach to marketing and distribution, management can be far more productive in focusing its important relationship management talents to address each distribution channel's relationship needs.

By combining internal and external data, for example, companies can segment customers more narrowly, develop new products for individual groups, identify cross-sell/up-sell opportunities. These tools also allow companies not only to understand customers today, but to gain more insight into how their needs will evolve over time as they move through the different stages of life.

Conclusion

The changes in the economics today coupled with advancement in the integrated technology has made it possible for the insurers to explore direct distribution channels.

One cannot deny with further development of the new technology, the economics of insurance will likely continue to evolve. Changes to the product development criteria and regulatory requirements. The complex trends described above make it difficult to outline the future scenarios on integrated distribution and changing business management models.

While it is impossible to predict the direction of the insurance economics in the future, there is still a need to look into the distribution channel as one of the key component to propel growth.

Remain status quo on distribution channel would only result in the negative implication to the industry. However, strategies develop would need to be aligned to changes in technology and the shift in customers expectations and requirements.

Challenges now lie in keeping the balance between the traditional channels and the direct distribution channels. Insurers would now need to keep a close on their competitors not only locally but also globally.

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BRILLIANT BENEFITIONS AND GREATER CONVENIENCIES IN LIFE INSURANCE

Those who are thinking to save money for their life insurance must have it clear since the beginning that in the defined period of insurance, there are additional opportunities.

Insurance or particularly life insurance is a phenomenon of the modern age. Life insurance protects the insured person from two basic dangers: early death and long durability, while in the same time fulfilling more widely social interests along with additional the social insurance of citizens.

From the economic perspective, life insurance is very important because it ensures outflow of capital to be used in investments and credits for national economy. Because of this reason, in the future period, education and the strategy of marketing in insurance companies must be oriented towards the presentation of all opportunities which are being offered by life insurance, such as the type of savings, financial planning and financial stability for individuals.

We all will become old and come across different periods of life, which means that our needs will be different to what personal insurances offer. This is particularly true for life insurances, which cover a long period of insurance and are adapted to individual needs and the environment where the beneficiary of insurance is living.

One of the basic needs is individual status in society. Needs are different, this depends if there is a case of a new family without children, family with little children, family with grown-up children etc. It is sure that all of them have the same goal, to ensure their families or themselves financial insurance, age without concerns.

Today, living and working in contemporary conditions of trade economy, the insured person probably would expect dramatic benefits such as: innovation of the agreement for insurance, respectively the reduction of the sum of payments; purchase of insurance; advance payment and loan; giving insurance policies as guarantees; the payment of the insurance being facultative; the participation of the insured person in the delivering of the benefit of the insurance to the insurer; determination of the beneficiary of the insurance and many other.

1. Reduction of the insured sum

The reduction of the sum of insurance comes when the insured person, after a certain period of time since the signing of the agreement, if he already has paid a certain part of the award (for two or three years) stops the payment of the award of insurance. If he/she stops the payment of the award before this period of time, then it is decided that he/she has breached the agreement, the insurance is not valid and the payment of awards will not be returned.

If these conditions are fulfilled, there would not come to a breach of the agreement even if the insured person does not implement the most important obligation of the agreement. The only consequence regarding the insurance – which continues even if there is interruption of the payment of award – is seen in the reduction of the insurance sum, which is reached according to certain tables.

The demand that there should be paid at least two (respectively three) years of premium insurance is justified because in this way, the insurance reserve can cover at least the overall expenses of the insurer: without this premium the insurer would be damaged in any case if the insurance would be still flowing. If this condition is fulfilled it would be the case when the agreement has to be modified.

Our law for obligatory agreements determine that it is needed at least three year payment of awards, to form a mathematical reserve, based on which the insured person can establish his/her

right for return of the funds. In this way, it anticipates for the insurer that in case the insured person ceases the payments, to reduce the insured sum in the purchased value of the insurance.

A previous condition which has to be fulfilled by the insurer to realize this right is to call the insured person to pay the award (which has to be done in a safe way – with a recommendation letter, noting the deadline of the payment of the award which should not be shorter than a month since the letter is received).

If the insured person still does not pay the proper amount of award, the insurer may reduce the sum of the insurance (if at least three years are paid) or annul the agreement (if the first three years are not paid).

In both cases, the insurer must tell the insured person – these rights the insurer may use until the insurance case does not happen. If it comes again before the the insurer reduces the insured sum (or annul the agreement), it will be taken as the foreseen activities have taken place automatically according to the mentioned conditions.

This change in the legal relations of the insurance, does not present an innovation in the agreement, it is still the same agreement for insurance, with the exception of the reduction of the insured sum, and all other part remain: the time schedule for the agreement, the benefiter of the insurance, the opposition by the insurer etc.

In this way, the modified agreement – with a reduced sum of insurance, can be innovated with a mutual consent. The anticipated rights for insurance of our insurers provide this opportunity (except for the case when the insurance is made only in the case of death).

The insured person who wants to innovate insurance is obliged to submit a written request, to pay the proper awards and to fulfil conditions for acceptance and insurance, such as his health conditions, which will be implemented by the insurer.

Different from the case when the insured sum is reduced, in the case of innovation is not a simple modification of existing agreement, but a definition of actions in the new agreement.

This clearly proves some from the actions of the innovated insurance agreement, anticipated with our general conditions for insurance: the insurer is released by providing insurance only if the insured person does not give information (or more precisely does not give a declaration) for an illness he/she had at the moment of innovation of the agreement; also, the insurer pays only the reserve sum if the insured person does suicide within one year period after the innovation of the agreement – respectively same actions as in the case of a new agreement.

2. Purchase of insurance

The insured person who has paid insurance for at least three years and who does not have an interest anymore from the insurance agreement, may request from the insurer to reimburse him/her the value of the purchased insurance.

The purchase does not come automatically, but with request made to the authorized persons. This law does not apply in all of types of life insurances. It is estimated that purchase can not be applied:

Firstly in all of life insurances where the sum of the mathematical reserve is irrelevant (for the same reason it is not suitable for the reduction of the existing sum as well) and second, in all of life insurances where there is not any note that the insured case will start and the payment of the sum will be defined (as well as in case of short-term life insurance) and where the insurers estimate that the chances for realisation of the rescue are decreased and for that reason are obliged to return the purchase and at least save the reserve.

The law for contractual obligations foresees a licence for purchase of life insurance which is bought for the entire life of the insurer. The payment of the accumulated value is an obligation of the insurer.

In our law, it happens when we have the preceded conditions. In some other states' legislation, law protects the insurer in case of the request for purchase, which can be due to the crisis, war and similar situations and which can shift the financial balance.

The value of the purchase of the accumulated insurance which is paid to the party with whom the contract is done is certified according to a particular table added together with the insurance policy.

The right for purchase in principle exists only in life insurance, where the insured case is known to be secured. However, because of the increase of the competition, insurers not always have respected this rule, by allowing purchase even for other types of life insurances.

Besides this issue, the way how the value of the purchased insurance is estimated it is not exclusively left on insurer's will: in many legislations it is under control of legislative bodies as in the supervision of the capital flow, later changes officially done in the insurance policy.

It is also accepted in the law for contractual obligations. In the policy, the conditions should be noted where the party which contracts the agreement may request payment of the accumulated value, as well as ways how this value can be estimated, in accordance with insurance conditions.

All interested persons for reimbursement by insurance, do not have the right to ask to purchase insurance. The right to ask for a purchase belongs to the person who has reached an agreement.

In the law for contractual obligations there is specified which persons can not ask for the purchase: those who are related to the person who reached the agreement and the beneficiary of the insurance (except when his/her selection is not important).

Reasons for these exceptions are: it is estimated since the beginning that the right for life insurance is a personal right, but the purchase, in an indirect way, may lead to the revocation of the use of insurance from the person for whom the insurance is dedicated, and this can be decided only from the person who has reached an agreement for insurance, the beneficiary does not have the right to modify the agreement reached between the insurer and the insured.

The purchase (of the accumulated value) means that legal terms of insurance cease to exist before the given deadline, but the insurer pays the accumulated value. With the accumulation, in fact it is done a change of the insurer obligations from conditional obligations to usual ones, obligations which are achieved immediately.

The entire rights and obligations from the agreement are annulled since the moment of requesting the purchase, and not from the moment of the payment of accumulated value. Hence, if after the request for purchase, but before the payment of the accumulated value, the case would be insured, the beneficiary will not have the right in the insured sum but only in the value of the purchase.

3. The advance of the insured sum

Regarding the reduction and the purchase, the advance has better opportunities for the insured: he/she will take a certain sum by the insurer, while paying an interest fee, meanwhile the agreement for insurance will still prevail. Except that, the insured can later return the advance and increase again the insured sum at the initial limit.

There can exist also interest for the insured to pay for the advance, because it is limited at the value of the purchase of insurance, and that he/she determines the value of the interest fees and the way how the advance will be paid.

Finally, he/she even further will gain bonus from insurance agreement. Even that there is interest for the insured to pay advance, however there is no obligation of the insured in that sense:

“... according to the request made by the signer of the agreement for life insurance, in case of death and incidents with mixed insurances, the insurer even before can pay the party with whom has reached the agreement a part of the insured sum, up to 60% from the accumulation of the policy value, which can be returned later by the party who signed the agreement.”¹⁵

Different from the accumulation, the insurer can (but is not obliged) based on the party's request who has reached the agreement to pay even earlier a part of the insured sum. Also, from the insured side that has accepted advance there is no obligation to return the sum to the insurer, he/she can do that based only on personal will. However, if the insured is late in the payment of the certain interest fee for accepting the advance, than it is considered that the insured has requested a purchase.

The law on contractual obligations anticipates: “in the insurance policy must be indicated the conditions for giving the advance, the chance to return the sum taken as advance to the insurer, the value of the interest fee, the consequences for not paying the interest fee in accordance with the conditions of the insurance.”¹⁶

3. Leaving insurance policy as guarantee

The right of the insured to leave their life insurance policy as guarantee comes from his broaden right from which in a rightful way, the insured can have all the right from the insurance agreement: to change the insurer, to draw back his right or those for his beneficiary etc.¹⁷

Leaving insurance policy as a guarantee can serve the insurer as a mean to gain credit: feared by an early death of the debtor, the person who receives the insurance policy as a guarantee, gains safety that he will be paid by the insurer, if something happen to the debtor. In order to leave the insurance policy as a guarantee, the insurer needs to be informed in written:

- That the policy is given as a guarantee and is given to a trusted person. According to the life insurance rules, this activity of the insured is obliged only if he knows before the insured case happens. In this perspective, it is important the type of the policy: the policy is given as a guarantee with a bill of exchange.¹⁸

¹⁵ Overall conditions for life insurance, “KJUBI MAKEDONIJA”, Skopje, November,2003 v.,pp.9

¹⁶ Law on contractual obligations (Part XXX-Insurance), Skopje, 2001 v., Article 1011, Point 4, pp. 1105

¹⁷ Dr. Predrag Culeji: „Pravo osiguranja“, „Misao“, Novi Sad, 1992, pp. 413

¹⁸ A bill of exchange is implicated also for the policy, with this action the policy is passed to another person (legal of physical). (Leksikoni ekonomik, “Savremena administracija“, Beograd,1975 v.,pp.725)

The trusted person can do, as any other trusted person, according to the general rules of the civic right, to carry out debtor's obligations (the insured), to ask certain return of the fund, at least equal with the size of the mathematic reserve.

Here there is a question that comes out: is there the chance that the trusted person to use the right of purchasing the policy which was given to him a guarantee, if his request to the debtor (the insured) has reached?

In theory, it is considered that this right must be accepted on basis of the personal character, for the following reasons: the trusted person is more than a simple user of the insurance, because the insurance is serving as an insurance of the debt.

If, again, happens that the request from the trusted person and the request from the insured arrive at the same time, then the trusted person must do a direct charge to the insured.

4. Payment of the insurance being facultative

In life insurance, the insurer does not have the right to ask for payment through the court. However, possible sanctions exist regarding the lack of fulfilment of main obligations of the insured: either annulment of some actions of the agreement or suspension of the whole agreement.

Beside that, the insurer may compensate the insurer the value he has to pay if there happens an insured case.

The insured must perform well and must respect the obligations and official actions. In fact, the person who reached a contract is obliged to pay the insurance in time, it above mentioned that the insurer does not have the right to address the court, however in his hands are some other mechanisms such as the reduction of the insured sum, the interest fee etc.

However, the payment of the remained part always has a different treatment from the first payment. The facultative character of the payment is needful on practical terms, but not from some justice principles. It comes out from the goal which is aimed to achieve and depends on the material chances of the insured.

There is no consent that this principle is also for the first payment, or only in the other payments. It loses its importance if in the case that the insurance conditions defines that, the insurance will be implemented only after the first payment, as it is now in the life insurance conditions of our insurer.

AS A CONCLUSION

Why life insurance policy?

Since life insurance is more than insurance – it is a saving with an opportunity for a greater benefit because at the same time all benefits are realised in savings and protection.

Because by choosing life insurance policy, the capital is saved, this later, in any case will bring other benefits.

Because the time is on the side of the insured and it works for him.

Because life insurance is simple and flexible.

Because all types of life insurance have the possibility to offer for the insured and his relatives a better and secured future: saving, protection and security.

By purchasing life insurance policy, each citizen saves for his future.

In life, people have their aim to save money and in the “elderly” years, to use those savings for travelling around the world, buying villas across the sea or the lake or a house in the mountain.

This is not a hallucination; this is working in the West previously for years.

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ASPECTS OF TERRORIST INSURANCE

Abstract

Terrorism risk was processed in the part designated to cover or reject the risk of the insurance cover. Insurance dilemmas are possible concerning the risk harmonization.

Key words: terrorism, insurance.

Introduction

Increase of world terrorism level has been expected for more than 20 years. All indications show that terrorism level can be increased through meeting of different entities, religions, as well as rich and poor community cultures. But, it was not expected to penetrate among relatively compacted societies.

