

U.S. Embassy - Skopje

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"GERAS CUNEV" MAKES A PROFIT OF US\$ 2.5 MILLION

The textile factory "Geras Cunev" from Strumica has produced about 180,000 final products for the last nine months. The output mostly includes men's and woman's suits, coats and topcoats. Over 90 percent of the entire production was aimed for the U.S. market, which brought about US\$ 2.5 million of profit to the company. "Geras Cunev" is scheduled to produce about 240,000 products until the end of 2003 and the export profit is expected to around US\$ 3.2 million.

INTERNATIONAL AGRICULTURAL INDUSTRY TRADE FAIR "AGROEXPO 2003"

Minister of Agriculture, Forestry and Water supply Slavko Petrov opened on September 30 the international fair AGROEXPO 2003 at the Skopje Fair. The 44th International Tobacco and Machinery Trade Fair, 31st International Agricultural Industry Trade Fair, 12th International exhibition of wine and spirits and 7th Livestock exhibition were part of AGROEXPO 2003, which was held until October 5. Next AGROEXPO will take place in June 2004 during the International Skopje Fair.

FIRST NATIONAL SUMMIT ON COMPETITIVENESS

The First National Summit on Competitiveness, held in Skopje on October 2 was organized by the National Entrepreneurship & Competitiveness Council (NECC) and USAID Macedonia Competitiveness Activity. The representatives of the private sector, civil society and the government for the first time reviewed the key issues on national competitiveness. The lamb and cheese cluster announced a strategy for increasing export rate, improving productivity and creating new jobs. The tourism cluster also presented its strategy for developing a unique tourism experience that attracts high income, demanding customers to Macedonia's tourism destinations.

SEMINAR ON AGRICULTURAL BENEFITS FROM WTO MEMBERSHIP

Skopje hosted a seminar "WTO - Benefits and Advantages for the Agricultural Sector", organized by the Ministries of Agriculture and Economy, in cooperation with the German Agency for technical cooperation GTZ. "Macedonia has clearly defined an accession to the World Trade Organization (WTO) as one of its strategic interests. But WTO membership obliges Macedonia to work on coordinating its laws with those of WTO members, which means presentation of Macedonian products on the large global market, Deputy Minister of Agriculture Besir Jasari said in his introductory speech.

Deputy Minister of Economy Kurtali Saiti referred to Macedonia's adjusting with the WTO rules, i.e. eliminating trade barriers, upgrading the legal framework and customs liberalization. The vital agricultural branches would remain protected by an average rate of 13.72 percent. "In the near future, Macedonian agriculture cannot sustain further decline of the domestic support, taking advantage of the opportunity, granted by WTO to the fresh members, for postponing the liberalization process," Saiti said.

German expert Dieter Schtrak criticized the US and EU for imposing various barriers to agricultural products from other countries. "They frequently change the export-import regulations in accordance with their interests," he said. GTZ representative Boban Ilic said that the problems of Macedonian businessmen with the European bureaucracy would be most probably solved when the country would join EU. "How to survive till then is the problem that should be addressed now," he said.

JAPAN LOAN FOR ZLETOVICA HYDROSYSTEM

Macedonian Parliament adopted the law on indebtedness of Macedonia with loan at the Japan Bank for International Co-operation for realization of the project on improvement of the water supply basin of Zletovica River. The loan of about US\$ 90 million will be granted under the following conditions: payment period of 25 years with annual interest of 1.5 percent and seven years of grace period.

Macedonian Minister of Finance Petar Gosev and Japanese Foreign Minister Yoriko Kawaguchi in the presence of President Boris Trajkovski have exchanged notes on the credit approved by the Japanese government during their visit to Japan. The "Zletovica" project, which includes the municipalities of Kratovo, Probistip, Stip, Sveti Nikole, Lozovo, Karbinici and Zletovo will provide

drinking and industrial water, irrigation of 2,900 hectares of arable land and construction of three hydroelectric power stations.