Thanks to the progress of worldwide technology, except of countries extremely closed, as it is North Korea, there are no safe countries. A separatist movement in Çeçenia brought about terrorist attacks in Moscow.

Now, there is not a question about if the terrorist attacks can be increased, but where will be directed to. (Kisirev).

Unsolved political problems for many years in Palestine, Indonesia, Kashmir, and Afghanistan contributed on raising religious fanaticism which urges terrorist attacks far from the conflict country – European countries and USA. All religions can be aggressive in any period of their development. (Karen Amstrong).

There were terrorism risk and insurance even before the attack against World Trade Centre (WTC) in New York in 2001. The International terrorism does not present anything new to insurers.

Insurers paid high indemnities about lost lives and destroyed property when the Irish passengers' airplane was attacked by a bomb put into its luggage, as well as through a bombing attack against the trade centre in London in 1993.

Some changes occurred concerning the insurance field after the terrorist attacks against the WTC. At first there was a tendency that terrorism risk should be excluded or restricted. There was a question of who is ready to carry an unknown or unseen risk.

The USA Congress issued a law in 2002 in order to prevent insurance companies from their covers of property insurance. Through such law, the state accepts reinsuring of such risk. At the American insurance can occur a big problem as the implementation of this law is finished by the end of year 2005.

Terrorism insurance in Europe is implemented through re-insuring pools: Austrian pool, YK pool, French pool, German pool, thus covering of such risk is often excluded. It was established a special terrorism risk insurance and re-insurance which became actual after the terrorist attacks against WTC, while its function was over in 2003, justifying that nobody is interested to pay a high price of risk insurance.

There is world's interest of economy insurance from the terrorism case. The most frequent insurance is required for protection of political violence including the terrorism risk. The Federation of European Association for risk management tries to set a European financial instrument on economizing the terrorism risk.

Limits of Insurance coverage

The risk means extraordinary events which can cause economy damage consequences to some individuals. Their common characteristic is that extraordinary events can occur unexpectedly.

Insurers have gained enough experience by offering protection to the insurants in case of natural disaster and man felonious actions. But there is a complex situation in case of terrorism risk cover.

It is easier to forecast coming of a hurricane than a terrorist attack. It is impossible to expect the terrorist attack intensity and consequences, while the possibility for a preventive impact is limited. All of this, amongst them does not mean that terrorism risk cannot be subject of the insurance agreement.

The definition of risk

It is often talked about insignificant attacks conducted by individuals or groups against victimized persons who have no importance themselves, however they are captured as targeted attack with a purpose causing fear, general uncertainty, and to attract public attention towards terrorists' aims.

Terrorists often feel themselves with humility and ready to achieve some high objectives, even through sacrificing their lives, whereof innocent people are victimized and material injuries are caused as well.

Threat by exercising force with the aim to cause panic due to reach demanded objectives is also called terrorism.

It is a characteristic that the terrorist attack lasts for a short period of time. This is not the same case as the state's terrorism, as it is for instance: selective and limited bombing of targets in other states, but not launching military attacks of higher dimensions.

An armed attack should be considered if it has some certain characteristics concerning the place of attack, its duration, and the dimensions of caused damage. Such dimensions are not yet complete, but they are the only ones at the moment.

The difference between the terror and the terrorist attack is also an important issue. In case of crash down the passengers' airplane by a bomb put in it, as it happened in Ireland, an insurer refused to compensate the caused injury, considering it as a military risk, but not a terrorism risk.

Such insurer attitude cannot be accepted. A hostile action must be conducted within the war, civil war, rebellion, etc. During the insurance experience are presented similar risks with terrorism, as it is: vandalism that is a consequence of malicious issues. It is not so simple to verify if there was any malicious person.

We cannot talk about a malicious procedure if the conductor has no formed wish to cause any evil thing. According to a mentality we can talk about malicious if there are three elements: a) illegitimate action, b) the aim to damage or eliminate an insured thing, c) loss or damage of insured thing., this means property.

Among the injury caused by malicious and injury caused by the terrorist attack comes out an injury differing by motivation from such ones. It includes an injury where the perpetrator is led by pathological rancor. Only under such circumstances can not be said that the injury has emerged as a result of terrorist attack.

It is asked a question of how the insurance can cover "the malice risk". We will also find the notion "Soft terrorists", such persons with the activation of explosive mechanisms intend to cause material damage, only to attract public attention.

For example explosive mechanisms are fixed at the coast near the ship, by the activation of which is caused ship damage only, and as such it was not the intention of the person who fixed it.

There is very difficult to find out the suspected person motivation in case of political violence, which can be of different forms.

There were also difficulties on commenting the insurance policies that cover terrorism risk. The Insurance policy terms such as "proximity" and "obstacle" in relation to the terrorist attack place, are commented in various ways.

Limitation of space

The Insurance coverage can be limited in a certain geographical region, in the protected object

(eg, airplane) and where the attack took place (for example, all injuries up to 600 meters from the attack place).

Difficulties may arise during commenting the coverage in case of indirect injuries. In a case at Florida airport, the owner of a business space required compensation from insurance due to loss of profits when the government took a decision not to work, because of the terrorist attack against WTC in New York.

Commenting a cause, due to any causality is often a difficult task, due to which insurers avoid the special clause upon insurance agreements which exclude indirect injuries. With this, insurers tend to cover only the injury caused as a consequence of direct risk, which has been the direct subject of the insurance agreement.

Time limitation

It is common for each insurance to have a time limit. Regarding the insurance for a limited time, most often for 12 months, there is a possibility for additional insurance. For example, the ship insurance is designated to a certain number of days. The insurance of goods from the war risks is interrupted from the moment of disembarkation from the ship.

If the terrorism risk is covered in special way by the war risk, which is possible in the U.S.A., the insurance of terrorism risk is not excluded - unlike the risk of war. Insurers have the right to cancel by notice the war risk insurance within the deadline of seven days.

The insurance of injury indemnity

It is considered one of the basic elements from which the insurer sets the insurance price. Before the insureds get certain insurance risk, they determine the maximum potential damage which may hit them. Insurers are aware when granting the right insurance.

Insurers of marine ships covered the injuries of a terrorism risk up to 400,000,000 U.S. Dollar. However, they reduced such limit to 50 million U.S. Dollar for the ships which entered the Greek part during the Olympic Games. When Germany and organizers of the world championship in football in 2006 encountered that insurers are not ready to cover the risk of elimination the championship due to terrorist attacks, they earned a cover of capital market.

This risk is covered by giving coupons in amount of U.S. \$ 260 million.

In practice, insurers limit their obligation to compensate damage through the clauses which, in case an expected injury occurs, their obligation for compensation should not exceed certain monetary amount.

Commenting of this clause concerning the case of terrorist attack against WTC brought findings to court. The insured and his insurers had different agreements insuring the WTC, but disagreed on commenting about a harmful event.

While the insurant stated that two events have occurred, and taking into consideration that the WTC was attacked by two airplanes at different locations and at different times, the insurers claimed the opposite. If the insurant had the right, he would get an insurance jackpot of 7 billion U.S. Dollar, instead of 3.5 billion U.S. Dollar.

Lawyer of the insurant asked a question if the case of attack against Pearl Harbor by Japan side presents 600 events through 600 aircrafts during World War II?

Not any court decision can find out the possibility on commenting the attack against WTC as a harmful act only. In the case of attacks in more countries by organized criminal groups in the U.S.A, during the Hurricane, which has been followed by an earthquake, the court made the decision that is just a detrimental case.

Practice in insurance

There is no single approach of insurance in this area including the markets for different states insurances, as the terrorism risk is covered by various types of insurance. Further reference will be concerned about attitude of the English insurance market, which has great experience on insurance cover about war and political risks.

Transport insurance

The terrorism risk is covered only by the insurant request, and during the military - political risks.

The marine ships insurance

General Conditions of insurance in the London insurance market are known with the notion "institutional clauses". Such clauses expect from an insurer to cover the loss or damage caused by terrorists or by political motives.

There is no explanation about the term terrorists. Under the provisions of clauses which are used during contracting the marine reinsurance agreements, all harmful consequences caused by terrorism are included in it.

Such clause explain that the notion "terrorism" includes any act of an individual or organization that causes harmful consequences or threat from harmful effects, conducted by whatever means or fear to the public in circumstances from which can be achieved logical assumptions that the motif of individuals or organizations in general or in particular, according to its kind, it has been political, religious, ideological one, etc..

Such solution was verified later.

A question is asked about kidnapping of the tanker "Dewi Madrim" in 2003 in the vicinity of Sumatra that presents also kidnapping of the vessel crew and the rent was not required.

It was realized later that the crew was kidnapped with the aim of acquiring expertise to help the terrorists mount a maritime attack. It is an opinion that such attack against the vessel is equivalent of the al-Qaeda hijackers.

It was mentioned that the terrorism risk was covered by the war risk, while the pirates risk by the maritime risk.

The answer of the submitted question depends on which insurer is obliged to compensate the damage, it certainly to provide that through insurance to cover both maritime and military risks.

Aircraft insurance

Airplanes damage or loss as a result of terrorism presents a conducted military risk with the condition to achieve the desired political goal through the attack.

The insurance of passengers' airplane is regularly covered by the war risks.

In the aircraft insurance policy, in a special summary of clauses were suspended following risks: war, invasion, hostile actions, and animosity (whether war declared or not), civil war, rebellion, revolution, etc.

Hostile detonation of any weapon that uses nuclear or atomic energy, the people actions who with political or terrorist purposes cause injuries accidentally or deliberately, even if it comes from a state or not.

Through the same abstract of clauses is excluded the kidnapping risk and illegal undertaking of airplane. Under special provision are covered some of these excluded risks, the risk of which is from kidnapping and risk of illegal aircraft undertaking.

Other excluded risks also mentioned and counted in the abstract clauses can be covered by additional payment of insurance jackpot. From this coverage was excluded operator's liability to passengers and to the goods' owner. The insurers maintain the right to suspend such coverage with a suspension deadline of 7 days.

In the case of loss of the airplane "Adria" from Ljubljana, many years ago was necessary to verify the reason for the explosion inside the aircraft luggage, after which the plane crashed down.

If the explosion was caused by an explosive mechanism in order to crash down the airplane, then such damage is compensated by the insurer / reinsuring consistent to the military risks market. If the explosion is caused by something else, such as from chemical fuel transported as cargo. The damage is compensated by the regular risks market. Investigation of such case proved about a terrorist attack.

The insurance of goods during transport

Institutional clauses on insuring goods from the military risks in maritime shipping cover loss or damage caused by the ordinary risks of war, and locked the damage caused by terrorists or persons who have acted for political reasons.

The institutional provisions to insuring goods from malicious damage include coverage for damage caused by "terrorists or people who have acted for political reasons."

Institutional provisions on goods insurance from the military risks concerning the air traffic do not contain provisions of terrorism risk coverage.

Liability insurance

Liability insurance of maritime ships carried out through English special liability insurers (Protecting and Indemnity Clubs), does not cover war risks and such similar events.

Team rules relating to exclusion lead to injuries caused by slavery, hostage, detention, mines, bombs, missiles and other military actions. Once risks are avoided, the terrorism risk can be covered.

Through the aircraft insurance, owner or user of the airplane is protected in the event of his own liability about passengers' injury or death during the terrorist attack. Considering this issue, in the aircraft insurance kasko policy is added an extra payment through which is covered the shippers liability.

Regarding the terrorist attack against the WTC, it is an opinion that aero - transporters could not avoid their responsibility for the passengers' loss, because they have not prevented the terrorists boarded on the plane.

Property insurance

Military risks and a great number of political ones cannot be covered by the property insurance. The Insurance of land military risks was never implemented taking into consideration the possibility for the emergence of large injuries what insurers will not be able to cover for.

Even goods transported through land routes cannot be insured from military risks - Regarding this, the English insurers agreed. Agreements on property insurance and reinsurance are often met in implementing the English provisions, which excluded from coverage risks of war and civil war, hostility, revolution, rebellion, military and invading forces.

On the implementation of typical provisions in Europe, is often increased the exclusion of terrorism risk. In the U.S.A. threat of terrorism is covered by property insurance.

In the English insurance market was introduced a new review of provisions (BPL GLOBAL), in 2003. As such along with the terrorism risk relates also other violence risks: riots, theft, rebellion, mutiny and coup.

The expected and excluded from the coverage: a war between the five member states of the Security Council, the war including use of the nuclear weapons, biological and chemical attacks, and expropriation conducted by the domicile state. This code of provisions is welcomed regarding the facts that reduce the potential for different interpretation of the political risks.

Export credit insurance

The export credit insurance has an important role on protecting the exporters of goods and services. Entrepreneur of exporting supplies endanger at a great extent the political risks in the state of borrower.

Therefore, the entrepreneur leads his work abroad by the insurer protection that covers political risks. Protection through the insurance method is dedicated to release from fulfillment of obligations with money to the foreign borrower, which can be displayed by getting the political risks.

Investors who intend to work with underdeveloped countries; they require a protection through insurance in three areas: expropriation, unconverted local currency and political risk coverage.

Entrepreneurs who work in these countries are insured on [the case of expected political risks by the insurance agreement, for example, civil riots in which their properties are destroyed. Regarding this, entrepreneurs show an increased interest to be provided with the insurance including the terrorisms risks as well.

It is good to keep in mind the need for a clear insurance limit. As an example to emphasize difficulties concerning the verification of whether the consumers boycott of goods is a political risk, for instance, the case of the boycott of Danish goods in several Arab countries.

Reinsurance

Reinsurance agreements often exclude from coverage losses direct and indirect, damage or costs shown by the danger of terrorism. With special clause clarified that terrorism presents a procedure (act), which implies the use of force, violence or intimidation by any individual or group of individuals.

This also applies when an individual appointed acting individually or working in favor of any organization or government appointed, regardless of whether they act for political reasons, religious or other similar reasons.

Clause provides that the importance of prove to be by re-insurer in case when re-insurers testify that a damage is not covered by the agreement.

Conclusion

As the terrorism risk can be covered in various insurance markets of the world, it should not be expected an immediate balance to other risks in terms of general insurance conditions. Such a situation reduces the capacity of markets for reinsurances on the risk coverage.

The reinsurance capacities certainly are great and their use from the terrorism risk can be covered in the commercial markets of reinsurance, without the necessity for state to be constantly presented as re-insurer.

General existing conditions of insurance are heterogeneous, and are often allowed even commenting on the basis that insurers accepted as coverage, and which they excluded from coverage.

Military risks along with the terrorism risks should be defined in terms of general insurance, and in order to prevent remaining of any gaps in the coverage, due to which would be harmed the insurer only. The same problem was also paid to malicious and terrorism injuries. The poor coverage lies on that the insurers confirm their obligation to certify the insurant as advance will proof if the conductor's motif is consistent with the coverage.

The insurers testified that they are not ready to cover "the rancor risk ".

The terrorist attack against WTC happened some times ago and has long term consequences. Due to this reason, the decision for the insurance cover on terrorism risk has not yet shaped finally at the insurance market.

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Ilaz Thaçi

UNDERSTOOD ANCIENT WORLD TO NOW THE PRESENT DECODING AND INTERPRETATION

CONTENT-

-ARBOLET IN CONNECTION WITH OTHERS SIGNS

-INTERACTION BETWEEN ASSOCIATIONS
-TERRITORY AND LEAF COMBINATION WITH OTHER SIGNS
-TYPOLOGY TABLE

My tentative to interpretative and deciphering is based on methodological work. Rock Art is discovered by us in 2003, in Zatriqi Village 65 km south-west from the capital Prishtina.

I wish to thank for supporting and collaboration Institute CCSP, prof. Emmanuel Anati and Ariela Fradkin. Rock Art site in mountains Zatriqi are engraved by the flint in Open air surface in horizontal natural position. Just in the Zone A are engraved 276 signs and symbols.

Most of them are in group associations and just a small of them are engraved out of groups and standing single divided. Views from the rock art site have a nice landscape in a very big part of this region. Nearly 20 m from the rock art sites is the Cave, explored during 1980 for the Chrome mineral resources.

(Photo. Cave several meters near rock art site) In same place, stone have natural perforated were the local people still in present, one day in a year, make procession, going from down to up, specific ceremony day, most of them modern youngest, in a 8 August going their and played old habitat (rite de passage) .

I trying to interpretation and decode some of Groups of graphemes according to the typology and association we have a type of graphemes, known for they structural construction, and forms are repetitive; (lines, bi-lines, stars, territory, cross, dots, vulva, arbolet, plants).

They are reflex of the people with complex economy from the Neolithic period. According to the characteristics of rock art, rock art from Zatriqi is a schematic. Many of combinations of graphemes marked associations are ideograms, they signify hops, fertility, sex, territory, prayer, things, etc.

I try to inscribe compositions, structures, contacts, superimpositions and meaning. During the work have in consideration many studding on rock art. In this work character A impress association, with ordinal number, also to more clearly understand explication should we help typology table.

- Arbolet in connection with others signs

A1-You can see in this association there levels of structural symbols which are in pairs: in the first level come arboles and line, in the second one the square with the rectangle followed with the symbol X for territory while in the third level we have two pairs of V (vulva, V, and line) Based on the structure, the composition can be explained according to the levels and in upside down order.

Above the arboles, the male symbol is a thick line which might be an indication of a distinguished symbol regarding the status and the position of man, for his important role in the community; the line above the arboles might be associated with a certain rule/law of action

which might take place or even it can be an omen for an action which needs to be carried on or to be followed.

In the second level, we have the square-the symbol of the territory which according to its internal construction is similar to the archaic game; however, this is not a game since the existing small dimensions could not be possibly used for the game and the predicates are not designed for such a thing.

Near the square can be found the X symbol which might indicate the fertility; the symbols together can establish the concept of hope/pray, praying for more. Meanwhile, in the third level we have a clearer view on the action which might serve as an illustration for the action.

Thus, in the third level can be found the superimposition, a line which comes out of the square with a lateral and penetrate and the sexual symbol of female (V), while close to it is also located the other V which is untouchable, however it has a connection to it.

In this level is also present the pair of symbol V and the line which penetrates thoroughly the other vulva. What can be learnt from this association? Maybe, the whole thing is a good illustration of symbols (signs) which appear in an association, and where each of the pair symbols has a role which constitutes to the concept of interaction.

Those symbols which appear in pairs from the ancient history are classified even by the Leroi Gourhan. Nevertheless, here we deal with a sort of message, a cult predisposition which tells from which side the action can have sufficient growth from the ground, and a strong, healthy and fertile family.

Hence as we can see, there are three sub-groups in an association, which are in pair symbols and thus create a whole. As can be noticed from the graphic, arboles with the line is in the upper part and in the middle we have the symbol of territory with X, the place when it lives and exercises everyday activities; in the lower level, we have two V and V (female sexual symbol) with a line, as an indication of contact action through sex. Arbolets and the line stand in the upper part and do not have physical contact with the middle level and neither with the lower one; the middle and the lower levels get in touch with one another by a direct tie.

The upper graphemes, arbolet and the line might indicate the respect and the power of action. Symbols are described with the role of the leaders, or it might be a sign of the leader (male), the regulation of respect toward the person who gives orders and makes sure that those orders are obeyed by others.

Association 3, arbolets, the star, lateral line, vulva, territory, X (cross), and Y (leaf). Maybe before we begin explaining association 3, it would be a good idea to stop and talk a little bit about the Paleolithic time. I would prefer to stop a bit in decoding of graphemes by High Paleolithic from the culture of Mas'd'Azil, by James Harrold in "Branch and Chevrons".

The focus will be on how these graphemes mark the process of cosmogonist transformation and the appearance of new life, blossoming, and “continuity,” for all the living things. This decoding would help and assist us in supporting the concept of transformation while taking in consideration the physical building of the star (female symbol) and arbolet (male symbol).

In order to decompose such a concept of transformation through graphemes of sexes, we refer to the physical building/construction of these symbols. Arbolet is shown in a full blossoming, probably in its most fertile phase. From the outside view, we have an impression that the sign is in a good conductive physical condition: in its culminant living force.

The arbolet penetrates thoroughly the V, from which you might get the impression that the arbolet is coming out and getting bigger while the V vulva might be a signal which shows its power; V has contact with the symbol of star which also shines pretty good and is an indication that the V sign takes that energy from the heavenly shining, natural beauty, and godlike light.

I think that the dot symbol of energy in the center of the star is a good argument for what I am saying. So in this way, all these three signs through the chain contact accomplish and realize their existence as well as their transformation.

The lower star with a lateral line has a contact with another lateral line which might signify the power of life, and the power of life which is energy. In the upper part of the star are located the symbols such as X and Y, cross and leaf respectively, which are quite smaller than the other symbols.

This might mean something, a destination for something. Also, in the upper part is also the symbol of territory (net)- an indication for a meaning. While the X and Y symbols are linked with each other, the other symbols have chain linkage between themselves; Arbolet is in superimposition in Vulva. In addition to that, Vulva is in physical contact with the star and the star with the lateral lines; in this way, we have a chain contact excluding the symbol of territory which seems to stand in position. It look as if that we are dealing with a hopeful situation, union, optimism, and transformation. They are united, paired, healthy, long-lived, and in full harmony with the ground (earth).

-Interaction between associations

Association 2 and 13 are much more complex because both of them are connected with each other. This may be a very good example on showing the process of separation, and transformation.

In this composition, two association bind together with the analogy of the sub-group structure. Let's first explain the A3. The symbol of territory above is the star (female symbol) and close to it is a line which penetrates its ray.

In the upper part of the same association is the cross with two paired lines, and it has a contact with one of the lines. The symbol of territory is divided into several fields, three of which are

marked with X and two with a dot; three other fields are pervaded with a lateral line which then makes contact with another line which comes out from the territory symbol and penetrates association 13.

Now, we move on and explain Association 13, which happens to be quite complex. Two of the territory symbols (signs) V contact with the dot that comes from the A2 while creating a big corner. In the upper part of that corner, we have V vulva which is infiltrated by a line, net with a marked X and two parallel lines above it. In this case, we have to do with clustering of sub-groups by opposite corners.

Maybe, this separation is a rule that must be executed. In the beginning, the line that creates the big corner moves in the direction of opposite corner up to the X symbol which is located in the other corner while the point of start might indicate the direction of action which should be carried on.

Inside the big corner is the sign of territory (net). Outside the small corner is the lateral line. As we mentioned, both of the associations correspond to each other while being connected with a line which unites the rectangle- the symbol of territory with the other part of the symbols.

If we carefully analyze in whole both of the associations, we find out that both of them are complicated; however, we can find the connections of such separation order. If we can make an analogy between two associations of transformation or separation, with their symbols, we would observe the appearance of groups (the sign of territory) outside in the 2nd association, and symbols and groups that appear inside and outside the corner of A13. Fig.3 (A 2 - A 13)

It is very tricky to understand, however based on in the analogy, people of that time used the analogy as a way to pre-calculate things; hence, we can say that the sub group with component symbols from the cross to the bi-lines that come from A2 correspond with A13 (territory, bi-lines,).

A2 Star with a line that penetrates them corresponds with V (vulva shape) which is also infiltrated by a line. The sign of territory might have indications on separating parts of each signs. Those can also appear as divided parts with signs (net) in A13. The symbol of territory from A13 might be the baseline of spreadness (separation, breeding, adjustment, and order).

This can hint which tells and transmits the rule of separation, breeding, and the new life in separation/compartments. If we turn back at the vulva then we can notice that this is a pray for new life; the territory with bi-line stands for breeding (pairing or numbering) the fertility of the ground whereas the territory and the leaf with the cross mean long-life, fertility, and prosperity.

In this instance, we need to mention that the line that comes from A2 is penetrated with another line which seems to have connection with all the sub-groups; this tells the ordering.

The upper line in the beginning is marked with a

dot which might also indicate that this action is obligatory or must be done (separation must be done). The star (female symbol), which stands close to the symbol of territory (net) A2 maybe has a role and a crucial position in the process of separation.

-Territory and Leaf combination with other signs

In A11, we have an interesting composition with the sign of territory, dots, X and the separation lines out of the frame. The composition is quite regulatory with two dots, and a bi-line that hold Y (8c) in the middle.

Let's turn back in the inner structure of the symbol of rectangle (territory) which is split up in two parts: in the upper and the lower part. In the lower part is a dot and in the upper one are two dots- the sign of energy. The branch sign begins in the lower corner of the rectangle goes up while its branches cover the whole upper area of the rectangle.

This is a very interesting figure and pretty similar to the sign which symbolizes the Lord of the Space in Indus graffiti (space and time, Indus sign). The inside construction and structure of the rectangle is composed by two levels, the upper and the lower one as it can be noticed.

In the upper level, the body of the branch sign begins to move from the end while touching the line of rectangle very close to the corner and continues to move up while penetrating the separation line of the levels.

When it moves up to the upper level, it spreads out in the whole area of the rectangle. The sign of territory is positioned in the center of its structure while around it are engraved three Xs of different sizes; the small one has physical contact with the rectangle, respectively the framing lines have double role: framing of the inside area and the coordination of the outside part.

The X pervades the upper frame of the rectangle which also has its line of contact. In the other hand is the medium size X close to the rectangle, the determining line of the rectangle which goes up and with a bend is straight forwarded to the big size X, which eventually contacts with a line.

With just one more bending, the X is forwarded in the beginning direction. From this composition, you can get a feeling of describing the concept of understanding the cycle of life birth and re-birth as well as the creator.

Close to the big X stand a structure with a good order, just like a ideogram which might have a certain meaning, might be a name or a respected title, and which can be read from whatever side you wish – from the right or the left, it does not really matter. However, the maze exists on the issue: what is hidden inside of it?

We know the hidden Mr. Amen and later on we recognize him with the new name Amen-Ra from the ancient Egypt. He is the personification of the hidden power, the creator and the holder of the universe who in the material form symbolizes the sun.

It seems like the sign inside the frame has a holy function, thus generating energy and control for every process around it; moreover, it has a full control of the inside area. Association 6 – In this composition, we have a content of signs/symbols which are spread out in constant distance between each other.

Even in this composition, the sign of territory covers the main position which can be noticed not only from its huge dimensions but also from the structuring of the composition. In the corner of the territory are engraved two bi-line (aslope ones) that are pervaded with a line in the middle (a horizontal one) and it is touched by the inside diagonal of the square.

In the upper part of the square is the X which is penetrated by an aslope line, and a vertical line whereas in the upper part are two bi-lines (sloping ones just like the lines that touch the diagonal, the symbol of territory).

It is worth saying that in every association with a line that will follow shortly, it is also present a sign of identification which in some cases was identified and treated by us as an indication of action; it might be that the function of this identification symbol in here is similar. The physical contact of the sign of territory (diagonal) with the two bi-lines in the corner outside of the frame might point out the contact, breeding, fertility, and the abundance.

Near the sign can be noticed the bi-lines, the cross which is also penetrated by a line in the middle which has a special meaning. In the upper part, we have got two lines (bi-lines) that might be a sign of the whole action, and message. As we mentioned in the beginning (one line, an action), the line is oriented from the territory in the direction of two lines; then, they double for the pray, fertility, and abundance.

Association 7 – We have V (vulva shape) and four lines. One line is in symmetrical direction with the position of V whereas the other three lines are disoriented in divergent directions. They spread out in different directions.

One of the lines touches with the line which is in symmetric position with the Vulva. If we refer to the decoding by Jakob Harrod, divergent lines form Paleolithic, UP- Paleolithic, then this might represent the inheritance and spreading of origin. Moreover, this concept might have to do with the same mentality; however, research should be conducted to prove this point.