The construction of the hydrosystem, worth US\$ 120 million, will be built in phases over the next seven years. This is the first development credit that Japan grants to Macedonia. So far, Japanese aid was aimed at support of balance of payments, the needs of primary health care, the assistance to agriculture and in the sphere of culture. The total Japanese financial assistance granted to Macedonia since the establishment of the diplomatic relations in 1994 amounts to US\$ 100 million.

MACEDONIAN'S ANTICORRUPTION RATING DECLINES

The perception of corruption in Macedonia for 2003 has declined in comparison to the previous year. With an index of 2.3 Macedonia occupies the 106th place out of 133, according to the numbers released by Transparency International. Last year's perception index was 3.3 and Macedonia held the 63rd position. Among transition countries, Bulgaria, Croatia, Slovakia, Poland and Latvia are in a better position than Russia, Romania, Albania, Georgia, Ukraine, Moldova, Bosnia-Herzegovina, Macedonia and Serbia and Montenegro. According to the Transparency International research, most corrupted countries are Bangladesh, Nigeria and Haiti, while Finland, Iceland and Denmark are considered to be the countries with almost no corruption.

GOSEV WANTS FINANCIAL SETTLEMENT OF THE CLEARING DEBT

Macedonian Minister of Finance Petar Gosev considers that it will be better for Macedonia to obtain the full amount of the debt from the former SSSR in money than in kinds proposed by the Russian Federation.

"Macedonia will agree with a small discount in regard to the debt, and if the repayment is in kind, Macedonia prefers oil," Gosev said in an interview for the Russian News Agency ITAR-TASS. The Russian debt to Macedonia is 96.7 clearing dollars (one clearing dollar is estimated at 62.5 cents).

Gosev also urged for intensifying the economic cooperation with Russia, particularly in the banking area. "Macedonia is opened for influx of foreign capital. Removing the barriers in the area of investments and reforms in the country's financial system

give us hope that the situation in business sphere in Macedonia will be changed for the better," Gosev said.

MACEDONIAN PRIME MINISTER VISITS RUSSIA

Macedonian Prime Minister Branko Crvenkovski met his Russian counterpart Mihail Kasyanov on October 16 in Moscow, as part of his visit to Russia. The meeting focused on boosting the economic cooperation between Macedonia and Russia, particularly in the energy sector. "Crvenkovski's visit, as the first one of a Macedonian Prime Minister to Russia, is an impetus for intensifying the overall future relations between the two countries," Kasyanov said after the meeting. He also said that Russia supported the GOM efforts for stabilizing the country, which is a precondition for economic development and attraction of foreign investments. "Russian oil companies wish to work in Macedonia, for which they enjoy full support from the Russian Government. Russian companies would also like to invest in the privatization of Macedonian enterprises," Kasyanov said.

The good political relations between Macedonia and Russia should be now valorized into concrete economic cooperation, Crvenkovski said. "The Governments of both countries have set the basic legal frame for economic cooperation and now it is up to businessmen to take advantage of these opportunities," he added.

The visit of the Macedonian delegation, which also included Foreign and Economic Ministers Ilinka Mitreva and Ilija Filipovski, aimed at presenting the potentials of the Macedonian companies for attracting foreign investments, particularly in the energy sector, while presenting the quality of the Macedonian products to the Russian market.

Crvenkovski also had a meeting with the Moscow Mayor Yuri Luzhkov, who is willing to grant a location for constructing trade center for presenting Macedonian products on the Russian market. Moscow's authorities also expressed readiness for granting another location for construction of Macedonian Embassy, if such project is to be included in the agreement for settling the Russian debt to Macedonia.

RUSSIAN-MACEDONIAN BUSINESS FORUM - BASE FOR ECONOMIC COOPERATION

Macedonian Prime Minister Branko Crvenkovski underlined the importance of the Russian-Economic Forum for

intensifying the cooperation between Macedonian and Russian businessmen. "The Governments of both countries have set the legal frame for boosting economic cooperation, now it is up to businessmen to establish concrete relations," he said. Russia is interested in investing in the Macedonian power supply company (ESM), and including its companies in the ESM privatization process.