In top of all, we need to say that this does not change much in comparison to the decoding by Mr. Harrod, the origin of life (vulva), spreading and diffusion, and energy (divergent lines). Association 27- It is a composition of two vulvas, vulva (root), three dots in line, two bi-lines, and another line in the shape of T. This might indicate the origin.

In the ideogram, the V sign, the sign of origin surrounded by lines, vulva, and dots takes the main position. Here, we have a transmission of signs which give fruits around the main/central sign. However, none of them touches each other and no contact between them takes place.

Maybe this structure might be a mark of the essential role that the sign of origin might have, not only because the sign is in the center of this structure but also because it is a source of energy

and re-generation. It can be easily noticed that one V is bigger in size than the other ones in this association.

Association 38 – The sign of origin (7c) (developed root) is in much bigger size compare with the three vulvas and Y. In the ideogram, the root has a contact with other four parallel lines. The middle line is penetrated by another line which is in the shape of T (1d). Meanwhile, Y (8a) is inside the vulva area (7a) and makes a contact with the inside wall of it. It seems like something is being delivered.

Probably, this ideogram is an indication which tells about the good hope, the vision, and health. (7c) is much underlined and scored compared with the other signs. It is in large size which might represent the concept of pride, and appraisal for the ancestors. The Y which is inside the vulva has miniature dimension if we compare it with the other signs present in this composition. These might represent signs regarding the future, the new birth.

The contact between the sign of origin (7c) and the other four lines (1b) might indicate the origin of generations. The lines symbolize generations, and the upper vulva the source of life and energy and the transmission of them to the generations, holding and continuing the life as well as preserving the origin.

This might be a rule for the scholars who explore on ancient events and issues; it is a lesson for the future generations who are ready for the new identity. They even can be attached to the new rituals (rite de passage) which have been developed in this country.

Association 34- (7b 7bvulva pubic, 7a 7a vulva shape) is a composition made up of four vulvas in two engraved variations which stand very close to each other. Two vulvas that stand in the middle (7b) are on a similar variation, in an opposite position with each other. Outside of them, a dot and two other vulvas are engraved (7a). These hold vulvas in the middle.

The peripheral vulva is penetrated from a line. Maybe this is a process of accumulation. The two centered vulvas maybe are lined with the upper dot in the ideogram and thus are special and positioned in retrospective way. So we have here a kind of reflection similar to it and its shade. This process looks similar to the effect of the mirror.

One of the vulvas is bigger in size than the other vulvas. Maybe the bigger one is for real, and the others are just imagined. The enigma on which one is the real one and which are the imagined ones still remains undiscovered. Association 26 – (6, 8a, 3b, 3c, 1a, 1d). It is a composition where in the center of can be seen an arbolet sign (6), much smaller in comparison to the other signs.

The arbolets touch the female sign (7a), and gives an impression that is growing and developing. The whole area is fulfilled with dots, and in the upper part we have a curved line (1e) as a framing of this area and a T (1d). In the lower part, a curved line penetrates the big vulva and connects that with another big V (A25).

This vulva has bigger dimension than the other vulvas and in one side, its area is filled with eight dots whereas the other part of the area is empty. Those two associations are associated with each others through a wave line (1e). This might be a connection so that they can complement each other, the process of enfolding life, hopes, and prays for something that might bring life as well as to complement a wish, a will, or a purpose.

The above arbolets contact with the Y sign (7b) through a dot which ties them together. Moreover, it is penetrated by a long line which goes through the dot of connection. The signs of energy are spread through the whole area. There is always something to be wished or hoped such as the empty area in A25, and a line which comes from the A26 and goes in the direction of empty area in A25.

A10 – The composition with the cross sign (4c) – the center is more scored and the size of the signs is bigger than the other signs that surround it from all the directions. It is a similar sign or symbol with the character of Chinese sign Yang.

From the bottom part, it is pervaded from a line whereas in the upper level, at the top, is the cross (4b) with smaller dimensions compared with the other two cross signs (4a). The net sign (2a) makes a contact with itself while the leaf signs can be found in the lower level, in the left side.

Not to forget to mention the engraved V which stands at the top(7a). This structure is much distinguished from the other associations with the sign positioning in the center. This might also reflect the establishment of any character, the appearance of any God, leader or faith/religion.

The V sign at the top of the composition might be helpful in trying to solve the identification. Associations 42, 43, 44, 45, 46, 47, 48, are among the most complex structures which are composed of several signs and concentrated in an area. A 42 is composed from the sign of star, line, and dot which are linked with the upper complex level through the cross and line signs.

We are going to stop and talk a bit about A43 whereas we will explain the other ones other times. The A43 is quite complex composition in which we have the net, arbolets, vulva, lines, the cross sign as well as other signs which are very small compare to the overall composition.

The sign of territory has a superimposition with arbolets. In fact, it is a line which extends from the sign of territory and is pervaded by the arbolet. I would say that this is the realization of contact in the structures of this composition, throughout the whole area. As can be seen, the arbolet is scored and emphasized and is in a good condition, together with the net.

In the corner of territory sign, can be seen much smaller signs which as mentioned early probably have a specific position and meaning in this structure. It might happen that those small signs to have the role of defensive signs. In the inside area of the territory is a vertical line which comes out of the frame and immediately is penetrated by another line.

In the upper part we have the V vulva shape, a line, and the cross sign which occupy a small area. On the other hand, we have two vulvas of different sizes where one is bigger and the other one is much smaller.

The big vulva is penetrated by a lateral line and it seems like is tied with the bottom small signs which eventually might represent protective signs of communities, signs of luck, etc. We have parallel lines in the bottom part of the arbolet (1c) and another line which is shorter. What can we read and what message can this complex composition have? I would return for a moment to the association 3. I will provide an aspect of similarity in the aspect of how graphs are presented, meaning the graphs that are in different composition but indeed are similar in the foundation/construction and their appearance.

The leaf and cross sign which are shown in small size compare with the other signs in A3, and the sign of star and vulva which are penetrated by a line which appears in the corner of net sign in A43, are very small in size in order to give us an explanation and provide us with a connection between the concept and the similarities of those two compositions.

Another aspect that can be noticed is the arbolets that appear in a good condition and in a very progressive stage of development.

In the case of A3, we have tried to come up with a conclusion based on the appearance of the signs and structural positioning of them. The conclusion that we reached says that this is optimism on bandage while the pairing might mean that the optimism can occur with the assistance of supernal energy.

In A43 as well, we might have to deal with a praying on fertility and earth; however, based on the structural building we get an impression of an act ceremony. The transformation of arbolet comes from its contact with the sign of earth. Vulva and the lateral lines do not have a contact with the arbolets.

They appear in the upper part of the composition and no contact is encountered. Meanwhile, the net is penetrated by arbolets and the small sign of star and vulva that stand in the corner. As we mentioned previously, those signs might represent defensive signs for the earth, community, or are signs that bring luck.

The penetrated line which comes out of the inside area which is also associated with another line forms a corner or a rectangle. Then, the direction is oriented to the other upper graphemes which might suggest a description of ritual and the purpose of overall structural texture.

In the upper part can be seen the vulva which is vividly pervaded by lines and lateral lines. It is quite obvious that this description brings us to a conclusion that we are dealing here with the earth fertility; praying ceremony for abundance food.

There are many things left to be explained despite my goal that based on the structural texture of compositions to come up with an appraisal and try to interpret and decode some important and complex parts from Zatriqi's graphemes in Kosova.

Typology Table				
1a	1b	# 1c	T 1d	∪ 1e
## 2a	≡ 2b	⊠ 2c		
• 3a	••• 3b	• • 3c		
+ 4a	X 4b	≠ 4c		
* 5a	☀ 5b			
🌲 6				
∨ 7a	∨ 7b	∨ 7c		
Y 8a	Y 8b	Y 8c		
F 9a	↓ 9b	E 9c		

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IMPACTS OF CRISIS IN THE TOURIST DEVELOPMENT OF RURAL AREAS

Abstract

Rural areas have many potentialities that should be managed systematically so that it becomes a real occasion for a sustainable economic and social development.

Even if the “recession tourism” market fails to materialize, experts say, most destinations should be able to withstand the loss revenues- provided the region is developed in a truly sustainable manner.

If the recession leads tourism businesses to lay off workers, however, these and other industries are not likely to provide renewed employment opportunities, due to the drop in global demand for the commodities. Though the origin of the global crisis is the same , its impact varies across countries, as the nature of problems and measures taken for solution to the crisis also vary.

Financier crisis, which impact in the real economy of the developed and developing countries, is an event which discuss in Albania. The situation of global crisis will impact in the rural economy in general, and markets of tourist in particular.

Every region needs a careful analysis of the components for tourism development to determine whether there is any chance for its development in that region or its attractions help in implementing the tourists'activities.

About forecast of FMN, the recession will continue and in 2009,so will have problems for Albania ,because it is linked with markets of european and asian countries, which have problem by the crisis

Key words: impact, financier crisis, rural areas, incomes, remittances.

Impacts in tourism

On the basis of the most recent analysis published by the Tourism World Organization (“ Tourism Highlights, 2008 Edition”) , in the last 15 years international tourist flow, in terms of new arrivals in destination countries, have risen at an yearly average growth rate of about 5 %, demonstrating that tourism is one of the most profitable economic sectors and Europe represents 58 % of world tourism. But, tourism, as a significant form of human activity, can have major impacts.

These impacts are very visible in the destination region, where tourists interact with the local environment, economy, culture and society. Tourism impacts cannot easily be categorized as solely social, environmental or economic, but tend to have several inter-related dimensions.

Tourism impacts are likely to change over time as a destination area develops (Butler, 1980). According to Wall (1997), key factors contributing to the nature of the impacts are the type of tourism activities engaged in, the characteristics of the host community in the destination region and the nature of the interaction between the visitors and residents. Major factors influencing tourism impacts are:

- Where is tourism taking place? (e.g. a rural/urban location, a developed/developing country);
- What is the scale of tourism? (how many tourists are involved); ~ Who are the tourists (e.g. what is their origin? Are they domestic or international visitors?); ~ What infrastructure exists for tourism? (roads, sewage system, etc) etc.

Rural areas have many potentialities that should be managed systematically so that it becomes a real occasion for a sustainable economic and social development.

In other words, the success of the tied up activities to rural tourism is related to the context (economic characteristics, social, cultural, environmental, historical-architectural of the area), both to the organizational and productive ability of the territory as a whole and of the single firms that compose the local offer. It's necessary, therefore, to set up at a local level a series of processes of local reorganization creating the conditions to realize a full integration among the collective level (the whole territory) and the business level (single component of the territorial offer).

The tourism industry holds great potential for poor countries seeking to improve the lives of their citizens, but unless tourism is practiced responsibly and in harmony with environment, it can lead to unchecked development, habitat destruction, waste and pollution. Tourism having a vulnerable character, crisis of any nature and at any level - national, regional or international - produces negative impact on tourism market. The global crisis will impact on our economy,

namely trade and financial/capital/ flows. So this is likely to translate into a reduction in the demand for goods and services.

Even if the “recession tourism” market fails to materialize, experts say, most destinations should be able to withstand the loss revenues- provided the region is developed in a truly sustainable manner.

If the recession leads tourism businesses to lay off workers, however, these and other industries are not likely to provide renewed employment opportunities, due to the drop in global demand for the commodities. Though the origin of the global crisis is the same , its impact varies across countries, as the nature of problems and measures taken for solution to the crisis also vary.

But how impact the crisis in our region?.

At the beginning of 2008 Albanian authorities decided to rely on tourism as a main strategic lever for the development of the country, asking for financial support from the World Tourism Organization.

The Albanian policy on tourism is intended to make the most of its wonderful climate, environment and related rural traditions, particularly in mountain tourism and cultural tourism.

Investigation proves that main factor which induces most farmers to undertake enterprising activities are economic need. Today there is a tendency to rural areas holidays, even more active holidays, being interlaced with cultural, leisure and sport activities. But there are negative impacts which should be minimized through a careful planning of rural tourism.

Albanian economy grows at satisfactory rates during the last decade, recording an average GDP growth of 5-6%. But like many other developing countries, our economic growth has been associated with high trade deficit levels, which have been financed from steady capital inflows in the form of remittances or foreign direct investments. However, the economy’s performance in the last quarter 2008 and the first months 2009 is indicating an impact of global financial crisis on the country’s economy.

Influence of *financial crisis* is too real, but having different effects is different countries. What about Albania and its economy? Are they affected from this extensive financial crisis?

Answering negatively to the question would be such an economic myopia. Although Albania is a small country, yet not integrated in the global economy, does not mean we are standing absolutely out of this crisis. Our country is related with many European and Asian markets which are shocked of the financial and economic crisis.

These countries are Albania's suppliers in food, clothes, domestic, technological and information equipments, etc. Therefore, the influence of financial crisis coming from supply countries affect directly prices in our own markets. Anytime fuel prices crisis happens in other countries, its influence on fuel prices in Albania has been higher. Meanwhile, rural areas provide few incomes and price rising affects very much the economy of rural areas.

There is a problem affecting negatively the Albanian economy, especially that of rural areas. It is the problem of emigrants working in Western Europe as in Italy, Greece, Germany and United Kingdom.

They are the first who experience the shock of financial crisis. Troubles caused in labor market will result in a deep social crisis, with crashes among local people and foreigners.

This happens because emigrants are the most disposed working force at negative proceedings and their economic difficulties will be reflected in the collapse of remittances to their families. According to studies, it is comprehensible that this year will result in such a decline of incomes in our country, as many know that a good part of them is provided through emigrants' incomes.

This situation will affect mostly the rural areas of our Region, for the vicinity Korca has with Greek border and a considerable part of population works abroad . Most of people in rural areas in Korca are emigrants , so this fact will impact to reduce incomes of rural families, because about 40% of revenues come by remittances of emigrants.

In few words, this crisis is illustrated with reduced flows of remittances and imports, reduced liquidity and tightening of credit market, as well as uncertainty of economic agents.

Experts of Bank of Albania identified that there are 189736 Albanian families, or 26% of them who profit from emigrants' incomes. In these difficult situations, it can be seen that 33.9 % of remittances are used for investments and reducing them in such conditions results reduce of investments in rural areas. Of course, effects of this crisis will be critical to our country, as our incomes are low and it will be difficult to undertake steps for facing it.

A considerable number of the Albanian population will fall under the poverty level because of the crisis. This will be more obvious in the rural population as they host tourists in their areas. Dependency of Albania on economic relations with its neighboring countries such as Italy and Greece is considered one of the main problems in our country today. Albania is one of the countries which established close relations with the European Union and other countries of the Region, but our trading partners are affected from the crisis.

According the provisions of International Monetary Fund, the remittances are expected to drop down from 11.5% to 9.5%, which could be approximately 200 million Euros less from the Albanian consumers.

Thus, 2009 will be such a difficult period for them, businesses and their investments, loan systems and other economic factors. Representatives from World Bank suggest fostering the right fiscal policies and greater budget support to vulnerable population.

In these conditions, the difficulties in developing rural areas are evident as there are identified:

- Drop down of remittances from emigrants, which would make difficult the investments made in these areas from private investors or members of community.
- Difficulties in selling agricultural and stock-breeding products, as result of "contracted" markets, reduction of exports and purchase power.
- Reduction of bank loans for constructions in villages, especially for reconstructing residences for hosting tourists.

In rural areas, the primary economic base is usually dependent upon natural resources. Rural tourism takes many forms, so it is difficult to give an extract definition . According to studies ,rural development defines as a process which leads to a rise in the capacity of rural people to control their environment, resulting from more extensive use of the benefits which ensure such control.

Rural development is affected by many factors, including economic development, environment, social values and knowledge. So, sustainable development look as the way to raise living standards, to allow people to reach their human potential, to enjoy lives of dignity and to ensure the welfare of present and future generations. Every region needs a careful analysis of the components for tourism development to determine whether there is any chance for its development in that region or its attractions help in implementing the tourists' activities.

Now, let to see a panorama of the tourist arrivals for 2006-2008, the annual growth was continuous since 2006 :

Tab 1: TOURIST ARRIVALS

ALBANIA	2006	2007	2008
Tourist arrivals	926 056	1098 765	1330138

In 2008 the 71% of arrivals came to the region via ground, 15 % via air, and 14% via sea.

Tourism and induced sectors will generate every year 5.8 million jobs worldwide, 270.000 in European Union and 3000 in Albania.

Today there is a tendency to rural areas holidays, even more active holidays, being interlaced with cultural, leisure and sport activities. But there are negative impacts which should be minimized through a careful planning of rural tourism.

Tourism has brought benefits such as employment, transformation of agriculture, but the development of tourism in rural areas has been low and the rate of economic return to rural communities has been low too:

- Some of facilities such as hotels, belong mainly to investors from cities; who take most of the profits.
- Revenues in the forms of taxes and fees do not go to rural communities directly, but return to the central government.
- Employment opportunities for local people are limited.

Development of rural areas in Korca's region and the impact of crisis on them

The region of Korca lies in Albania's southeastern part and has a surface area of 3697 km². It Approximately 58% of the surface area of the District is made up of mountainous area, 17% hilly area and only 25% field area.

Tourism in Korca is considered as a complementary branch of economy but it can generate considerable incomes if it would be carefully planned and have a coordination of all tourism actors. Villages mostly well known for the development of rural tourism forms are Dardha, Voskopoja and Vithkuq.

But it is worthy mention other villages such as Boboshtica, Mborja which may represent some other tourism forms. The areas characterized by special tourist attractiveness, with conditions to rest and nature can enjoy the best interest. The development of the tourism in rural areas in Korca's region is determined by occurrence of attractive country areas, variety of landscape connected with crumbled agrarian structure, traditional methods of agricultural production and what is more the supplies of cultural heritage of country.

Some villages such as Voskopoja , mainly for climate reasons – have practiced the familiar tourism. Moreover, the transition period has given rise to new opportunities in order to recur and develop further this tradition.

The inward and outward tourism will undoubtedly be one of the main elements for the economic-social development of the tourist destination. It opens new jobs especially for the unemployed women, generates the family incomes, and reduces the poverty. Also, the dynamics of tourism can integrate and develop other branches of the regional economy like the agriculture, agro-industry, handicraft, services, construction sector, etc.

Tab 2 : Tourist arrivals in hotels in Korca's city

	2006	2007	2008
1.CAPACITY OF HOTELS			
Rooms	169	175	217
Beds	289	307	372
2. TOURIST ARRIVALS IN HOTELS			
Albanian tourists	8242	9450	12701
Foreigner tourists	803	642	1050
3.OVERNIGHTS IN HOTELS			
Albanian tourists	8476	9933	13057
Foreigner tourists	642	1008	1422

This situation is *only tourists who accommodate in hotels of the city*, but there are many tourists who come as day 's visitor by albanian cities, Greece and Macedonia.

Tourist arrivals in rural areas in Korca has been in increase for the 2006-2008 period, such as in Voskopoja village, but now there is a decrease of tourist arrivals for january- march period as follow: *in 2007- 2008 albanian tourists: 4400 – 4600 tourists;*
*in 2007- 2008 foreign tourists: 450- 463.*In january- march , there are a decrease of number of domestic tourist about 10 % compared with the same period of the last year.

Besides the natural attraction and biological richness, the exploitation of cultural heritage is a special element in the development of tourism. This would strengthen the cultural identity of

people through knowledge and dissemination of historical, religious and cultural objects being part of this heritage.

This will develop as well other sectors related to preservation and renewing the historical inherited materials and dissemination of cultural and historical values by organizing tourist visits, festivals, etc. The analysis of tourist demand in the mountainous area is performed based on the analysis of tourist destination and its potentials.

This demand has to be studied under some parameters, dividing the tourist clientele in domestic tourists and foreign ones. This analysis has to be performed in order to point out the demands of the clientele and to adopt according the tourist offer. Nowadays there is a tendency of tourists to leave their country looking for a quiet place, beautiful scenery, rich flora and fauna.

But, when the cultural heritage is concerned with it, the destination becomes even more completed. The kind of tourism based on natural attractions plays an important role in tourism motivations. Thus, about 43% of tourists like beautiful places, the flora and fauna, 20% enjoy the cultural heritage, 21% the gastronomy

There are some problems in rural areas:

- Lack of management skills – Most of farmers who includes in tourist activities has the lack of management skills. Lack of skills is also a problem which resolve by the local government staff responsible for planning and management of tourism.
- Marketing- Most rural tourism facilities tend to be small and this makes it difficult to market them to potential visitors.
- Infrastructure- Most of rural facilities of outstanding natural beauty has a poor road or rail network. Road access may be made difficult by crowding.

- Limited Tourism Season- Even more than cities, rural areas receive most of their tourists during the height of the season. This limits the number of days in which accommodation and other facilities are used and reduced the return on investment.
- Poor Return on Investment- Returns on capital invested in rural tourism tends to be fairly low even lower than the returns from other kinds of commercial enterprises. In general, farmers are well advised not to invest too heavily in new buildings or expensive facilities.
- Lack of information about What Visitors Want - Best way for understanding of wishes of visitors is a good questionnaire. By it can understand what their customers liked and what they didn't like will help them develop a successful enterprise.

The good will, the cooperation between tourism actors will make possible the development of a well-planned, sustainable tourism without environmental problems. Determining the necessary tourist capacities and management of tourists flow will be a sustainable development of tourism – already a new trend. The careful planning of tourism in the rural area will generate advantages for increasing the well-being of the community.

Recommadations

In this framework let's give some recommendations:

1. Investments of rural areas:

- Continuation of investments in rural areas for the infrastructure and the facilities of tourism in order to improve the livelihood in these areas .For example will continues the investment for infrastructure of Voskopoja village about 39 million lek which will improve conditions of this tourist destination and the street of Dardha village about 10 million lek.
- Attract foreign investments from individuals or different associations for infrastructure investments; Make investments to raise the level of welcoming in private houses in order to activate them for tourist purposes.

- In order to reach better economic results ,Korca must to invest in its people in order to educate and train them to improve their knowledge and know how.
- Improvement of the quality of the tourist product, and services including the visitors' accommodation and gastronomy; making the most of the resources available.
- Transforming rural houses to a guest house by restructuring:
- Quick solution of infrastructure problems, water and energy supply;

2. In order to continue with the investments it should:

- *Promotion* of the tourist destination that consists on different types of tourism through conferences and meetings in order to attract different tourists.

3. Attempted solutions to rural poverty have been many, from infrastructure development training and education, livelihood diversification (an attempt to teach people new skills in the hope that it would provide more employment and income) and rural tourism.

4. Maintaining the traditional agricultural role of the countryside is essential. Preserving the traditional character of rural areas benefits the environment.

5. The government must help rural areas with conditions of credits for rural people and rules for increase public spending and investments in agriculture.

All the experiences and competences should be gathered in a system-like project in order to implement a new local development based on sustainable tourism.

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THE IMPACT OF RECESSION IN TOURISM SECTOR. MANAGEMENT OF TOURISM SECTOR IN ALBANIA IN ORDER TO MINIMIZE THE NEGATIVE EFFECTS OF RECESSION.

Abstract

The world economy is mired in the worst financial crisis during the first half of 2008. The most advanced countries are already in recession and they outlook for emerging and the other developing economies deteriorating rapidly including those with a recent history of strong economic performance.

Output in developed countries is expected to decline by 0,5 per cent in 2009. Growth in the economies in transitions is expected to slow to 4,8 per cent in 2009. The developed countries would enter into a deep recession in 2009 and on the other hand developing countries may have dangerously low in the terms of their ability to sustain poverty reduction efforts and maintain social and political stability.

To save off the risk of a deep and global recession, may be the implementation of massive internationally coordinated fiscal stimulus package that are coherent reinforcing and aligned with sustainable development goals.

Economic uncertainly, travel inflation, exchange rate, will slightly alter destination choices, but they are more likely to cause trip postponement decisions and domestic-for-outbound trade-outs. Albania economy is still far from recession but in 2009 we must build new strategies in tourism sector to be more attractive and to help other sectors hit by recession.

Key word: recession, strategies in tourism

Introduction

World Tourism Organization claimed that tourism will “*survive with the support of its own strength. It does not need a stimulus package for the industry,*” “*When the time comes, tourism will contribute to the revival of the economy as a whole. Tourism will dampen the impact of the crisis and not accentuate or accelerate its effects.*”

All developed economies are affected by recession. The world economy is slowing sharply. Developing economies face much slower growth, at best. Output in developed countries is expected to decline by 0, 5 per cent in 2009. Growth in the economies in transitions is expected to slow to 4, 8 per cent in 2009.

The developed countries would enter into a deep recession in 2009 and on the other hand developing countries may have dangerously low in the terms of their ability to sustain poverty reduction efforts and maintain social and political stability.

To save off the risk of a deep and global recession, may be the implementation of massive internationally coordinated fiscal stimulus package that are coherent reinforcing and aligned with sustainable development goals.

Economic uncertainty, travel inflation, exchange rate, will slightly alter destination choices, but they are more likely to cause trip postponement decisions and domestic-for-outbound trade-outs.

World tourism has been affected too. The health of tourism depends more on the health of the global economy than vice versa. The ‘knock on’ effects of global recession are likely to be magnified as they emerge in tourism economic performance.

World tourism confront recession

The tourism industry has no choice but to deal with these effects. This recession may last some time – possibly all of 2009 and even beyond. International tourist arrivals reached 924 million in 2008, up 2 per cent on 2007.

The WTO says the first half of the year showed good results, but the number of international arrivals decreasing slightly and international tourism will stagnate or decline slightly in 2009, according to the United Nations World Tourism Organization (WTO).

Things begin to improve and in 2009 should bring good news on three critical travel driver fronts: (1) economy will rebound (sub-prime, housing crisis begins to abate, exports remain robust), (2) oil prices begin to moderate, (3) dollar will begin to rise against most currencies (particularly outbound destination currencies).

The WTO expects international tourism to be in a range of 0 per cent to 2 per cent decline and says along with the Americas, Europe will be the most affected region in terms of overall tourism results as most of its source markets are already in, or entering into, recession. In Asia and the Pacific results are expected to be positive, although growth will continue to be much slower compared with the region’s performance in recent years; the same applies to Africa and the Middle East.

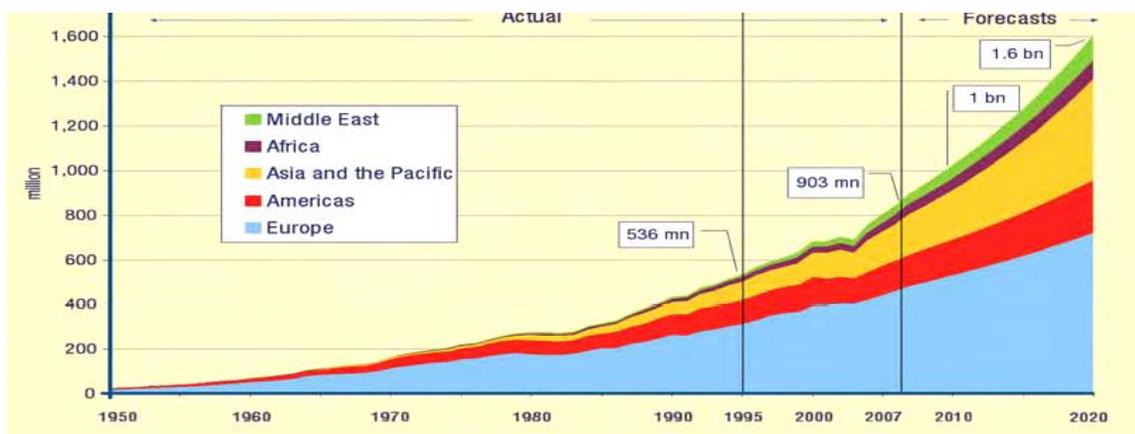
The organization cautions that there is still a high degree of uncertainty surrounding its 2009 forecast, and much will depend on the evolving economic conditions. If the world economy starts to show signs of an earlier recovery, international tourism might grow slightly in 2009, but if the economy deteriorates further, the current forecast could be revised downwards.