According to Crvenkovski, Russia wishes to take part in the gasification process in Macedonia, starting with gasification of households in Skopje and Kumanovo, and afterwards expanding the network in Macedonia and beyond its borders towards Albania, southern Serbia and Kosovo. "Russian companies were also interested in the oil sector, either by establishing a new oil company or network for distribution of oil and oil derivatives", Crvenkovski said.

Macedonia's interest refers to placement of goods and services on the Russian market, in particular food, tobacco and pharmaceutical products, as well as to participation of Macedonian companies in construction works throughout Russia. "There is a possibility for intensifying the cooperation with several Russian regions, where Macedonian products could be more competitive," Crvenkovski said.

Apparently, the issue on servicing of the Russian debt of about US\$ 60 million to Macedonia remained open, with three options being considered: repayment by 2020 with interest rate below six percent; cash payment with discount of 67 percent; and delivery of Russian goods and services for reconstruction and modernization of concrete projects in Macedonia, particularly in the energy sector.

STOCK MARKETS REGIONALIZING

Seven stock market of all the former SFRY republics at which a capital of 18 billion euros of about 2,000 companies is traded established connections amongst themselves and created a single stock market, which approximately 20 million potential clients will have access to. This was announced at the presentation of the regional information connection of the stock markets of Southeast Europe held in Skopje. A 180 brokerage houses from the seven countries will be able to directly buy and sell shares on the stock markets and have direct access to the information on trade with the shares of the listed companies, their prices, offer, demand, stock market indexes, etc.

NORWAY GRANTS FINANCIAL SUPPORT FOR DEVELOPMENT LOCAL GOVERNMENT IN MACEDONIA

By a donation of Euro 1.37 million for 124 municipalities in Macedonia, Norway will support the development process of the country's local units. In cooperation with the Macedonian Ministry of Local Government and the UN Development Program, the financing for the "Program for Support of Municipalities" will be used for building the local units capacity. "The program includes activities for supporting and improving the local administration, stimulating various partnerships between the public and the private sectors," Minister of local government Aleksandar Gestakovski said Tuesday at the program promotion. Norwegian Ambassador to Macedonia Dag Halvorsen and UN Resident Coordinator Frode Muring also referred to the program significance.

INTERNATIONAL FAIR TEHNOMA

On October 21, the Prime Minister Branko Crvenkovski opened the 29th International Trade Fair of metallurgy, electronics, non-metals and construction - TEHNOMA 2003 and the 4th International Fair of handicrafts and small-scale industry. "TEHNOMA is undoubtedly significant stimulator and supporter of Macedonian economy, which is confirmed by the long tradition and enormous number of domestic and foreign participants," Crvenkovski said.

Two years ago Macedonia's priority was preserving the peace, followed by a period of security, political and interethnic stabilization, he said. "Today, Macedonia's priority is economic prosperity and fight against poverty. The country needs new investment cycle, which will enable more dynamic development and open new jobs. In 2004, the Government will launch projects, aimed at encouraging local investors that will also make Macedonia more attractive for foreign investors," Crvenkovski said.

TEHNOMA 2003, which was held until October 26, presented companies from 27 countries, including Austria, Bulgaria, Belgium, Bosnia and Herzegovina, Canada, Britain, France, Germany, Greece, Japan, Spain, US and Turkey. The 23rd Exhibition of Inventions, Technical Achievements, New Products and Creativity of the Young People presented about 150 works of domestic and foreign inventors.

AMENDMENT TO AGREEMENT ON FINANCING SMALL AND MEDIUM SIZED ENTERPRISES SIGNED

The Minister of Finance Petar Gosev and a representative of the German KFW Bank signed an amendment to the Agreement for financing small and medium sized enterprises. Macedonian Ministry of Finance and German KFW Bank signed the Agreement on May 10, 2000.