Forecasts of International Tourists Arrivals (millions) Worldwide and by Region 1995-2020

Regions	Tourist Arrivals (million)			
	1995	2000	2010	2020
Europe	335	390	527	717
East Asia/Pacific	80	116	231	438
Americas	111	134	195	284
Africa	20	27	46	75
Middle East	14	19	37	69
South Asia	4	6	11	19
World	564	692	1,047	1,602

Market share forecast for each region in 2009

Region	Full year estimates 2008	Forecast 2009
World	2-3%	0-2%
Europe	1-2%	0-2%
Asia and Pacific	2-3%	0-2%
Americas	4-5%	1-3%
Africa	3-5%....?	2-6%...?
Middle East	9-15%	3-8%...?



Source: United Nation World Tourism Organization (UNWTO)

- **The implications of recession in tourism:**

- Consumer spending generally is slowing (or falling) faster than overall economic output.

- Tourism spending, as part of discretionary consumer spending, can be expected to slow (or fall) even more than consumer spending on average.
- The reduction in peoples' wealth, slowing or falling incomes, rising unemployment, and shattered consumer confidence, can be expected to be a powerful negative influence on tourism spending.
- World tourism spending is likely to slow, and, given the weighting applicable to Western economy tourism spending, could well contract, even in nominal dollar terms.
- The falling price of oil is a partial offset, but this fall is a reflection of, and induced by, the slowing in aggregate demand. It will nowhere near counteract the drag of lower demand and output on tourism spending.
- Early signs of a tourism demand downturn may already be appearing in the latest available inbound visitor numbers statistics for September 2008. International travelers are reducing their booking times and the forward booking data is considerably lower compared with previous years.

The principal determinant of and influences on international tourism activity taking over the duration of the 1995 and 2020 period are identified as began:

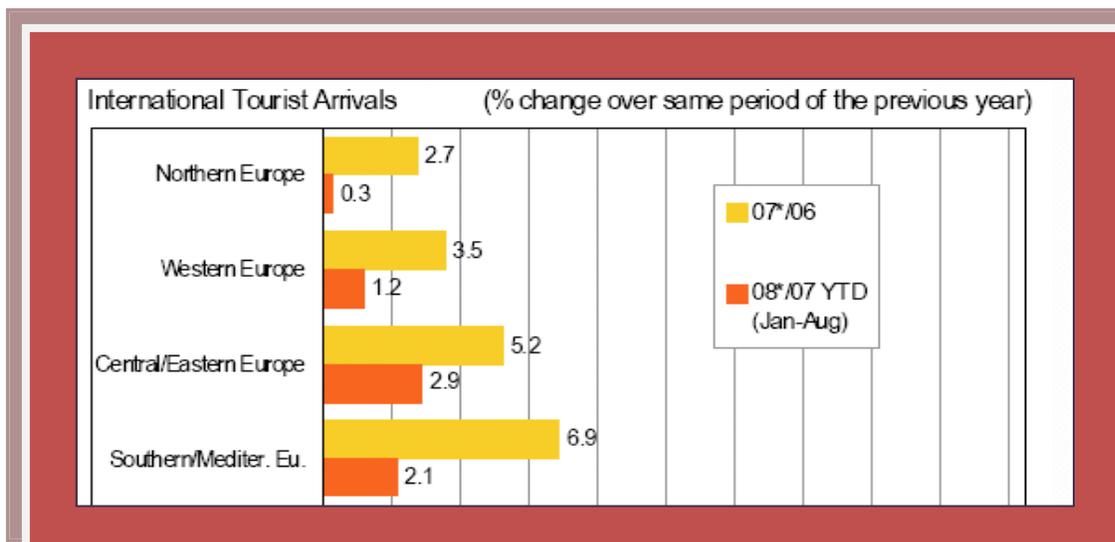
- *Forces impacting the future of tourism*

- Economic
- Political
- Socio-environmental awareness
- Technology
- Emergence of the knowledge based society
- Demographic shifts
- Shifting value systems

- Diversity within a homogeneous world
- Quest for stability and security
- Pressures for mass migration
- Change from a service to an experience economy
- Evolution of leisure time
- Competition for leisure time

Trends in Europe

- Tourism growth in Europe stagnated over the summer months.
- Europe currently stands at +2% for the first eight months of 2008 (well down from the 5% growth of the last two years).
- The slowdown has not spared any of its four sub-regions.
- Rising concerns about the deteriorating world economic climate, the scarcity of credit, the strong euro, higher fuel costs and declines in consumer spending power.
- There is also an expectation that business travel and the meetings industry will be the first to really suffer in major downturn.
- Viability of low-cost carriers will be challenged.
- Little prospect expected for the growth of European tourism over the next few months



-Albania and recession

Albania's economic growth in 2009 could stand at between naught and one percent- this is the forecast by the International Monetary Fund (IMF). Albania is still faring better than the other economies in the region, which should be bracing them for a recession. Now is the time to make changes and adapt policies.

The IMF has suggested imposing controls on spending by blocking wage rises and pensions and keeping taxes at present levels. Macroeconomic indicators attest to a relative stability.

The year 2009 shows a more complex setting, with numerous challenges ahead not only for the real economy but also for the monetary policy, the fiscal sector, the external sector of the economy and the financial system at home. The Bank of Albania assesses that there is an increasing risk that the economic growth may slow down in 2009.

The Albanian business should keep being active, far-sighted and dynamic. The Albanian economy has exhibited admirable immunity to these developments. In this context, the prudent and systematic work of the Bank of Albania, both in terms of maintaining the macroeconomic balance at home and safeguarding the banking system's financial stability has provided an overwhelming contribution.

In October 2007, the government of Albania launched the National Strategy for Development and Integration (NSDI) for the period 2007-2013. The NSDI aims to met achieve rapid, balanced and sustainable economic, social and human development, develop and consolidate a democratic state) establish the rule of law and fight corruption) integrate Albania in the European Union and NATO. It assigns high priority to policies giving a stronger role to young people in the economy.

The priorities of the Ministry of Labor, Social Affairs and Equal Opportunities for the period 2007-2013 are set out by the Strategies on Employment and Vocational Training, Social Inclusion, Gender Equality and Domestic Violence that were approved in 2007, as well as in the National Strategy on Migration that was approved in 2004.

The objectives of the Employment and Vocational Training Strategy are centered on the promotion of an active policy on employment through the establishment of a modern system of employment services (8 of 12 objectives), the development of an active policy of employment, the strengthening of the vocational education and training system, the reduction of informal employment, the improvement of conditions of work and the promotion of social dialogue

Albania tourism and recession

Previously a little-known destination within Europe, Albania is now becoming one of Europe's hottest real estate spots. Property prices in Albania are up to 70% cheaper than those in many parts of Europe including its neighboring Balkan countries such as Croatia, Greece and Montenegro.

Albania has also just received some good economic news. Currently home to one of Europe's better-performing economies, Albania looks well set for 2009. At a time when many EU countries have entered recession, the International Monetary Fund predicts GDP growth of between 3.5% and 4% for Albania during 2009.

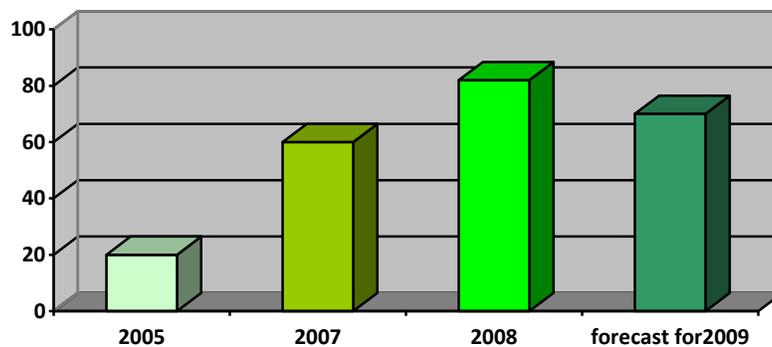
The growth in tourism in recent years confirms that Albania is on the path towards making tourism an active generator of its economic development. If Albania could use its own resources to the interest of tourism it could be much more developed than it actually is.

Today, Albania is gaining its rightful position, not only in the political and economic sense, but also as a tourist destination.

Number of tourists visiting Albania; January- August 2008

Tourists/ visitors		Purpose of traveling in percentage (%)	
Total no. 2.089.583		Holiday	85
During summer 2008		Business	6
Total	287.000	Daily visitors	6
Foreign visitors	984.083	Others	3
Daily visitors	56.732		
Visitors that stays also at nights	927.351		

Number of foreign visitors in Albania by year



Source: Albanian business and investment agency

As we can see tourism in Albania until 2008 was far away from recession: from 2007 to 2008 the number of international arrivals has been rising up with 20%.

There are some reasons for this growth:

- Albanian economy wasn't catch by recession
- Good promotion (in all forms) for tourism in Albania
- Important growth of Macedonian' visitors
- Important growth of Kosovo' visitors which get visas barriers to make tourism in other countries.
- Albanian tourism even yet discovered by inbound and outbound visitors

Albanian tourism prospects for 2009 tell about a 10% decline of foreign visitors.

Reconstructing sector has been caught by recession and the number of investments in tourism is getting down even by the high risk that investments have in this sector.

Neighboring countries perceive recession.

Much more Kosovo and Albanian' emigrants are perceiving recession in their living countries.

Management of tourism sector in Albania

- The realization of ownership conditions and the completion of concerning privatization process.
- Albania's competitiveness on the international market of investment capital.
- Establishing a developmental spatial plan for Albanian tourism.
- Continuous protection, implementation and respect of high ecological
- Standards and long-term sustainable assessment of tourist potentials.
- Education of all management and other staff in tourism.
- Construction of transport infrastructure and the optimal organization of transportation to service tourism.
- Development of an integral and integrated offer in a tourist destination.
- Increasing the level of quality of all accommodation facilities, primary and secondary, and adapting categorization criteria to international quality standards.
- Ongoing entrance of recognized international hotel "brands" on the Albanian market.
- A more effective distribution and use of modern trends in communication and marketing.

-Strategies & Tactics

1. Build and execute a compelling brand strategy
2. Implement a disciplined and focused media strategy
3. Drive inquiries and increase visitation through direct marketing
4. Create and reinforce credibility with public relations
5. Initiate a targeted and disciplined direct sales strategy

6. An industry leading web/interactive strategy
7. Leverage key events to bring visitors to bend
8. Expand marketing reach and diversify revenue streams
through corporate partnerships
9. Play an active leadership role within the community
10. Establish an industry-leading financial management program
11. Enhance the visitor center experience
12. Intensify sales & marketing focus on increasing tourism during
tourist seasons

Conclusions

- Recession will be present, even in second part of 2009 in the world economy.
- Tourism industry will be growing up slowly during 2009-2010 period.
- Recession will going deeper during second part of 2009 in Albania economy but its impacts, will be lower in tourism sector.
- Figures shows, an increased number of tourists booking from West European countries as a result of promotion campaign online.
- Albanian government projects are focused in tourism management in order to reduce the negative effects of recession.

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THE IMPACTS OF RECESSION AND DYNAMIC OF INVESTMENT IN TOURISTIC TRADE

Abstract

The tourism has all the opportunities to stimulate a genuine economic “revolution” for Albanian . Tourism contributes in GDP rising, it ensures a positive balance sheet of the foreign exchange into the touristic industry and it reflects a positive image for the integration of the country in Europe.

The touristic industry as the others sector of our economy, will be effect from the global crisis. In order to protect its contribution in economy, it should encourage and efficiently manage public or private investments, especially the foreign ones.

The recession effects, in which the EU countries and others are involved, are added to the social environmental unrelenting crisis of long transition in Albania.

Analyzing challenges, difficulties and complications, with which the encouragement of investments is faced, we will try to introduce a variety of strategies that will prevent the recession’s effects on the degree of investments.

These strategies must be supporting on effective investments promotion, and especially on fiscal policies and the facilities offered in tourism. In this way, it will be possible to preserve the stability, the image and as well the investments rate opposing the inflation pressure and the economic crisis.

These strategies are going to bring to the tourism in Albania, what has missed for a long time or that is in risk of recession: the Vision, the Expertise and the Political Will.

Keywords: Investment; Recession; Public investment; Private investment; Promotion; Fiscal policies.

The actual global crisis is the biggest that our capitalistic system is facing from its beginning. If we look back in history we will consist that the economic and financial crises, regardless of their size, time or dimension, has always accompanied the capitalistic system.

Maybe this is the force or the “efficiency” of this system. The current crisis is a global one, which now is out of the frame of a financial crisis. The most affected countries will be the poor one or the countries with a fragile economy.

The crisis is moving faster touching all the economies and of course the tourism as one of the main industries. The difficulties and the problems of this industry are strongly related with the decrease of the foreign and domestic private investments, as well as the lack of a governmental strategy.

How should be encouraged and promoted the investments in tourism industry in Albania under such conditions?

The development of tourism and the impact on Albanian Economy

Despite the continual social-environmental crises of the transition period, Albania has a lot of potentials to develop the tourism which secure an economic progress and a social prosperity.

Albania has 450 km coastline with 24 regions for the development of tourism. Half of the Albanian area is mountainous with 600m over the sea level and 15 priorities zones for tourism development.

There are three big lakes and a lot of small artificial ones, 13 National Parks and some ecologic woodland. Albania has an archeological heritage from different periods, a lot of monasteries, churches and medieval castles.

There are two museum cities in Albania and hundreds inhabited zones with special architecture, part of world heritage. The Albanian culture has a varied folklore, tradition, national customs, and handcrafts. The people are friendly and hospitable with good knowledge of foreign languages, but Albanian tourism lack the vision, the expertise and the political will.

The tourism in Albania was severely damaged by the communistic isolation. In the beginning of ‘90s, although there was no experience, some good efforts were done to establish a stable development of tourism industry.

During this period some organizations which supported tourism were created, were sanctioned lows and were completed studies for the investments. The creation of the legal frame and urban plans opened new roads for foreign investments which took place in Albania.

These investments were followed by domestic investments as well, mostly in the seaside or mountainous regions. Unfortunately, this development stopped in 1997. The tourism sector suffered most than the other industries from the episodes occurred in this year which brought massive desolation.

A lot of firms suspend their activities due to the feel of insecurity or the lost of confidence as the institutional structure of tourism was unstable. The relative stabilization of the situation encouraged the pressure of firms for investments and improvement of legislation in order to support more tourism sector.

In some cases there were chaotic buildings and lack of public investments. In the following years, positive action were taken, but was still very difficult to change the image that tourists had established for Albania.

The situation brought disappointment due to the polluted environment, the lack of infrastructure, the limitation in electrical energy and water, the lack of an informative campaign about the Albanian tourism and the country's problems about its image internationally.

The tourism industry is one the most important in an economy and tourism development level affects directly the economic growth. The figures that show tourism industry impact on Albanian economy are not very encouraging.

The income generated from tourism reaches 600 millions USD but approximately the same number is spent abroad. As we can see is impossible to pretend for a positive balance. Albania is promoted worldwide for its touristic potentials, but the income that it generates is very low.

This shows a problematic situation as far as investments in tourism sector are concerned. The tourism is a national heritage, so immediate measures must be taken in order to face this situation.

The tourism is not related only with the respective Ministry, but with various institutions which should combine their work and efforts in order to change the Albanian mentality so this country will adhere to the other values dictated from the democratic society.

Based on the above mention the main recommendation is to increase the investments for the development of a stable and harmonic tourism.

The guide principle must be the development of tourism in every region and in other sectors of economy in order to keep and develop the country heritage. This will secure:

- the change of Albania's image in Europe
- new job positions
- the increase of foreign investments

The difficulties and the problematic of investments in tourism through years

The tourism policy that Albania has followed, determined tourism development. Till 1990 tourism development was totally depended on the general policies of that period.

This policy was prohibitive and denied the development of tourism in Albania, same as in other Mediterranean countries. The tourism was a state monopoly which was organized by only one institution, the Albtourism.

In 1995 the first investments appear, consisting only in the building of touristic hotels that would host foreignness. The first tourists from abroad, after Albania opened its borders, were Greeks, Macedonians and the one from Montenegro.

In 1998 was published for the first time the tourist map of Albania, although the first presentation was done in 1960 by Albtourism. In 1990 Albanians were supplied with passports and they had the right to travel abroad.

Albania has a lot of potentials to attract foreign investments, like its underground and surface resources, a qualified labor force and a favorable geographic position. But this is insufficient for investors, as they are looking for some basic conditions like a stabilized politic clime, low level of criminality, less bureaucracy, and a technical infrastructure where there is still a lot to be done. So what they need to see are concrete results and not just words.

The annual level of foreign direct investments in our country reach, while in tourism sector the investment level. This low investment level can be explained by:

- The late beginning of transition in the country, compared with other Western European Countries
- The inadequate presentation of Albania in the world market due to the long isolation
- The weak infrastructure, the technological problems, high political inconsistency and criminality, both economic and physic, mostly after 1997.
- The lack of the legal frame and the wrong accomplishment in practice, the barriers and the difficulties in the implementation of fiscal legislation, as well as the corruption and state bureaucracy.

In the present day, the main barriers that prohibit the encouragement of investments in tourism and other sectors are the politic instability and different governmental crises.

Out of 291 million dollars of foreign investments, 50 million dollars or approximately 17,2% are material damages. Till 1996 the foreign investors were optimistic and the tendency of their investments was growing, increasing in this way the number of tourists visiting Albania, where more than 49% of them were for business purposes. After 1997, in the following three years, these investments decreased (approximately 50%) and there was no growth till 2002.

There were, always two main factors that stopped million of dollars to enter in Albania through tourism:

Objective factors: difficulties that came from the lack of engineering, technical and urban infrastructure which need a lot of time to be improved.

Subjective factors: corruption, bureaucracy, criminality which can be easily improved. The improvement of subjective factors will affect directly in the increase of financial budget, so the first factors will be improved too.

Tourists' categories

- Ethnic Albanians (from Kosovo and Macedonia), emigrants who spend their vacations in Albania, transit excursions (80% of all foreign tourists)
- Europeans for business (20%)
- Domestic vacationers
- Employees of foreign organizations.
- Foreign tourists group
- Foreign groups for daily excursions.

The most important investments in tourism industry are:

- *Governmental investments*

1973-83 11 hotels

- *Foreign investments*

1994 Rogner Hotel from the Austrian, financed by EBRD

1995 Renovation of Tirana Hotel, joint venture government – EBRD

1995 Mak Albania, chateaux Linza, Rob Mountain

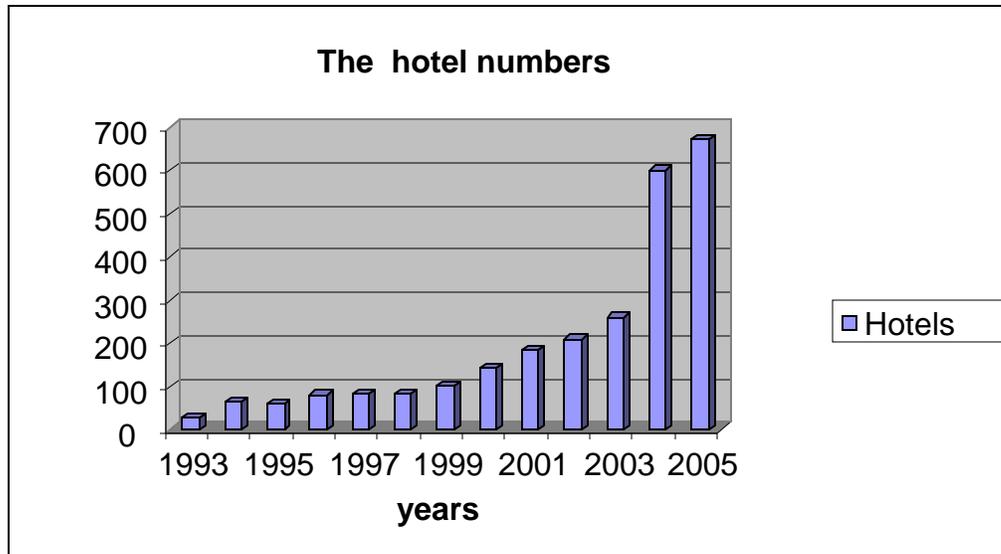
2003 Sheraton Hotel, built from Al Karafil, managerial contract

- *Domestic investments*

After 2000 the renovation of Butrinti and Adriatic Hotels

- *Bigger transactions*

The sale of “International” Hotel and “Butrinti” Hotel



The tourism challenges in recession, the promotion of tourism, a prerequisite for effective investments

The most affected countries from the current crises will be the poor one or the countries with a fragile economy.

In a global economy, the crises effects are quickly expanded and naturally the weakest and smallest countries will be the one that will suffer more the consequences. The general effects that will occur in developed and developing economies, according to the economists, are the increase of unemployment level, the increase of prices in raw materials and services, expensive credits in international markets and the decrease of aid from developed to developing countries.

The economic global crisis risks increasing the poverty level in Albania, a conclusion from the last report of World Bank, published on its internet site.

According to this report, the effects of the crises in Albania the next year will be moderated for the following reasons:

- Albania has not been involved in financial markets
- The banking system in Albania is relatively stable and the credit policies in years were very strict.
- The banks in Albania have saving rather than investing character.

Which is the tendency for 2009-2010? How will respond the tourism policies to economic crisis?

Albanian politician and the executive of the country have not evaluated as much as they should the consequences of the global economic crisis. Of course tourism is one of the industries that will suffer most from the crisis.

There will be a decrease in the number of tourists with limited capability of paying who visit the Albanian Riviera for the last 10 years. The next season will accept fewer tourists, so all the touristic employees, the hotels and the individuals who let rooms have to decrease the prices in order to survive.

Crisis effects are present in the following aspects:

- The number of foreign businessmen who visited Albania for business reasons is reduced which is shown in the decrease of hotels occupancy in the last three months.
- Decrease in touristic entrances, as the income of foreignness and Albanians leaving abroad is reduced. The reduction of unnecessary expenses will lead to a decrease of touristic entrances; as a consequence the financial contribution from this industry in the annual budget will decrease.
- There is an evident decrease in the direct foreign investments in the tourism industry as a result of global crisis.

Considering the crisis as an opportunity, the specialists are still in time to forecast and take measures in order to take advantages from the crisis and turn this international weakness into a local opportunity.

First of all, is very important that the in-coming touristic packages must be VAT excluded. These packages are offered into the market through the Albanian agencies which cooperate with their international partners.

The VAT abolishment will decrease 15% the price of the offer to visit Albania. A successful example is that of Croatia. This measure will lead to three effects.

4) Will generate a well organized flow of foreign visitors or Albanian emigrants that will buy the touristic package, as their trip will be more organized.

The organized client behavior will increase the touristic demand and its quality, generating a chain improvement in regional level. The researcher tried to explore most promising tourist spot that could be commercially profitable for the poor country like Albania

5) Will increase the cooperation of touristic operators in the domestic market. The Albanian touristic operators count 100 Turkish hotels and only 3 Albanians. This cooperation will harmonize industry interests and operators' interests, building a vision more effective with dualistic benefits.

6) This measure will generate a high competition in the regional touristic market. Albania will be more attractive, in a time where Europeans are looking for cheap destinations.

With careful and low-cost promotional campaigns, Albania will be able to attract more tourists, due to flexible offers or combined promotions of mountainous, cultural, environmental or sportive places.

To keep a high level of incoming touristic flow helps to create a good and reliable image of Albania internationally. This is strongly related with the increase of direct foreign investments. If Albania adopts these measures will not only be able to keep the predicted increase of tourism but will also create revenues for other industries that are related with tourism.

Secondly, Albanian market is very small, and can not be compared with other touristic markets that can better use the economies of scale. Priority will be the development of rural tourism, the improvement of infrastructures and the facilities that Albanian legislation offers.

The present and future tourism opportunities

e) The creation and the implementation of fiscal policies which will encourage and facilitate the foreign investments mostly during the first period of firm's operation, as well as the control and their correct implementation in practice which will serve to encourage the development of these investments.

f) The current legislation offers a lot of facilities like: investors are excluded from custom duties in machineries and equipments, they are excluded from taxes in the first 5 years of their operation, low rent for state properties or the possibility to rent land for 99 years (4 times by 25 years). In the case of private properties, the state recognizes the act of buying.

g) The reduction of purchase power of Lek (Albanian Currency) will increase the number of tourists, this combined with the will of Albanians to keep the prices low. On the other side, the number of domestic tourists that frequent Greece or Turkey will decrease.

h) The increase of investors' security as a result of Albania joining NATO.

Last but not least, under the circumstances where the monetary policies are not enough effective, the solution will be the fiscal policies and an aggressive marketing in tourism industry.

Through these policies we must "awake" the interest of the Albanians who the last three years prefer to travel across borders due to low qualities offered in their country. Only in this way we may hope to conduct a deeply national policy and financially profitable for the promotion of Albanian touristic market.

The tourism marketing is a system that coordinates efforts, in order to optimize the satisfaction in tourism. The tourism marketing is also supposed to be a device to make a possible reorientation in the business policy and overhaul in the management concepts.

Tourism planning has been defined as a process based on research and evolution which seek to optimize the potential contribution of human welfare and environmental quality. It includes a decision-making process between the tourism industry and other sectors of the economy and between types of tourism.

In order to compete in the world market, Albania should offer some facilities in infrastructure, combined with original touristic products with high market demand like hotels, touristic villages, traditional rural tourism and tours in archeological areas.

In a later period, when a political stability will be established the economic offers will be enriched with other types of investments like hunting, mountaineering, exploring and residences for private use.

The progress will expand the touristic market not only with tourists from Kosovo, Macedonia or Albanian emigrants, but also with tourists from Southeast Europe, European Union countries, North America etc. The domestic market will be expanded too.

Other categories which must be treated carefully are the groups with specific travel interests like cultural and sportive events, visitors for business or conferences, or the one who like quality, clean places and a rigorous controlled environment.

To examine institutional framework of tourism industry in Albania and to promote sustainable tourism concepts in-cooperation with local government and all stakeholders.

To implement such scenario is not easy. We should consider all the existent difficulties, as well as all the coming difficulties due to the crisis. There are some problems in Albania which even before crisis are considered as emergent. These problems are related with:

- The lack of infrastructure (bad conditions of roads in touristic zones and not only, limited furnishing with water and electrical energy, garbage recycling and sewages)
- The lack of touristic capacities with low accommodation standards.
- The lack of supportive subsectors and tourism animators.
- Low civil culture and low service. Lack of environmental conscience.
- Unsolved problems related with private properties.

The improvement of the above mentioned requires specific plans, coordinative policies and strategies for Albania's marketing as a destination with high touristic interests.

The first steps should be a raise in budget for this particular industry, the opening of information offices abroad, the opening of information offices all over the country and the intensive presentation of Albania in international fairs which will increase the interest of well known medias as CNN, BBC, Euronews or Financial Times.

The solution of all these problems will normalize the situation and will increase tourists' confidence. The government must also create the appropriate conditions (institutional and legal)

so that the business should have the priority to contribute in the development of infrastructure and tourism industry through concessions.

The beginning of urban planning, fiscal policies, the forms of credit and the funds given from state budget will be the main impulses of change.