Macedonian Bank for Development Promotion manages the Program and extends micro-credits for small and medium sized enterprises through Export Credit Bank and Tutunska Banka. The amendment provides inclusion of other banks - participants in the credit line, such as Ohridska Banka and Procredit Bank. Competition among banks and the technical assistance of KFW Bank are expected to enable more efficient use of the credit line and promotion of new finances on the Macedonia's market, which are used successfully in developed countries.

IMF RECOMMENDS REFORMS FOR ACCELERATED GROWTH AND UNEMPLOYMENT REDUCTION

The International Monetary Fund (IMF) has completed its first review of Macedonia's economic performance under a 14-month Stand-By Arrangement, enabling the country to receive an immediate disbursement of approximately US\$ 5.6 million. IMF Deputy Managing Director Shigemitsu Sugisaki said that Macedonia's macroeconomic stabilization program for 2003 "continues to rest on a basis of sound fiscal and monetary policies," which has already produced a significant drop in interest rates and an increase in foreign exchange reserves. He suggested that fiscal decentralization continue "at a pace consistent with the development of local administrative capacity."

On the issue of reforms, Sugisaki noted that Macedonian authorities "have advanced on their structural agenda in a number of areas," but he urged them to accelerate the momentum of reforms to address impediments to growth and reduce unemployment. "Reforms are necessary to strengthen the investment climate by creating a predictable business environment, implementing judicial reforms and addressing governance problems," he said.

Fiscal management in 2003 was complicated by a slow start-up of government spending. While there are no indications yet of a significant increase of spending in the second half of the year in line with the supplementary budget approved in September, any increase could complicate monetary policy and put pressure on financial markets. The central bank, however, is committed to taking corrective measures to ensure that

program targets are achieved. Looking forward, volatility in expenditures should be reduced. To help stabilize budget financing, the establishment of a government securities market is essential.

Further structural measures are important to address impediments to growth and to reduce unemployment. In the same vein, the authorities should remove the bottlenecks in reform of the health sector. To achieve the authorities' commitment to stop budgetary transfers to the health sector by 2004, it is essential to press ahead with World Bank-supported measures to strengthen governance, the IMF report reads.

PUBLISHING HOUSE "NOVA MAKEDONIJA" GOES BANKRUPT

The largest publishing house in the country "Nova Makedonija" has officially gone into bankruptcy on October 23. The President of the Bankruptcy Judicial Council Dejan Kostovski said that "64.25 percent of the house trustees voted for bankruptcy." According to the law, bankruptcy procedure enters into force if over 50 percent of trustees vote in its favor. He expected that the first tender for selling the house property will be open by November 15.

Until completion of the sale, the house will only publish its daily issues. All 1,400 employees will be registered at the Employment Bureau, while 600 of them will be re-engaged under a part-time contract. In addition to severance pay up to eight average salaries, all employees will receive monthly compensation of Denar 3,000 in the next 14 months. According to the FESAL 2 arrangement, the outstanding pension and health care benefits will be paid to the employees. The company with a tradition of over 50 years went bankrupt with a deficit of about Denar 23 million, an amount that extremely exceeds its real value.

SEMINAR ON MONEY LAUNDERING AND INTERNATIONAL BANKING

Macedonia, as many other countries in the region, is facing the financial criminal, which is highly profitable while the chances for discovering and prosecuting these criminals are very low, Macedonian Minister of Finance Petar Gosev said on October 27 at the Seminar on Money Laundering and International Banking. The seminar is organized by the Macedonian Financial Police, USAID and US Treasury Department. Gosev said that the financial criminal negatively affected the economy and the economic

development of the country as well as the common citizens.

Tim Wellesley from the U.S. Treasury Department said that the successful activities of the Financial Police would contribute to eliminating the financial crime, increasing the public revenues, improving the economy, attracting more foreign investments and increasing confidence in the Government. The Financial Police, established in July 2003, is part of the Macedonian Ministry of Finance.