Conclusions

- To promote tourist undertakings and to control and regulate tourist installations and services.
- To project the image of Albania abroad, for the purpose of attracting the culture of the country.
- To encourage and develop domestic tourism harmonizing the types of tourism with touristic destinations.

The government must also create the appropriate conditions (institutional and legal) so that the business should have the priority to contribute in the development of infrastructure and tourism industry through concessions.

The beginning of urban planning, fiscal policies, the forms of credit and the funds given from state budget will be the main impulses of change.

- The training in management, marketing, and hospitality, in order to arrive effectiveness in public and private investments.
- The development and promotion of destination brand will be a strong roll-call for investors.

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THE ECONOMIC CRISIS AND THE INVESTMENT PATTERN IN TOURIST MARKET IN ALBANIA

Abstract

Albania is a rich country with assets in tourism. Albania has a favorable position geographic which brings opportunities to developed tourism in sea, lake and mountain. The change in the country's economy orientation brought increased investment in tourism. This study will focused in same direction

- 2- Market structure and investment patterns in tourism, 2-The economic crisis and its impact to the number of tourist. The number of hotels increased, servicing facilities sector improved and the number of tourists rose substantially year after year.

Cultural tourism has take a great attention, because in Albania have more cultural value expressed in archeological place, very old church etc. This study will find out not only the increase international tourist arrivals, but and domestic tourist traffic.

Tourist development has had a substantial impact on direct employment in tourist establishment and on employment in other sectors such as transport. The tourism industry is expected to become one of the largest source of revenues in country.

For part one the study will take in consideration the hotel market ownership, management and profitability also and the tourism –related services. An assessment of the tourism cluster will show the strengths and the weaknesses of the support services which make up the tourism industry.

The market for hotel business and tourism services is in general highly competitive, with a very large number of actors across locations, nationality of ownership and management and level of services provided.

The Albanian government has undertaken several activities related to tourism services, which included ;improving on the existing roads and construction of the new roads, the biggest project is road Durrës Kukës encouraging international events such as sports, conference and exhibitions film and music festivals, also the advertaising in international media such as CNN.

About the second part, the study will focused in economic crisis and its impact to the tourists'number also, and in promotional tools for attracting foreign direct investment in tourism.

Key words: tourist market structure, investment patterns, tourist development, tourism services, FDI in tourism.

1-A brief overview on tourist assets and tourism development in Albania.

Albania is a small country lying West of Balkan Peninsula considered as the port of South Eastern Europe. It is bordered by Greece to south, Macedonia to east, Montenegro and Kosovo to north and north-east. Albania has a favorable geographical position, and this is the reason why it has been called “The Gate of the Balkans”.

Albania is a Mediterranean country, but it has some particular characteristics which are intertwined with its geographical and geological features, the landscape and relieve. Albania is rich in forests, Mediterranean shrubs and coniferous woods. There are a lot of lakes, lagoons, reservations and springs.

The coast has small, but beautiful sandy and rocky beaches. Being a Mediterranean country, it has favorable conditions for the development of tourism, 457 km of the total 1094 km national border line are a wonderful coastline with virgin and unexploited lands which inspire curiosity, perfect nature and a variety of relieve forms.

The Albanian favorable position as the connection of the East with the West, and the other reasons mentioned above are the reasons why international tourism experts consider our country an extraordinary potential for tourism development, and in the same time with premise to be a unique centre of European ecological tourism. Albania has many objects and testimonies with

cultural, historical and artistic values. There are part of the Albanian inheritance and are protected by law.

Changes in the economic orientation of the country increased investments on tourism. Government has put a great attention on tourism industry considering it one of the sectors which would help the economic growth of the country. To this goal served the Tourism Strategy and Developing Plan dated 21.06.2006, as well as the new law on Tourism Nr 9734 date 14.05. 2007.

This law aims to determine the principles and rules operating in tourism and development of standards of tourist services and others related to them. Increase of number of hotels, service facilitation and improvements done in this sector increased also the number of tourists year after year. Table 1 shows the number of hotels and their capacity.

Table 1: Hotels and their capacity.

Years	2003	2004	2005	2006
Hotels	199	170	220	251
Rooms	4161	3368	3874	4266
Beds	8420	6600	7642	8362

Source: INSTAT

As mentioned above, the number of tourists is growing. According the data from the Directory of Border Police, Ministry of Domestic Affairs in 2006, number of foreign visitors rose from 309 000 in 2003 to 1 110 000 for 2007.

Also, their staying in hotels whether residents or non-residents has increased in about 15-16% during 2007. Special attention was focused to tourism diversification combining sea tourism with cultural and natural attractions tourism or agro-tourism. Such an opportunity comes from the fact that although Albania is a small country, it is able to provide beaches and seaside, ancient culture or mountainous climate, thus a diversity of attractions within a short distance.

Also, contribution of tourism in the Albanian economy is 11%¹⁹, and tourist income in GDP estimated 3.8-4% or almost 45 milliard Leke²⁰. The great interest to this sector increased gross tourism incomes during last three months. Table 2 shows gross tourism incomes.

Table 2. Gross tourism incomes

Years	2004	2005	2006	2007
Incomes (million Euro)	592	692	805	1 milliard

Source: Bank of Albania 2007.

2-The investment patterns in tourist market.

Investment is one of the prior conditions for success in tourism development. The current Albanian Legislation protects, stimulates and supports the investment in this sector. Before 90s, industry of tourism in Albania was very poor because of communist system.

Level of service quality was low; staff was lacking preparation and motivation to work better. After 90s, tourism sector has a great attention considered as being the one which would strongly contribute the economic growth of the country. Sectors having a rapid growth with considerable investments were hotels and restaurants. This sector was characterized from some tendencies.

The first one was the investment of domestic capital in building hotels, restaurants and travel agencies. A main feature of this investment was the fact it was realized in main towns of the country and rural areas. For example, in Korca Region and some of its tourist villages as in Voskopoja, Dardha, Vithkuqi many hotels are built with investments from domestic investors.

¹⁹ International Tourism and Travel Council 2007

²⁰ International Tourism and Travel Council 2007

Their capacity varies 15-30 rooms. In rural areas especially the mountainous ones and the urban areas especially the beach ones family tourism is widely spread and is competing being low priced. It is preferred indeed mostly from domestic tourists coming for holidays from one town to another. Family holiday residences rent 1-2 rooms with 1000 Leke per room, while hotel prices in these areas vary from 3000- 4000 Leke.

Second tendency was foreign investment, in building hotels with 4 or 5 stars most of them foreign-managed. One main component of Government privatization programs in tourism sector included sales of single assets or asset packages to investors. Foreign investments mainly were realized in the form of hotels and restaurants.

Some of the greatest investments in Albania are Hotel Europa Park estimated \$22 million rebuilding of Hotel Tirana estimated \$12 million, Linza Motel, etc. Role of foreign investments is very important in tourist sector and all its segments.

Another important investment form are hotel chains as is the case of Sheraton, Rogner, Tirana International hotels which operate in Tirana where organization and management procedures are applied in details.

To help and stimulate tourism investments, National Tourism Entity was established in 2005. After the new tourism law came into power, this institution had more competences to assist tourist investors in presenting new programs.

Other promoters were tax exceptions for imported hotel equipments, transport or bank loans. Besides private initiatives, Government budget granted funds on tourism which have been increased year after year. These are displayed in Table 3.

Table 3. Budget funds for investment on tourism.

Years	2006	2007	2008
Funds (million Leke)	10	25	37

Source: Sector strategy of tourism development 2007-2013.

A greater stimulation had tourist structures mainly in seaside areas. According the same above-mentioned source, there are about 96 residences, 51 of which are government non-public ones and 45 are private owned. Besides individual hotels, subgroups of tourist projects have been increased such as tourist villages or plants. Referring to sector strategy of tourism development in Albania, there are 16 tourist villages and 18 tourist plants (complexes).

Hotel market, management and profitability - As mentioned above, the number of hotels built in Albania has been increased. An interesting fact is that the majority of them are 2 and 3 stars hotels respectively 25% and 35.71%, 1 star hotels 14.29%, and 4 and 5 stars hotels have a smaller percentage respectively 14.29% and 10.71%²¹.

These facts show that hotel services in Albania should make great efforts to reach the standards of their quality. The will to invest is not enough; there should be made well-studied investments concerning the type of clients we want to attract for meeting better their needs. One of the competitive advantages of Albania mentioned in World Economic Forum 2009 is hotel prices index, where Albania is classified in the 48th place out of 133.

Services related tourism - An assessment of tourism cluster will show the strengths and the weaknesses of support services which make up the tourism industry. The market of hotel business and tourism services generally is highly competitive with a large number of actors across locations, nationality of ownership and management and level of services provided.

The Albanian government has undertaken several activities related to tourism services. For example, transport services are enlarged with public bus services and private taxis, while railway transport service is less used because of its low quality.

²¹ Sector strategy of tourism development 2007-2013

As far as air services are concerned, there are considerable investments in Tirana Airport making it an airport according the international standards. Airport is the first contact of tourist with Albania which creates a positive image since the very first landing. This is very significant.

Although considerable investments in infrastructure, tourism development demands not only highways, but as well roads which connect villages and towns with each-other and which should be of a high quality. In World Economic Forum Report 2009 while comparing 133 countries in the world, Albania is classified in 114th, 108th and 124th places concerning respectively roads, railway and ports infrastructure.

This is a classification which shows that Albanian infrastructure needs many improvements to reach high parameters serving tourism industry. Other problems relate with road signals, orienting signs which show cultural monuments. Table 4 shows the funds that the Ministry of Tourism, Culture and Sports spent on tourism development during 2007-2010 period.

Table 4: Funds spent from the Ministry of Tourism, Culture and Sports

Funds spent from MTCS (thousand Leke)	2007	2008	2009	2010
Government budget funds on tourism in total	49,000	84,00	91,750	97,650
Expenditures on tourist promotion	24,000	47,00	52,850	54,950
Expenditures on investments	25,000	37,00	38,900	42,700

Source: Sector strategy of tourism development 2007-2013.

As seen from the table above, a considerable part of government budget on tourism is spent on tourist promotion. This amount tends to increase in the coming years. The first one is closely related to establishing and building a positive image of the country, attracting the attention of international tourists.

Expenditures on investments for 2007-2013 period concern establishing offices which provide tourist information and tourist signals. There is a problem about how efficient were these information offices in fulfilling their duties as they should. They were not always able in offering qualitative services such tourist information, promotional materials or suggestions.

3-The economic crisis and its impact to the number of tourist.

The economic crisis has its impact in many country of the world. According to the opinion of different Albanian and foreign experts the impact of crisis in Albania is smaller than the other country.

The business that feeling more the effect of crisis are the fason industry which has dismissal the great number of workers. Meanwhile, referenced the dates of the last year, the tourism is one of the sector that had a considerable increase. As mentioned above, tourism development in Albania is considered an important activity pretending to increase its role in future.

Tourism development has a substantial impact on direct employment in tourist establishment and employment in other sectors such as transport. Tourists who visit often Albania are Albanian from Kosovo, Macedonia and Montenegro as well as emigrants working and living abroad.

They come with their families to spend the vacations in Albania. During last summer, a greater number of tourists came from Macedonia because of the problem between Greece and Macedonia concerning the name of the country. Macedonian tourists preferred the seaside area, mainly Vlora, while Kosovo people preferred Durres the better. Classifying tourists after their purposes, 85% of them came for tourism and relax, 6% to visit their relatives, 6% for business and 3% for other reasons.

However, statistics in Albania not only those tourism-related, have not always been accurate and reliable because of the same problem. This was the result of methods used in data collection. INSTAT and the Bank of Albania are main sources in providing information.

However, as tourist destination Albania still remains unknown. This created the main motto of tourism development strategy: “Albania, yours to discover”. Values and resources of Albania will be made known to this discovery, by introducing cultural, historical, archaeological attractions, Albanian life, gastronomic specialties, and hospitality.

Albania has made efforts to increase the number of tourists by encouraging them staying longer in country and offering market services for increasing average expenses per tourist. In Albania there are many objects containing high cultural and historical values. They form the richness of cultural heritage and are protected by law.

Heritage towns like Gjirokastra, Berat, the archaeological area of Durres, Kruja Old Bazaar, National Park of Butrint, etc, are places which represent the archaeological values and cultural richness.

They are considered opportunities for tourists to visit. However, Albania takes 0.6% of the total tourist demand in Central and Eastern Europe market.²² Investment is one of the prior conditions for success in tourism development. Current Albanian Legislation protects, stimulates and supports the investment in this sector.

To this goal served Tourism Development Committee of Albania, which encourages and facilitates investments in Albanian industry. The role of Committee is to: Provide investor assistance, such as identifying suitable opportunities, evaluating the merits of proposed projects, preparing proposals for domestic and foreign investors and assisting in obtaining funds. All requests done by investors should be according the standard form of the Committee. As competition in tourist services from the countries of the Region is high, it is important duty: - to

²² World Tourism and Travel Council 2007

consolidate strict regulations for planning and protecting historic sites and preserving the ecological balance in developing new seaside areas, -for the personnel and professionals to be well-trained and become effective managers,- an efficient promotion by using a well-studied promotional campaign .

Conclusion

5. Tourism in Albania has been given special attention especially its diversification through sea tourism with cultural and natural attractions tourism or agro-tourism.
6. The number of tourists has been increased.
7. Investments in tourism are characterized from a series of trends: 1. Investments of internal capital in building hotels, restaurants and travel agencies; 2. foreign investments in establishing hotels with 4 or 5 stars, most of them foreign-managed and buying public hotels under privatization program; 3. another important form of investment are hotel chains.
8. Infrastructure in Albania needs many improvements for achieving high parameters serving to tourism industry.

Recommendation

1. To enforced strict regulations for planning and protecting historic sites and preserving the ecological balance in developing new seaside areas.
2. To make efforts for the personnel and professionals to be well-trained and become effective managers.

3. In order to make a more efficient promotion, we should create a unified national theme for achieving clear objectives about tourist segments we want to attract

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