DUTCH GOVERNMENT APPROVES TRANSFER OF EURO 17 MILLION TO MACEDONIA

Dutch Ambassador to Macedonia Johan Wolfs informed the Macedonian Minister of Finance Petar Gosev about the Dutch Government's approval of Euro 17 million - part of the funds of the FESAL 2 arrangement. "The amount, which will be transferred to the Macedonian Government account is aimed at supporting the balance of payments," the Ministry of Finance said in a press release.

WILLIAM LASH: BY FIGHTING CORRUPTION TO FOREIGN INVESTMENTS

Macedonia must fight corruption and establish the rule of law if it wishes to attract foreign investments, Assistant to the US Secretary of Commerce William Lash said on October 29 at a business luncheon, traditionally organized by the American Macedonian Chamber of Commerce. "The world must know that you are fighting corruption, because nobody wishes insecurity for own investments. U.S. investments in Macedonia were at US\$ 4 million, Lash said, pointing out that the country was neglecting the economic sphere in the last few years due to its political problems. "Now, we should turn to economy, Macedonia should present its interests. You are welcomed, but for the last two and a half years no one has come and done that," Lash said.

GOVERNMENT TO TAKE MEASURES FOR IMPROVING ECONOMIC SITUATION

The economic-social situation in Macedonia is getting worse. The people are very apathetic and Macedonian Government does nothing to resolve such developments, the Council of the Federation of Trade Unions of Macedonia (SSM) concluded at its session. The data shows that a total of 382,275 unemployed persons were registered in June 2003. Over 25 percent of the employees do not take salary. This leads to impoverishing of the population in

Macedonia. According to the statistical data, one third of the Macedonian population lives in poverty.

The SSM Council considers that Macedonian Government should undertake economic and social reforms to improve living standard and activate all available means in that respect. The Unions will insist on consistent respect of the regulations of the collective agreements, as well as of the social agreement.

ITALIAN GOVERNMENT GRANTS EURO 35 MILLION TO BALKAN COUNTRIES

Macedonian Minister of Finance Petar Gosev, on invitation by Italian Minister for Economy and Finance Giulio Tremonti, attended the meeting on "Balkan: From Reconstruction to Economic Integration." The meeting included a round table on "Economic Integration of the Balkan Region: Experiences and Challenges," whereat Tremonti presented five concrete initiatives referring to the private sector development and creating modern networks and infrastructures in the energy and transport sector.

The chairman of the round table announced that the initiatives would be supported with a grant of Euro 35 million, donated by Italian Government. Additional co-financing amount of Euro 650 million is expected by the international institutions for a period of 2004-2006. Euro-Commissioner for economic and monetary affairs Pedro Solbes, World Bank President James Wolfensohn, EIB President Phillipe Maystadt, Finance Ministers of Albania and Serbia and Montenegro, as well as high officials from Croatia, Bulgaria, Bosnia and Herzegovina and Romania also attended the meeting.

ESM TO BE SPLIT UP INTO THREE COMPANIES

Macedonian electric power company (ESM) will be divided into three separate companies early next year. The overhaul will not cause any lay-off, at least in the beginning. ESM's non-core activities such as hotels and restaurants will be sold through tenders or divested into separate businesses. The owners of these businesses will be bound to take over the employees. These are part of the recommendations to the GOM by the consultant Meinel Bank from Austria.

At the beginning the three new companies arising from the ESM will be state-owned, but some of them or part of them will later be sold to domestic and foreign partners. The

ministry of Economy describes the process as giving financial independence to ESM's working units: Production, Transfer and Distribution. Meinel Bank's report does not state the number of employees to be laid off because at the moment ESM has about 8,000 employees, which by former estimates is by 1,000 more than the necessary minimum.

"The restructuring depends neither on us nor the Government. It is dedicated by the EU and the reorganization of the energy market in the whole region. Macedonia cannot stay out of the process," says Zlatko Simonovski, head of ESM's legal department. According to Simonovski, the ultimate goal of the restructuring is not privatization, but liberalization of the energy market, so that Macedonia can join the regional market.